New York Life Global Funding

$13,000,000,000

GLOBAL DEBT ISSUANCE PROGRAM

New York Life Global Funding, a special purpose statutory trust organized in series under the laws of the State of Delaware (the "Issuer"), may from time to time offer up to $13,000,000,000 of its senior secured medium-term notes (the "Notes") pursuant to the global debt issuance program (the "Program") described in this Offering Memorandum. The Notes will be offered in separate series (each, a "Series" or "Series of Notes"). The specific terms of the Notes of any Series will be set forth in the applicable final terms (each such document, the "Final Terms") prepared in connection with the issuance of the Notes of such Series. The Issuer will use the net proceeds from the sale of each Series of Notes to purchase a funding agreement (each a "Funding Agreement") from New York Life Insurance Company, a New York mutual life insurance company ("New York Life"). The exclusive purposes of the Issuer are, and the Issuer shall have the power and authority, to (i) issue and sell the Notes, (ii) use the net proceeds from the sale of the Notes to purchase Funding Agreements, (iii) pledge, collaterally assign and grant a security interest in the Series Collateral (as defined herein) for each Series of Notes to the Indenture Trustee (as defined herein), and (iv) engage in only those other activities necessary or incidental thereto. The Issuer is organized in series, as permitted by Sections 3804(a) and 3806(b)(2) of the Delaware Statutory Trust Act (the "Trust Act"). In connection with the issuance of each Series of Notes, the Issuer will create a separate series of beneficial interests in a segregated pool of assets of the Issuer (each, a "Series of the Issuer"). The applicable Series of Notes and the related liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to such Series of the Issuer will be enforceable only against the assets of such Series of the Issuer and not against the assets of the Issuer generally or the assets of any other Series of the Issuer. The individual Series of the Issuer are not separate legal entities.

The Notes of each Series will:

- rank pari passu with respect to each other;
- be secured by a Funding Agreement;
- bear interest at a fixed or floating rate payable on such dates as set forth in the applicable Final Terms, or bear no interest at all;
- mature 90 days or more from the date of issue;
- not be obligations of New York Life, any subsidiary or affiliate of New York Life or any other insurance company; and
- not benefit from any insurance guaranty fund coverage or any similar protection.

This Offering Memorandum has been approved by the Central Bank of Ireland (the "Central Bank"), as competent authority under Directive 2003/71/EC, as amended (the "Prospectus Directive"). The Central Bank only approves this Offering Memorandum as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application will be made to the Irish Stock Exchange plc (the "Irish Stock Exchange") for the Notes issued during the period of 12 months from the date of this Offering Memorandum to be admitted to the Official List (the "Official List") and trading on its regulated market. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area. This Offering Memorandum supersedes the Offering Memorandum dated March 30, 2016, as supplemented, in relation to the Program.

Series of Notes to be issued under the Program will be rated or unrated. Where a Series of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to Notes already issued. Where a Series of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not a rating in relation to any Series of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit rating agencies, as amended (the "CRA Regulation"), will be disclosed in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

See "Risk Factors" beginning on page 11 for a discussion of certain insurance regulatory issues and other factors that should be considered in evaluating an investment in the Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or any state or foreign securities laws and, unless so registered, may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or foreign securities laws. Accordingly, the Notes will be offered and sold (a) in the United States of America (the "United States" or "U.S."), only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) and (b) in "offshore transactions" to persons other than "U.S. persons" (each as defined in Regulation S under the Securities Act). Prospective purchasers that are qualified institutional buyers are hereby notified that the Issuer may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "Purchase and Transfer Restrictions."

Arranger for the Program

CREDIT SUISSE

U.S. Purchasing Agents	European Purchasing Agents
Credit Suisse	Credit Suisse
Barclays	Barclays
BofA Merrill Lynch	BofA Merrill Lynch
Citigroup	Citigroup
Deutsche Bank Securities	Deutsche Bank
Goldman, Sachs & Co.	Goldman Sachs International
HSBC	HSBC
J.P. Morgan	J.P. Morgan
Morgan Stanley	Morgan Stanley
UBS Investment Bank	UBS Investment Bank
US Bancorp	Wells Fargo Securities
Wells Fargo Securities	

Offering Memorandum dated March 24, 2017

The price and amount of Notes to be issued under the Program, up to the Authorized Amount, will be determined by the Issuer and each relevant Purchasing Agent.

FOR ARKANSAS RESIDENTS ONLY

The Notes may not be purchased by, offered, resold, pledged or otherwise transferred to an insurer domiciled in the State of Arkansas, a health maintenance organization, farmers' mutual aid association or other Arkansas domestic company regulated by the Arkansas Insurance Department.

FOR INDIANA RESIDENTS ONLY

The Indiana Insurance Department has stated that Indiana domestic insurers should contact the Indiana Insurance Department before purchasing the Notes.

FOR UNITED KINGDOM INVESTORS ONLY

In the United Kingdom, this Offering Memorandum, any Final Terms and any other documents or materials relating to the issue of the Notes are only being distributed to, and are only directed at, (1) persons who have professional experience in matters relating to investments and fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), (2) persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Order, or (3) any other persons to whom it may otherwise lawfully be communicated pursuant to the Order (each such person being referred to as a "**Relevant Person**"). Any investment or investment activity to which this Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. This Offering Memorandum must not be acted or relied on by persons who are not Relevant Persons.

The Notes will be offered from time to time by the Issuer to or through the Purchasing Agents (as defined herein) acting as principals or agents. The Purchasing Agents, individually or in a syndicate, may purchase the Notes, as principals from the Issuer for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by any such Purchasing Agent or, if so specified in the applicable Final Terms, for resale at a fixed offering price. In the alternative, the Issuer may agree with a Purchasing Agent that such Purchasing Agent will utilize its reasonable efforts on an agency basis on the Issuer's behalf to solicit offers to purchase Notes at 100% of the principal amount thereof.

The Issuer is not a subsidiary or an affiliate of New York Life, or any of its subsidiaries or affiliates. The obligations of the Issuer evidenced by the Notes will not be obligations of, and will not be guaranteed by, any other person, including, but not limited to, New York Life or any of its subsidiaries or affiliates. The obligations of New York Life under the Funding Agreements will not be obligations of, and will not be guaranteed by, any other person. The Series Collateral for a Series of Notes is the sole source of distributions on the Notes of such Series.

Under the Purchase Agreement (as defined herein), each Purchasing Agent has made, or will make, certain representations, warranties and covenants to the Issuer and New York Life. See "Plan of Distribution." No representation or warranty is made or implied by any Purchasing Agent or any of their respective affiliates to purchasers of Notes, and none of the Purchasing Agents nor any of their respective affiliates makes any

representation or warranty, or accepts any responsibility to purchasers of Notes, as to the accuracy or completeness of the information contained in this Offering Memorandum, except as described below.

Neither the delivery of this Offering Memorandum nor any applicable Final Terms nor the offering, sale or delivery of any Note shall create, in any circumstances, any implication that (i) the information contained in this Offering Memorandum is true subsequent to the date hereof or subsequent to the date upon which this Offering Memorandum has been most recently amended or supplemented, (ii) there have been no adverse changes in the financial situation of the Issuer or New York Life subsequent to the date hereof or subsequent to the date upon which this Offering Memorandum has been most recently amended or supplemented or (iii) any other information supplied in connection with the Notes is correct at any time subsequent to the date on which it is supplied, or, if different, the date indicated in the document containing such information.

This Offering Memorandum should be read and construed in accordance with any amendment or supplement hereto and with any other documents incorporated by reference herein or therein and, in relation to any Series of Notes, should be read and construed in accordance with the applicable Final Terms. Any statement contained in this Offering Memorandum or in any of the documents incorporated by reference in, and forming part of, this Offering Memorandum shall be deemed to be modified or superseded for the purpose of this Offering Memorandum to the extent that a statement contained in any applicable Final Terms is inconsistent with, modifies or supersedes such statement.

Each of the Issuer and New York Life has confirmed to the Purchasing Agents that this Offering Memorandum (read and construed in accordance with any amendment or supplement hereto and with any other documents incorporated by reference herein or therein and, in relation to any Series of Notes, read and construed in accordance with the applicable Final Terms) does not and, at the issue date for a particular Series of Notes will not, contain any untrue statement of a material fact or fail to state any material fact necessary in order to make statements herein, in light of the circumstances under which they were made, not misleading. The confirmation by each of the Issuer and New York Life is limited to the extent any untrue statements or omissions of material fact or alleged untrue statements or omissions were made in reliance upon and in conformity with any written information furnished by any of the Purchasing Agents to the Issuer or New York Life expressly for use in this Offering Memorandum (read and construed in accordance with any amendment or supplement hereto and with any other documents incorporated by reference herein or therein and, in relation to any Series of Notes, read and construed in accordance with the applicable Final Terms).

The offering of the Notes is being made in reliance upon an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. Each purchaser of Notes in making its purchase will be deemed to have made certain acknowledgments, representations, warranties, and agreements as set forth under "Purchase and Transfer Restrictions." The Notes have not been and will not be registered under the Securities Act or any state or foreign securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or foreign securities laws.

The Notes may not be transferred to, or acquired or held by, or acquired with the "plan assets" of, any Plan or other Plan Asset Entity or any Non-ERISA Plan (each as defined herein) or any entity the assets of which are treated as including the assets of a Non-ERISA Plan, unless the purchase, holding and disposition of the Notes by or on behalf of such plan or entity (i) in the case of a Plan or Plan Asset Entity, is exempt from the prohibited transaction provisions of Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), under Department of Labor Prohibited Transaction Class Exemption ("**PTCE**") 96-23, PTCE 95-60, PTCE 91-38, PTCE 90-1, PTCE 84-14, the Service Provider Exemption (as defined herein) or another applicable exemption, or (ii) in the case of a Non-ERISA Plan or entity the assets of which are treated as including the assets of a Non-ERISA Plan, will not violate any Similar Laws (as defined herein). See "ERISA and Other Benefit Plan Considerations" and "Purchase and Transfer Restrictions."

Because the primary assets of the Issuer will be one or more Funding Agreements issued by New York Life, there is a risk that the transfer of the Notes could subject the parties to such transfer to regulation under the

insurance laws of jurisdictions implicated by the transfer. Among other things, it is likely that if the Notes were to be deemed to be contracts of insurance, the ability of a holder to sell the Notes in secondary market transactions or otherwise would be substantially impaired and, to the extent any such sales could be effected, the proceeds realized from any such sales would be materially and adversely affected. See "Risk Factors—Risk Factors Relating to the Notes—If the Notes Were Deemed to Be Contracts of Insurance or Participations in the Funding Agreements, the Holders of the Notes Could Be Subject to Certain Regulatory Requirements and the Marketability and Market Value of the Notes Could Be Reduced."

None of the Purchasing Agents will be under any obligation to make a market in the Notes and, to the extent that such market making is commenced by any of the Purchasing Agents, it may be discontinued at any time. The Notes are subject to substantial restrictions on transfer as set forth under "Purchase and Transfer Restrictions." Given the restrictions on and risks related to transfer, there is no assurance that a secondary market will develop or, if it does develop, that it will provide holders of the Notes with adequate liquidity or that such liquidity will be sustained. Prospective investors should proceed on the assumption that they may have to bear the economic risk of an investment in the Notes until the Stated Maturity Date (as defined herein) of such Notes.

The Notes issued as Bearer Notes (as defined herein) are subject to U.S. tax law requirements. Bearer Notes with a maturity in excess of 183 days will be issued in a manner that ensures the Bearer Notes are in "registered form" for U.S. federal income tax purposes.

Prospective purchasers should rely only on the information contained in this Offering Memorandum (read and construed in accordance with any amendment or supplement hereto and with any other documents incorporated by reference herein or therein and, in relation to any Series of Notes, read and construed in accordance with the applicable Final Terms). No person is authorized by the Issuer or New York Life in connection with any offering made hereby to give any written information or to make any representation other than as contained in this Offering Memorandum (read and construed in accordance with any amendment or supplement hereto and with any other documents incorporated by reference herein or therein and, in relation to any Series of Notes, read and construed in accordance with the applicable Final Terms) and, if given or made, such written information or representation must not be relied upon as having been authorized by any of the Issuer, New York Life, the Arranger for the Program (as set forth on the cover of this Offering Memorandum) or any of the Purchasing Agents.

Neither this Offering Memorandum nor any document incorporated herein nor any applicable Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes in any jurisdiction in which it is unlawful to make such an offer or an invitation to subscribe and should not be considered as a recommendation by any of the Issuer, New York Life or any of the Purchasing Agents that any recipient of this Offering Memorandum or any applicable Final Terms should subscribe for or purchase any Notes. Each recipient of this Offering Memorandum, read as a whole with any amendment or supplement and each applicable Final Terms, shall be taken to have made its own investigation and appraisal of the condition (financial and otherwise) of the Issuer and New York Life.

Notwithstanding anything expressed or implied to the contrary, each prospective purchaser, and each of their employees, representatives and agents, are hereby expressly authorized to disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Offering Memorandum and all materials of any kind (including opinions or other tax analyses) that are provided to any such persons relating to such tax treatment and tax structure; provided, that any such disclosure of the tax treatment and tax structure and materials related thereto may not be made (i) in a manner that would constitute an offer to sell or the solicitation of an offer to buy the securities offered herein under applicable securities laws or (ii) when nondisclosure is reasonably necessary to comply with applicable securities laws. This authorization of tax disclosure is retroactively effective to the commencement of the first discussions between the offeror and the prospective purchaser regarding the transactions contemplated herein.

The Notes have not been approved or recommended by the U.S. Securities and Exchange Commission (the "**SEC**") or any other federal, state or foreign securities commission or securities regulatory authority or any insurance or other regulatory body. Furthermore, the foregoing authorities have not reviewed this document nor confirmed or determined the adequacy or accuracy of this document. Any representation to the contrary may be a criminal offense.

CRA REGULATION

None of A.M. Best Company ("**A.M. Best**"), Fitch Ratings, Inc. ("**Fitch**"), Moody's Investors Service, Inc. ("**Moody's**") or S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("**S&P**") is established in the European Union nor registered in accordance with the CRA Regulation, and therefore is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation; however, the ratings assigned by each of A.M. Best, Fitch, Moody's and S&P are endorsed in the European Union by A.M. Best Europe Rating Services Limited, Fitch Ratings Ltd., Moody's Investors Service Ltd. and Standard & Poor's Credit Market Services Europe Limited, respectively, each of which is registered under the CRA Regulation.

The rating of certain Series of the Notes to be issued under the Program may be specified in the applicable Final Terms. Whether or not each rating applied for in relation to the relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the applicable Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation. Such general restriction will also apply in the case of credit ratings issued by credit rating agencies not established in the European Union, unless either (i) the relevant credit ratings are endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (ii) the relevant rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

STABILIZATION

In connection with any Series of Notes, the Purchasing Agent or Purchasing Agents (if any) named as the stabilizing manager(s) (the "**Stabilizing Manager(s)**") (or persons acting on behalf of any Stabilizing Manager) in the applicable Final Terms may over-allot Notes (provided that, in the case of any Series of Notes to be admitted to trading on the regulated market of the Irish Stock Exchange or any other regulated market (within the meaning of Directive 2004/39/EC) in the European Economic Area, the aggregate principal amount of Notes allotted does not exceed 105 percent of the aggregate principal amount of the relevant Series) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Series of Notes is made and, if begun, may cease at any time, but it shall, in any event, end no later than the earlier of 30 days after the issue date of the relevant Series of Notes and 60 days after the date of the allotment of the relevant Series of Notes. Any such stabilizing shall be conducted in compliance with all relevant laws, guidelines and regulations. For a description of these activities, see "Plan of Distribution."

RESPONSIBILITY STATEMENT

Each of the Issuer and New York Life accepts responsibility that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum is, to the best of their knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise specified, the financial information of New York Life contained in this Offering Memorandum is based on New York Life's (i) annual audited statutory financial statements attached hereto (including any notes thereto, the "**Statutory Financial Statements**"), at and for the years ended December 31, 2016 and 2015 (the "**2016 Statutory Financial Statements**"), and at and for the years ended December 31, 2015 and 2014 and (ii) annual unaudited statutory statements (including any notes, schedules and supplements thereto) at and for the year ended December 31, 2016, which were included on pages 3 to 160 of the Base Prospectus Supplement dated March 9, 2017 to the Base Prospectus of the Issuer dated March 30, 2016 available for viewing at (http://www.ise.ie/debt_documents/Financial%20Supplement_4de401f3-f01e-4d8e-be70-9d628160f5e5.PDF) and incorporated by reference herein (the "**2016 Annual Statement**"). Any non-incorporated parts of the Base Prospectus Supplement dated March 9, 2017 are either deemed not relevant for an investor or are otherwise covered elsewhere in this Offering Memorandum. The Statutory Financial Statements and the 2016 Annual Statement are prepared in conformity with the National Association of Insurance Commissioners' ("**NAIC**") Accounting Practices and Procedures Manual ("**NAIC SAP**") prescribed or permitted by the New York State Department of Financial Services ("**NYSDFS**"). NAIC SAP differs in certain respects, which in some cases may be material, from accounting principles generally accepted in the United States ("**U.S. GAAP**") and international financial reporting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No. 1606/2002 ("**IFRS**"). See "Certain Financial and Accounting Matters—Accounting Policies and Principles" for an overview of significant differences between NAIC SAP and U.S. GAAP. See "Annex A—Significant Differences between NAIC SAP and IFRS Relevant to New York Life" for an overview of certain significant differences between NAIC SAP and IFRS.

DOCUMENTS INCORPORATED BY REFERENCE

With respect to the offering of any Series of Notes, the 2016 Annual Statement which was included on pages 3 to 160 of the Base Prospectus Supplement dated March 9, 2017 to the Base Prospectus of the Issuer dated March 30, 2016, shall be deemed to be incorporated by reference in, and form a part of, this Offering Memorandum, and all references herein to this Offering Memorandum shall be deemed to include the 2016 Annual Statement previously filed with the Irish Stock Exchange and available for viewing at (http://www.ise.ie/debt_documents/Financial%20Supplement_4de401f3-f01e-4d8e-be70-9d628160f5e5.PDF).

The 2016 Annual Statement which was included on pages 3 to 160 of the Base Prospectus Supplement dated March 9, 2017 to the Base Prospectus of the Issuer dated March 30, 2016 shall be incorporated in and become part of this Offering Memorandum; provided that any information contained in such document which is incorporated by reference herein shall be modified or superseded for the purposes of this Offering Memorandum to the extent that a statement contained herein modifies or supersedes such information (whether expressly, by implication or otherwise). Any statement which is modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Memorandum.

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OVERVIEW OF THE PROGRAM

The following is a brief description only and should be read in conjunction with the rest of this Offering Memorandum, any amendments or supplements hereto, and, in relation to the Notes, in conjunction with each applicable Final Terms and, to the extent applicable, the Description of the Notes set out herein. Unless the context otherwise requires, in this Offering Memorandum (i) references to New York Life are to New York Life Insurance Company on a stand-alone, non-consolidated basis and (ii) references to the Company are to New York Life Insurance Company, together with its domestic and international subsidiaries.

Issuer..	New York Life Global Funding, a special purpose statutory trust organized in series under the laws of the State of Delaware which may, from time to time, offer up to $13,000,000,000 of the Notes.
Series of the Issuer............................	The Issuer is organized in series, as permitted by Sections 3804(a) and 3806(b)(2) of the Trust Act. In connection with the issuance of each Series of Notes, the Issuer will create a separate Series of the Issuer. The applicable Series of Notes and the related liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to such Series of the Issuer will be enforceable only against the assets of such Series of the Issuer and not against the assets of the Issuer generally or the assets of any other Series of the Issuer. The individual Series of the Issuer are not separate legal entities. See "Description of the Issuer—The Issuer is Organized in Series."
Assets	The primary assets of the Issuer will be the Funding Agreements issued by New York Life. In addition, New York Life has agreed to pay certain expenses and other liabilities of the Issuer. See "Description of the Issuer—Expenses of the Issuer." Since New York Life will be the sole obligor under the Funding Agreements, the ability of the Issuer to meet its obligations, and the ability of the investors to receive payments from the Issuer, with respect to a particular Series of Notes, will be principally dependent upon New York Life's ability to perform its obligations under the Funding Agreement securing the Notes of the relevant Series. Despite this, investors will have no direct contractual rights against New York Life under any such Funding Agreement. In connection with the offering and sale of a Series of Notes, the Issuer will pledge, collaterally assign and grant a security interest in the applicable Series Collateral to the Indenture Trustee. Accordingly, recourse to New York Life under such Funding Agreement and other components of the applicable Series Collateral will be enforceable only by the Indenture Trustee as a secured party on behalf of holders of such Series of Notes and each other person on whose behalf the Indenture Trustee is or will be holding the applicable Series Collateral. The Funding Agreements will be held in a custodial account for the Indenture Trustee in the State of Delaware by Wilmington Trust Company (the "**Collateral Custodian**").
Purchasing Agents............................	Credit Suisse Securities (USA) LLC, Credit Suisse Securities (Europe) Limited, Barclays Capital Inc., Barclays Bank PLC, Citigroup Global Markets Inc., Citigroup Global Markets Limited, Deutsche Bank Securities Inc., Deutsche Bank AG, London Branch, Goldman, Sachs & Co., Goldman Sachs International, HSBC Securities (USA) Inc., HSBC Bank plc, J.P. Morgan Securities LLC, J.P. Morgan Securities plc, Merrill

	Lynch, Pierce, Fenner & Smith Incorporated, Merrill Lynch International, Morgan Stanley & Co. LLC, Morgan Stanley & Co. International plc, U.S. Bancorp Investments, Inc., UBS Securities LLC, UBS Limited, Wells Fargo Securities, LLC and Wells Fargo Securities International Limited, and, in addition to, or in lieu of, the foregoing, any other entity that may become a Purchasing Agent pursuant to the terms of the Purchase Agreement.
Administrative Trustee	Pursuant to the Trust Agreement (as defined herein), Wilmington Trust Company will be the sole administrative trustee of the Issuer generally and with respect to each Series of the Issuer (the "**Administrative Trustee**"). The Administrative Trustee will not be obligated in any way to make payments under or in respect of the Notes. The Administrative Trustee has not participated in the preparation of this Offering Memorandum and is not affiliated with New York Life, the Trust Beneficial Owner, the Series Beneficial Owner, the Indenture Trustee or any of their respective affiliates.
Trust Beneficial Owner and Series Beneficial Owner...............................	GSS Holdings II, Inc. (the "**Trust Beneficial Owner**") is the holder of the Beneficial Interest Certificate (as defined in the Trust Agreement) which evidences a beneficial interest in the General Property (as defined in the Trust Agreement) of the Issuer. Big Brothers Big Sisters of New York City (the "**Series Beneficial Owner**") will be designated as the sole beneficial owner of each Series of the Issuer. Neither the Trust Beneficial Owner nor the Series Beneficial Owner is affiliated with New York Life, the Administrative Trustee, the Indenture Trustee or any of their respective affiliates.
No Guarantee	The Issuer is not a subsidiary or affiliate of New York Life, or any of its subsidiaries or affiliates. The obligations of the Issuer evidenced by the Notes will not be obligations of, and will not be guaranteed by, any other person, including, but not limited to, New York Life or any of its subsidiaries or affiliates.
Notes	Up to an aggregate principal amount of $13,000,000,000 (or the equivalent in foreign or composite currencies) of Notes may be issued in multiple series. The Notes are considered to be asset-backed securities for the purposes of the Prospectus Directive. The Issuer may only issue a Series of Notes if New York Life has issued or will simultaneously issue a Funding Agreement to the Issuer, which will constitute an asset of the applicable Series of the Issuer and will become a part of the applicable Series Collateral. The Notes of a Series will all be subject to identical terms.
Indenture and Series Indentures......	Each Series of Notes will be issued under, subject to and entitled to the benefits of the indenture, dated as of August 22, 2003, between the Issuer and the Indenture Trustee, Paying Agent, Calculation Agent and Registrar (as amended or modified from time to time, the "**Indenture**") and a separate Series Indenture (as defined herein) by and between the Issuer and the Indenture Trustee. Each Series Indenture will incorporate the Indenture, which shall provide the terms that govern each separate Series Indenture thereunder, unless any such Series Indenture specifies otherwise.

Indenture Trustee	Citibank, N.A.
Paying Agent, Registrar, Custodian and Transfer Agent	Citibank, N.A.
Irish Listing Agent.............................	Arthur Cox Listing Services Limited.
Calculation Agent...............................	As specified from time to time in the applicable Final Terms. The Issuer reserves the right to terminate the appointment of a Calculation Agent and appoint a successor at any time.
Additional Transfer Agents, Paying Agents and Listing Agents	As specified from time to time in the applicable Final Terms.
Ratings..	Financial strength ratings of New York Life as of March 15, 2017: (i) A.M. Best: A++ (ii) Fitch: AAA (iii) Moody's: Aaa (iv) S & P: AA+ The foregoing ratings reflect the applicable rating agency's opinion of New York Life's financial strength, operating performance and ability to meet its obligations to policyholders and are not evaluations directed toward the protection of investors. Therefore, such ratings should not be relied upon when making any investment decision and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agencies.
Currency...	As specified from time to time in the applicable Final Terms.
Maturities...	Any maturity of 90 days or longer, as indicated in the applicable Final Terms, or such other minimum or maximum maturity that may be allowed or required from time to time by the relevant central bank or equivalent body (however designated) or any laws or regulations applicable to the Issuer or the currency in which the relevant Notes are denominated. See "Description of the Notes—General—Maturities."
Issue Price...	Notes may be issued at an issue price which is equal to, less than or more than their principal amount.
Form of Notes and Clearance	The Notes may be offered and sold in the United States only, outside the United States only or in and outside the United States simultaneously as part of a global offering. Depending on where the relevant Notes are offered, whether such Notes are issued in registered or bearer form and in what currency the Notes are issued, the Notes will clear through one or more of The Depository Trust Company ("**DTC**"), Euroclear Bank S.A./N.V., ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") or such other clearing system as may be specified in the applicable Final Terms. Notes sold pursuant to an offering made in the United States only will be issued in accordance with Rule 144A and will clear through DTC. Such Notes will initially be represented by one or more DTC Global Notes (as defined herein) deposited with a custodian for, and registered in the name of a nominee of, DTC. Notes represented by DTC Global Notes will trade

in DTC's Same-Day Funds Settlement System and secondary market trading activity in such Notes will therefore settle in same-day funds.

Except as described below, Notes sold pursuant to an offering made outside of the United States only will be issued in accordance with Regulation S and will initially be represented by one or more Temporary Global Registered Notes (as defined herein). Beneficial interests in a Temporary Global Registered Note will be exchanged for equivalent beneficial interests in one or more Permanent Global Registered Notes (as defined herein) following the expiration of a period that commences upon the completion of the distribution of the Notes of the applicable Series, as determined and certified by the applicable Purchasing Agent, and continues for 40 consecutive days (the "**Distribution Compliance Period**"). Such Global Registered Notes (as defined herein) will be deposited (i) in the case of U.S. dollar denominated Notes with a common depositary for, and registered in the name of a nominee of, DTC and (ii) in the case of non-U.S. dollar denominated Notes with a common depositary for, and registered in the name of a nominee of, Euroclear and/or Clearstream, Luxembourg, as the case may be.

Notes sold pursuant to an offering made in and outside the United States simultaneously as part of a global offering may be represented (i) solely by one or more DTC Global Notes deposited with a custodian for, and registered in the name of a nominee of, DTC or, (ii) alternatively, (a) by one or more DTC Global Notes so deposited and registered in respect of Notes sold in the United States and (b) by one or more separate Global Registered Notes deposited with a common depositary for, and registered in the name of a nominee of, Euroclear and/or Clearstream, Luxembourg, as the case may be, in respect of Notes sold outside the United States.

Beneficial interests in a Global Registered Note will be exchangeable for Definitive Registered Notes (as defined herein) only if such exchange is permitted by applicable law (including, without limitation, Regulation S) and (i) any clearing corporation with which any Global Registered Note is deposited and which is or whose nominee is the holder of such Global Registered Note shall have notified the Issuer that it or its nominee is unwilling or unable to continue as the depositary and Registered Holder (as defined in the Indenture) of such Global Registered Note and a successor clearing corporation or nominee, as applicable, is not appointed within 90 days; (ii) an Event of Default (as defined herein) shall have occurred and the maturity of the Notes of such Series shall have been accelerated in accordance with the terms of the Indenture, the applicable Series Indenture and the Notes of such Series; or (iii) the Issuer shall have decided in its sole discretion that the Notes of such Series should no longer be evidenced solely by one or more Global Registered Notes. The Definitive Registered Notes issued in exchange for beneficial interests in any Global Registered Note shall be of like tenor and of an equal aggregate principal amount, in authorized denominations. Such Definitive Registered Notes shall be registered in the name or names of such person or persons as the relevant clearing system shall instruct the Registrar. It is expected that such instructions may be based upon directions received by DTC from DTC participants with respect to ownership of beneficial interests in the DTC Global Notes. Except as provided above, owners of beneficial interests in a Global Registered Note will not be entitled to receive physical delivery of Definitive Registered Notes and will not be

considered the registered holders of such Notes for any purpose.

In certain circumstances, the Issuer may agree to issue Notes sold pursuant to an offering made outside the United States to non-U.S. persons in bearer form. Bearer Notes will initially be represented by one or more Temporary Global Bearer Notes (as defined in the Indenture), which will be deposited outside the United States on the original issue date thereof with a common depositary for Euroclear and Clearstream, Luxembourg. Bearer Notes with a maturity in excess of 183 days will be issued in a manner that ensures the Bearer Notes are in "registered form" for U.S. federal income tax purposes.

Upon the expiration of the applicable Distribution Compliance Period, beneficial interests in a Temporary Global Bearer Note will be exchangeable for beneficial interests in one or more Permanent Global Bearer Notes (as defined in the Indenture), as and to the extent provided in the applicable Temporary Global Bearer Note; *provided* that the required certification of beneficial ownership has been received. Interests in a Permanent Global Bearer Note will be exchangeable in whole but not in part for Definitive Bearer Notes (as defined in the Indenture), only if such exchange is permitted by applicable law (including, without limitation, Regulation S) and (i) any clearing corporation with which any Permanent Global Bearer Note is deposited and which is or whose nominee is the bearer of such Permanent Global Bearer Note shall have notified the Issuer that it or its nominee is terminating and a successor clearing corporation or nominee, as applicable, is not appointed within 90 days; (ii) an Event of Default (as defined herein) shall have occurred and the maturity of the Notes of such Series shall have been accelerated in accordance with the terms of the Indenture, the applicable Series Indenture and the Notes of such Series; or (iii) the issuance of a Definitive Bearer Note is at the Issuer's request upon a change in tax law that would be adverse to the Issuer but for the issuance of Definitive Bearer Notes. No Definitive Bearer Note delivered in exchange for a beneficial interest in a Permanent Global Bearer Note will be mailed or otherwise delivered to any location in the United States or its possessions in connection with such exchange. An exchange for a Definitive Bearer Note will be made at no charge to the holders of the beneficial interests in the Permanent Global Bearer Note being exchanged. Notwithstanding the foregoing, from and after such time as a Definitive Bearer Note is issued in exchange for a beneficial interest in a Permanent Global Bearer Note, any remaining interest in the Temporary Global Bearer Note will be exchangeable only for Definitive Bearer Notes.

Subject to restrictions set forth in the Indenture and each applicable Note Certificate (as defined in the Indenture) or Series Indenture, upon 60 days' written notice expiring at least 30 days after the Exchange Date (as defined in the Indenture) from the holder of a Definitive Bearer Note or from Euroclear and/or Clearstream, Luxembourg, as the case may be, acting on instructions from any owner of a beneficial interest in a Permanent Global Bearer Note, such Definitive Bearer Note or beneficial interest in a Permanent Global Bearer Note may be exchanged for a beneficial interest in a Global Registered Note of such Series containing identical terms, denominated as authorized in or pursuant to the Indenture or an applicable Note Certificate or Series Indenture and in the same aggregate principal amount. An exchange for a beneficial interest in a Global Registered Note

	will be made at no charge to the holder of the Definitive Bearer Note or the owner of the beneficial interest in the Permanent Global Bearer Note, as the case may be, being exchanged. Notwithstanding anything to the contrary, Registered Notes will not be exchangeable for Bearer Notes. References to Euroclear and/or Clearstream, Luxembourg in this Offering Memorandum shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing systems as may be specified in any applicable Final Terms.
Pricing Options	The Issuer may issue Notes that bear interest at fixed rates ("**Fixed Rate Notes**") or at floating rates ("**Floating Rate Notes**"). Such Notes will bear interest payable as set forth in the applicable Final Terms. The Issuer may also issue Discount Notes and Amortizing Notes (each as defined herein).
Payments	The Issuer will be obligated to make payments of principal of, any premium and interest on, and any Additional Amounts (as defined herein) with respect to, any Notes in the currency in which such Notes are denominated. Unless the context otherwise permits or requires, in this Offering Memorandum: (i) "**principal**", with respect to Discount Notes, means such amounts as shall be due and payable as specified in the terms of the applicable Discount Notes; and (ii) "**interest**" with respect to a Discount Note which by its terms bears interest only after maturity, means interest payable after maturity. Any such amounts to be paid by the Issuer in respect of DTC Global Notes denominated other than in U.S. dollars will, subject to the provisions of the applicable Final Terms, be converted into U.S. dollars for payment to the holders thereof as described under "Description of the Notes—Payments." Subject to the provisions of the applicable Final Terms, payments of principal of, any premium and interest on, and any Additional Amounts with respect to, any other Global Registered Notes and Bearer Notes will be made in the currency in which such Notes are denominated.
Denominations of Notes.....................	Subject to the provisions of the applicable Final Terms or as otherwise provided below, the Notes of a Series will be issued, with respect to U.S. dollar-denominated Notes, in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof. Any Notes admitted to the Official List and trading on the regulated market of the Irish Stock Exchange or on any other regulated market or offered to the public in any Member States of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive will be issued in minimum denominations of €100,000 (or the equivalent thereof in another currency at the time of issue); however, for so long as any Series of Notes is in global form and Euroclear and Clearstream, Luxembourg so permit, the Final Terms may provide that such Series of Notes in global form shall be tradeable in minimum denominations of €100,000 and integral multiples of €1,000 thereafter. Any Notes in respect of which the issue proceeds are received by the Issuer in the United Kingdom or the activity of issuing such Notes is carried on from an establishment maintained by the Issuer in the United Kingdom and which have a maturity of less than one year must (a) (i) have a minimum denomination of £l00,000 (or its equivalent in other currencies), and (ii) be issued only to persons (x) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments

	(as principal or agent) for the purposes of their businesses or (y) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (b) be issued in other circumstances that do not constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer.
Status of the Notes	The Notes of a Series will be direct, unconditional, secured and unsubordinated non-recourse obligations incurred by the Issuer with respect to the relevant Series of the Issuer and will rank equally among themselves without any preference. The Notes of each Series will be secured by, among other things, a Funding Agreement issued by New York Life to the Issuer. Willkie Farr & Gallagher LLP, special counsel for New York Life, has opined that in any rehabilitation, liquidation, conservation, dissolution or reorganization relating to New York Life, under New York law as in effect on the date of this Offering Memorandum, the claims under each Funding Agreement with respect to (i) payments of principal and interest would be accorded a priority equal to that of policyholders of New York Life (*i.e.* would rank *pari passu* with the claims of policyholders of New York Life) and superior to the claims of general creditors of New York Life and (ii) payments of Additional Amounts would rank *pari passu* with the claims of general creditors of New York Life.
Listing	Application will be made to the Irish Stock Exchange for the Notes issued during the period of 12 months from the date of this Offering Memorandum to be admitted to the Official List and trading on the regulated market of the Irish Stock Exchange, and copies of documents in relation to such Notes will be filed with the Central Bank and are expected to be approved for the purposes of the Prospectus Directive. However, Notes may also be (i) listed or admitted to trading on any other regulated market, (ii) listed or admitted to trading on a securities exchange which is not a regulated market, or (iii) not listed or admitted to trading on the Irish Stock Exchange or on any other regulated market or securities exchange. Each applicable Final Terms will indicate whether or not the Notes of that Series will be listed, and, if the Notes will be listed, on which securities exchange. Notes with a maturity of less than 12 months will not be listed. This Offering Memorandum comprises a base prospectus for the purposes of the Prospectus Directive. If any European and/or national legislation is adopted and is implemented or takes effect in Ireland in a form that would require either New York Life or the Issuer to publish or produce its financial statements according to accounting principles that are materially different from NAIC SAP or that would otherwise impose requirements on either of New York Life or the Issuer that such entity in good faith determines are impracticable or unduly burdensome, New York Life or the Issuer may elect to de-list the Notes. Each of New York Life and the Issuer will use its reasonable efforts to obtain an alternative admission to listing, trading and/or quotation for the Notes by another listing authority, exchange and/or system outside the EU, as the Issuer and New York Life may decide with the prior approval of the relevant Purchasing Agent(s). If such an alternative admission is not available to New York Life or the Issuer, or is, in either such entity's opinion, unduly burdensome, an alternative admission may not be

	obtained. Notice of any de-listing and/or alternative admission will be given as described in "General Information – Notices" herein.
Taxation..	Prospective purchasers of the Notes must carefully consider the tax consequences of the ownership and disposition of the Notes set forth under "Certain Tax Considerations" herein.
Withholding Tax and Payments of Additional Amounts	All payments in respect of the Notes will be made without any withholding or deduction for, or on account of, any present or future taxes, duties, levies, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of any governmental authority in the United States having power to tax, unless such withholding or deduction is required by law. If any withholding or deduction is required by law, then the Issuer will, subject to certain exceptions set out in full herein, pay such additional amounts ("**Additional Amounts**") so that the net amounts received by the holders of the Notes will equal the amounts that the holders would have received had no such deduction or withholding been required. See "Description of the Notes—Withholding Tax and Payments of Additional Amounts." New York Life will agree in each Funding Agreement that payments in respect of such Funding Agreement shall be made without any withholding or deduction for, or on account of, any present or future taxes, duties, levies, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of any governmental authority in the United States having the power to tax, unless such withholding or deduction is required by law. If any such withholding or deduction is required or if any such withholding or deduction is required under any related Notes, then New York Life, under the relevant Funding Agreement, will, subject to certain exceptions set out in full herein and therein, pay such Additional Amounts so that the net amount received by the Issuer or by the holder of the related Notes will equal the amount that would have been paid under the relevant Funding Agreement or any such related Notes had no such deduction or withholding been required. See "Description of Certain Terms and Conditions of the Funding Agreements—Payments of Additional Amounts." In addition, pursuant to the terms of each Funding Agreement, New York Life has certain rights to terminate the relevant Funding Agreement if New York Life is obligated to withhold or deduct any taxes with respect to payments under the Funding Agreement or pay any Additional Amounts, or if there is a material probability that New York Life will become obligated to do so (in the opinion of independent counsel selected by New York Life). See "Description of Certain Terms and Conditions of the Funding Agreements—Tax Redemption." The Issuer is required to redeem the Notes of the relevant Series as provided herein if New York Life exercises its right to terminate a Funding Agreement related to such Series. See "Description of the Notes—Tax Redemption."

Use of Proceeds	The Issuer will use the proceeds from the sale of each Series of Notes issued under the Program, net of certain expenses, underwriting discounts and commissions or similar applicable compensation, to purchase a Funding Agreement from New York Life.
Purchase and Transfer Restrictions.	The Notes have not been, and will not be, registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except as described under "Purchase and Transfer Restrictions" herein. The Notes will be offered and sold (a) in the United States only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) and (b) in "offshore transactions" to persons other than "U.S. persons" (each as defined in Regulation S under the Securities Act). In addition, because the primary assets of the Issuer are Funding Agreements issued by New York Life, there is a risk that the transfer of the Notes could subject the parties to the transfer to regulation under the insurance laws of the jurisdictions implicated by the transfer. Among other things, it is likely that if the Notes were to be deemed to be contracts of insurance, the ability of a holder to sell the Notes in secondary market transactions or otherwise would be substantially impaired and, to the extent any such sales could be effected, the proceeds realized from any such sales would be materially and adversely affected. See "Risk Factors—Risk Factors Relating to the Notes—If the Notes Were Deemed to Be Contracts of Insurance or Participations in the Funding Agreements, the Holders of the Notes Could Be Subject to Certain Regulatory Requirements and the Marketability and Market Value of the Notes Could Be Reduced." Bearer Notes are subject to U.S. tax law requirements. The Issuer will only issue Bearer Notes with a maturity in excess of 183 days that are treated as in "registered form" for U.S. federal income tax purposes. Temporary Global Bearer Notes and Permanent Global Bearer Notes will be "effectively immobilized" as required to be in "registered form" under U.S. federal income tax law requirements. Certain additional restrictions will apply to sales made in Canada, the United Kingdom and other member states of the European Economic Area and Japan, and other restrictions may apply in connection with a particular issuance of Notes. See "Plan of Distribution."
ERISA and Other Benefit Plan Considerations	Prospective purchasers of the Notes must carefully consider the restrictions on purchases set forth under "Purchase and Transfer Restrictions" and "ERISA and Other Benefit Plan Considerations."
Absence of Market for the Notes......	The Notes have no established trading market and there is no assurance that a secondary market will develop for the Notes. Although application will be made for the Notes to be admitted to the Official List and trading on the regulated market of the Irish Stock Exchange, Notes may be listed on another securities exchange or not listed on any securities exchange. None of the Purchasing Agents will be under any obligation to make a market in the Notes and, to the extent that such market making is commenced by any of the Purchasing Agents, it may be discontinued at any time. The Notes are subject to substantial restrictions on transfer as set forth under "Purchase and Transfer Restrictions" herein. Given the restrictions on and risks related to transfer, there is no assurance that a

	secondary market will develop or, if it does develop, that it will provide holders of the Notes with adequate liquidity or that such liquidity will be sustained. Prospective investors should proceed on the assumption that they may have to bear the economic risk of an investment in the Notes until the Stated Maturity Date of such Notes.
Governing Law	The Notes, the Indenture and the relevant Series Indentures will be governed by, and construed in accordance with, the laws of the State of New York, *except* as required by mandatory provisions of law and *except* to the extent that the validity or perfection of the ownership of, and security interest in, the relevant Funding Agreement constituting an asset of the relevant Series of the Issuer or remedies under the Indenture and the relevant Series Indenture in respect thereof may be governed by the laws of a jurisdiction other than the State of New York. The Trust Agreement and each Series Trust Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware. Each Funding Agreement will be governed by, and construed in accordance with, the laws of the State of New York.

RISK FACTORS

Prospective purchasers of the Notes should carefully review the information contained elsewhere in this Offering Memorandum, any amendment or supplement hereto and any applicable Final Terms, and should particularly consider the following.

Risk Factors Relating to the Notes

Noteholders Will Not Have any Direct Contractual Rights Against New York Life Under any Funding Agreements and the Claims of Noteholders are Limited to the Amount of the Applicable Series Collateral.

The obligations of the Issuer under the Notes of a Series, the Indenture and the applicable Series Indenture are payable only from the Series Collateral for such Series of Notes. See "Description of the Notes—General—Security; Limited Recourse." If any Event of Default shall occur with respect to any Series of Notes, the right of the holders of the Notes of such Series and the Indenture Trustee on behalf of such holders and other persons for whose benefit the Indenture Trustee is or will be holding such Series Collateral, will be limited to a proceeding against such Series Collateral. None of the holders of the Notes of such Series nor the Indenture Trustee on behalf of such holders and other persons for whose benefit the Indenture Trustee is or will be holding such Series Collateral, will have the right to proceed against the Series Collateral for any other Series of Notes or against New York Life or the other Non-Recourse Parties (as defined in "Description of the Notes—Non-Recourse Enforcement") to enforce the Notes or in the case of any deficiency judgment remaining after foreclosure of any property including the Series Collateral. All claims of holders of Notes of a Series in excess of amounts received by the relevant Series of the Issuer under each related Funding Agreement and other Series Collateral will be extinguished.

Following an Event of Default Under the Relevant Series of Notes, Payment of Certain Expenses Will Precede Payments Under the Relevant Series of Notes.

Any funds collected by the Indenture Trustee following an Event of Default, and any funds that may then be held or thereafter received by the Indenture Trustee as security with respect to the Notes of any Series, will be applied first to the payment of certain costs and expenses of the Indenture Trustee and any of its predecessors and their respective agents and attorneys in an aggregate amount of no more than $500,000 (the "**Priority Payments**") for all Series of Notes outstanding. The funds will next be applied to the payment of the amounts then due and unpaid on the Notes of such Series, ratably, without preference or priority of any kind, according to the aggregate principal amounts due and payable on such Notes. The amounts remaining after the payment of the Priority Payments may be insufficient to satisfy in full the payment obligations the Issuer has to the holders of Notes of a particular Series following the occurrence of an Event of Default.

There Is No Previous Market for the Notes to Be Issued, and Future Liquidity of the Notes May Be Limited.

Application will be made to the Irish Stock Exchange for any Series of Notes issued during the 12 months from the date of this Offering Memorandum to be admitted to the Official List, and trading on the regulated market of the Irish Stock Exchange. However, the Notes of any particular Series may be (i) listed or admitted to trading on any other regulated market, (ii) listed on a securities exchange which is not a regulated market or (iii) not listed on the Irish Stock Exchange or on any other regulated market or securities exchange. Moreover, no previous market exists for the Notes of any particular Series and no assurances can be given that any market will develop with respect to the Notes of any particular Series. The Purchasing Agents are under no obligation to make a market in the Notes and to the extent that such market making is commenced, it may be discontinued at any time. There is no assurance that a secondary market will develop or, if it does develop, that it will provide holders of the Notes with liquidity of investment or that it will continue for any period of time. The Notes have not been and will not be registered under the Securities Act or any state or foreign securities law and transfers of Notes are subject to substantial transfer restrictions. A holder of Notes of any Series may not be able to liquidate its investment readily, and the Notes may not be readily accepted as collateral for loans. It is likely that if the Notes were to be deemed to be contracts of insurance, the ability of a holder to offer, sell or transfer the Notes in a secondary market transaction or otherwise would be substantially impaired and, to the extent any such sale or transfer could be effected, the proceeds realized from such sale or transfer could be materially and adversely affected. Investors should proceed on

the assumption that they may have to hold the Notes until their Stated Maturity Date. See "Purchase and Transfer Restrictions."

If the Notes Were Deemed to Be Contracts of Insurance or Participations in the Funding Agreements, the Holders of the Notes Could Be Subject to Certain Regulatory Requirements and the Marketability and Market Value of the Notes Could Be Reduced.

The laws and regulations of the 50 states of the United States and the District of Columbia (the "**Covered Jurisdictions**") contain broad definitions of the activities that may constitute the business of insurance or the distribution of insurance products. Because the primary asset of the relevant Series of the Issuer will be a funding agreement issued by New York Life, it is possible that insurance regulators in one or more jurisdictions could take the position that (i) the issuance of the Notes by the relevant Series of the Issuer constitutes the indirect issuance of a funding agreement or other insurance product and (ii) the distribution, transfer, sale, resale or assignment of the Notes constitutes the production or sale of a funding agreement or other insurance product. If such a position were to be taken in any Covered Jurisdiction, the underlying activity and the persons conducting such activity (including the relevant Series of the Issuer, New York Life, a Purchasing Agent, an investor or such other person) could become subject to regulation under the insurance laws of one or more of the Covered Jurisdictions, which could, among other effects, require such persons to be subject to regulatory licensure or other qualification and levels of compliance that cannot practically be achieved. Failure to comply with such requirements could subject such persons to regulatory penalties. In addition, any such failure to comply with, or the threat of, any such regulation could reduce liquidity with respect to the Notes, prevent an investor from transferring the Notes and reduce the marketability and market value of the Notes. Therefore, any such regulation or threat of such regulation by any one or more Covered Jurisdictions could result in an investor either being unable to liquidate its investment in the Notes or, upon any such liquidation, receiving a value significantly less than the initial investment in the Notes.

Sidley Austin LLP advised Morgan Stanley & Co. LLC ("**Morgan Stanley**"), one of the Purchasing Agents of Notes under the Program, in a memorandum dated August 22, 2003 that it had obtained written confirmations from insurance regulators in 44 of the Covered Jurisdictions, and with respect to certain jurisdictions, subsequent verbal confirmations (the "**Regulatory Confirmations**") based in whole or in part on certain factual information provided by Morgan Stanley to such regulators containing a general description of a prototype funding agreement-backed securitization program (the "**Prototype Program"**) which Morgan Stanley believes to be substantially similar to the Program, including information concerning debt securities (the "**Program Securities"**) similar to the Notes, as deemed relevant by Morgan Stanley and its legal counsel. While each insurance regulatory agency in the Covered Jurisdictions has its own specific rules regulating funding agreements and/or contracts of insurance and/or the business of insurance, generally, such Regulatory Confirmations confirmed that:

(i) The Program Securities will not be considered to be funding agreements or insurance or annuity contracts under the insurance laws of the Covered Jurisdictions;

(ii) If the Program Securities are offered to or purchased by a Purchasing Agent in the Covered Jurisdictions, neither the issuer nor the insurer will be considered to be issuing funding agreements or insurance or annuity contracts or otherwise engaging in the business of insurance in each of the Covered Jurisdictions, respectively, solely as a result of such offer or sale of the Program Securities; and

(iii) None of the securities firms that sell the Program Securities initially or in the secondary market will be considered, solely as a result of such sales, to be (a) aiding and abetting the unauthorized sale in the Covered Jurisdictions of contracts governed by the insurance laws of each of the Covered Jurisdictions, respectively, or (b) selling such contracts in each of the Covered Jurisdictions, respectively.

In seven of the Covered Jurisdictions, namely Florida, Hawaii, Iowa, Louisiana, Mississippi, Missouri and New Mexico, the subject insurance regulatory agency did not issue a definitive reply to Morgan Stanley's request for a Regulatory Confirmation and, therefore, Morgan Stanley has received opinions of counsel which provide comfort with respect to these same issues in such seven Covered Jurisdictions. On August 22, 2003, Sidley Austin LLP advised Morgan Stanley that, based on the Regulatory Confirmations and such opinions, and the fact that the relevant features, terms and parameters of the Program and the Notes are consistent with those of the Prototype Program and the Program Securities, the foregoing conclusions should apply with respect to the Program and the

Notes, as described in this Offering Memorandum. Although New York Life has been provided with copies or summaries of such Regulatory Confirmations and opinions, New York Life believes that none of the other Purchasing Agents has been provided access to such Regulatory Confirmations and opinions and neither New York Life nor Morgan Stanley has obtained or received any information dated subsequent to August 22, 2003, nor does either of them have any current intention to obtain or receive any further guidance from insurance regulators or any opinions or advice of counsel in any Covered Jurisdiction as to these issues. There can be no assurance that since the date of such guidance, opinion or advice no such insurance regulator or counsel has changed its views as to these issues.

Notwithstanding the foregoing, there are variations in the insurance laws of the Covered Jurisdictions, nuances in their application, and differences in their interpretation or enforcement with respect to the subject regulatory issues. Insurance regulatory authorities have broad discretionary powers in administering the insurance laws of their respective jurisdictions, including the authority to modify or withdraw a regulatory interpretation and impose new rules. Advice of counsel may be erroneous or may represent a reasoned interpretation in circumstances where other conclusions are also possible. State courts are not necessarily bound by any regulatory interpretations and are not bound by opinions or advice of counsel, and such courts could take a contrary position. Further, factual information concerning the Prototype Program, the Program Securities, the Notes, the Issuer, the Series of the Issuer or New York Life which Morgan Stanley and its legal counsel did not deem material or relevant and was not disclosed to insurance regulators or local counsel in Covered Jurisdictions could be considered material by such regulators or counsel and, had such factual information been disclosed, could have resulted in different guidance or advice from such regulators or counsel. Finally, insurance regulators in the Covered Jurisdictions could raise insurance regulatory issues other than those noted above, which could adversely affect the issuance, purchase, resale, transfer or assignment of the Notes. For example, the California Department of Insurance has from time to time suggested that California's insurance securities laws may apply to the issuance of securities similar to the Notes. While Morgan Stanley was advised by counsel that such laws should not apply to the issuance of the Notes and that the California Department of Insurance has generally concurred with such conclusion, California's Regulatory Confirmation did not cover this issue with respect to Notes that may be issued under the Program. Accordingly, there can be no assurance that the purchase, resale, transfer or assignment of the Notes will not subject the parties to such transaction to regulation or enforcement proceedings under the insurance laws of one or more Covered Jurisdictions. Such a proceeding could result in fines, penalties and other civil and criminal enforcement actions, and could prohibit the transfer or effectiveness of the Notes without compliance with appropriate insurance licensing and other laws.

Furthermore, Morgan Stanley did not request or obtain any interpretations of the insurance laws of any jurisdiction other than the Covered Jurisdictions.

If Notes Are Redeemed, an Investor May Not Be Able to Reinvest the Redemption Proceeds in a Security Offering of Comparable Return.

The Issuer is required to redeem the Notes of a Series as described herein if New York Life exercises its right to terminate the Funding Agreement related to such Series upon the occurrence of certain tax events, including, without limitation, if New York Life is required to pay Additional Amounts. See "Description of the Notes—Tax Redemption." In addition, Notes of a particular Series may be redeemable at the option of the Issuer. In case of any redemption of Notes, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes being redeemed. New York Life's termination right under the relevant Funding Agreement also might adversely impact an investor's ability to sell the Notes.

Any Notes Denominated in a Foreign Currency Are Subject to Exchange Rate and Exchange Control Risks.

The information set forth below is directed to prospective purchasers who are U.S. residents. The Issuer disclaims any responsibility to advise prospective purchasers who are residents of countries other than the United States of any matters arising under foreign law that may affect the purchase of, or holding of, or receipt of payments on, the Notes. Such persons should consult their own legal and financial advisors concerning these matters.

An investment in a Note that is denominated or payable in, or the payment of which is linked to the value of, currencies other than U.S. dollars entails significant risks. These risks include the possibility of significant

changes in rates of exchange between the U.S. dollar and the relevant foreign currencies and the possibility of the imposition or modification of exchange controls by either the United States or foreign governments. These risks generally depend on economic and political events over which the Issuer and New York Life have no control.

In recent years, rates of exchange between U.S. dollars and some foreign currencies have been highly volatile, and this volatility may continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur during the term of any Note. Depreciation against the U.S. dollar of the currency in which a Note is payable would result in a decrease in the effective yield of the Note below its coupon rate and could result in an overall loss. In addition, depending on the specific terms of a currency-linked Note, changes in exchange rates relating to any of the relevant currencies could result in a decrease in its effective yield and in a loss of all or a substantial portion of the value of such Note.

Foreign exchange rates can either float or be fixed by sovereign governments. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to the U.S. dollar and to each other. However, from time to time governments may use a variety of techniques, such as intervention by a country's central bank or the imposition of regulatory controls or taxes to influence the exchange rates of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by a devaluation or revaluation of a currency. These governmental actions could change or interfere with currency valuations and currency fluctuations that would otherwise occur in response to economic forces, as well as in response to the movement of currencies across borders. The Issuer will not make any adjustment or change in the terms of the Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting the U.S. dollar or any applicable foreign currency. The holder of such Notes will bear those risks.

If the principal of, any premium or interest on, and any Additional Amounts with respect to, any Note are payable in a Specified Currency (as defined herein) other than U.S. dollars, which are not available due to the imposition of exchange controls or other circumstances beyond the control of the Issuer, the Issuer will be entitled to satisfy its obligations to holders of the Notes by making such payment in U.S. dollars on the basis of the most recently available bid quotation determined on the applicable determination date related to such payment from a leading foreign exchange bank in London or New York City selected by the applicable Paying Agent, for the purchase of U.S. dollars with the Specified Currency for settlement on such payment date of the aggregate amount of the Specified Currency payable to all holders of Notes denominated other than in U.S. dollars scheduled to receive U.S. dollar payments. Any payment made under such circumstances in U.S. dollars where the required payment is other than in U.S. dollars will not constitute an "Event of Default" under the Notes.

Furthermore, the Issuer may (if so specified in the applicable Final Terms) without the consent of the holder of any Note or coupon, redenominate all, but not less than all, of the Notes of any Series on or after the date on which the member state of the EU in whose national currency such Notes are denominated has become a participant member in the third stage of the European economic and monetary union, as more fully set out in the applicable Final Terms.

Each prospective purchaser of Notes should consult its own financial, legal and tax advisors as to any specific risks entailed by an investment by such purchaser in Notes that are denominated in, or the payment of which is related to the value of, foreign currency, as such Notes are not an appropriate investment for purchasers who are unsophisticated with respect to foreign currency transactions.

An Event of Default Under a Series of Notes May Not Constitute an "Event of Default" Under the Applicable Funding Agreement.

In certain circumstances, an Event of Default under a Series of Notes may not constitute an event of default under the applicable Funding Agreement. In such a case, it is possible that the obligations of the Issuer under any Series of Notes may be accelerated while the obligations of New York Life under the applicable Funding Agreement may not be similarly accelerated. If this occurs, the Indenture Trustee may have no or limited ability to proceed against the applicable Series Collateral and holders of Notes may not be paid in full or in a timely manner upon such

acceleration. See "Description of the Notes—Events of Default" and "Description of Certain Terms and Conditions of the Funding Agreements—Events of Default" in this Offering Memorandum.

The Issuer Has Limited Resources and Therefore Its Ability to Make Timely Payments With Respect to a Series of Notes Depends Entirely on New York Life Making Payments Under the Related Funding Agreements.

The Issuer is a special purpose statutory trust created on August 14, 2003 under the laws of the State of Delaware and organized in series as permitted by Sections 3804(a) and 3806(b)(2) of the Trust Act. The exclusive purposes of the Issuer are to (i) issue and sell the Notes, which are considered to be asset-backed securities for the purposes of the Prospectus Directive, (ii) use the net proceeds from the sale of the Notes to acquire Funding Agreements, (iii) pledge, collaterally assign and grant a security interest in the Series Collateral for each Series of Notes to the Indenture Trustee, and (iv) engage in only those other activities necessary or incidental thereto. The net worth of the Issuer on the date hereof is approximately $1,000 and is not expected to increase materially. The Issuer's principal assets are Funding Agreements issued by New York Life.

In connection with the issuance of each Series of Notes, the Issuer will create a separate Series of the Issuer. The applicable Series of Notes and the related liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to such Series of the Issuer will be enforceable only against the assets of such Series of the Issuer and not against the assets of the Issuer generally or the assets of any other Series of the Issuer. The Notes of each Series will be secured by, among other things, a Funding Agreement. No Notes of a Series will have any right to receive payments under a Funding Agreement related to any other Series. Accordingly, the Issuer will only be able to make timely payments with respect to a Series of Notes if New York Life has made all required payments under the Funding Agreement securing such Series of Notes.

The obligations of the Issuer evidenced by the Notes will not be obligations of, and will not be guaranteed by, any other person, including, but not limited to, New York Life or any of its subsidiaries or affiliates. None of these entities nor any agent, trustee or beneficial owner of the Issuer or of any Series of the Issuer is under any obligation to provide funds or capital to the Issuer generally or with respect to any Series of the Issuer, except with respect to certain indemnity obligations of New York Life. For more information on New York Life's indemnity obligations, see "Description of the Issuer—Expenses of the Issuer."

Risk Factors Relating to New York Life

The Funding Agreements Are Unsecured Obligations of New York Life. If the Funding Agreements Were Not Treated as Insurance Contracts, They Would Be Accorded the Same Priority in a Liquidation or Dissolution of New York Life as its Other General Unsecured Obligations.

The Funding Agreements, which are the sole source of payments for the Notes of any Series, are unsecured obligations of New York Life and, in the event of New York Life's insolvency, will be subject to the provisions of Article 74 of the New York Insurance Law (the "**Liquidation Act**"), which establishes the priority of claims from the estate of an insolvent New York insurance company. Willkie Farr & Gallagher LLP, special counsel for New York Life, has opined that in any rehabilitation, liquidation, conservation, dissolution or reorganization relating to New York Life, under New York law as it is in effect on the date of this Offering Memorandum, the claims under each Funding Agreement with respect to (i) payments of principal and interest would be accorded a priority in liquidation equal to that of policyholders of New York Life (*i.e.*, would rank *pari passu* with the claims of policyholders of New York Life) and superior to the claims of general creditors of New York Life and (ii) payments of Additional Amounts would rank *pari passu* with the claims of general creditors of New York Life. Such opinion of counsel is based upon certain facts, assumptions and qualifications (as set forth therein), is only an opinion and does not constitute a guarantee, and is not binding upon any court, including without limitation a court presiding over any rehabilitation, liquidation, conservation, dissolution or reorganization of New York Life under New York insurance law. If the Funding Agreements were not treated as insurance contracts under New York law, they would be accorded the same priority in a liquidation or dissolution of New York Life as its other general unsecured obligations.

Difficult Conditions in the Global Capital Markets and in the Economy May Adversely Affect New York Life's Business, Results of Operations, Financial Condition and Liquidity.

New York Life's business, results of operations, financial condition and liquidity could be materially affected by difficult conditions in the global capital markets and the economy generally, both in the United States and internationally. Stressed conditions, volatility and disruptions in global capital markets or in particular markets or financial asset classes can have an adverse effect on New York Life, in part because New York Life has a large investment portfolio and assets supporting New York Life's insurance liabilities are sensitive to changing market factors. Disruptions and volatility in individual market sectors within New York Life's investment portfolio could result in significant realized and unrealized losses. Global market factors, including interest rates, credit spreads, equity prices, real estate markets, foreign currency exchange rates, oil prices, consumer spending, business investment, government spending, the volatility and strength of the capital markets, deflation and inflation, all affect the business and economic environment and, ultimately, the profitability of New York Life's business. Disruptions in one market or asset class can also spread to other markets or asset classes. Upheavals in the financial markets could also affect New York Life's financial condition (including its liquidity and capital levels) to the extent that significant liabilities mature at a time when financial markets are unsettled.

Upheavals in the financial markets can also affect New York Life's business through their effects on general levels of economic activity, employment and customer behavior. In an economic downturn, characterized by higher unemployment, lower family incomes, lower corporate earnings, lower business investment and lower consumer spending, the demand for insurance products and financial products may be adversely affected. In addition, weak equity market performance could adversely affect sales of variable annuities, mutual funds and investment management products, cause potential purchasers of such products to refrain from making new or additional investments in such products and cause current investors to withdraw from the market or reduce their rates of ongoing investment.

At times throughout the past few years, volatile conditions have existed in financial markets. Significant market volatility, and government actions taken in response to market volatility, may exacerbate some of the risks New York Life faces. Concerns about global economic conditions and capital markets, the solvency of certain European Union ("**EU**") member states and their banking systems, and financial institutions that have significant direct or indirect exposure to debt issued by these countries or their banking systems, as well as concerns about the political and economic stability of countries outside the EU, such as China, Ukraine, Russia, Brazil and Japan, have created market volatility. On June 23, 2016, the United Kingdom held a referendum regarding its membership in the EU that resulted in a vote in favor of leaving the EU. Uncertainties related to the United Kingdom's potential withdrawal from the EU and concerns that more countries may consider leaving the EU have also contributed to market volatility. This market volatility has affected the performance of various asset classes at various times, and it could continue. In addition, it is possible that continued concerns about U.S. fiscal and monetary policy and the trajectory of the national debt of the United States could have severe repercussions to the United States and global credit and financial markets, further exacerbate concerns over sovereign debt of other countries and could disrupt economic activity in the United States and elsewhere. Any of these concerns could have significant adverse effects on the European and global economic and financial markets generally.

New York Life's revenues and net investment income are likely to remain under pressure in periods of uncertain financial market conditions. See "—New York Life Is Exposed to Significant Financial and Capital Market Risks Which May Adversely Affect Its Business, Results of Operations and Financial Condition" and "—The Occurrence of Natural or Man-Made Disasters Could Adversely Affect New York Life's Operations, Results of Operations and Financial Condition."

New York Life Is Exposed to Significant Financial and Capital Markets Risks Which May Adversely Affect Its Business, Results of Operations and Financial Condition.

New York Life is exposed to significant financial and capital markets risks, including changes in interest rates, credit spreads, equity prices, bond indices, real estate markets, market volatility, global economic performance in general, and the performance of specific obligors, including government securities included in its investment portfolio and other factors outside New York Life's control, including:

Interest Rate Risk

Fluctuations in interest rates can affect the profitability of New York Life's life insurance and annuity businesses, which are predominantly spread-based businesses. The income from certain New York Life insurance and annuity products is derived from the "spread" between the crediting rate New York Life is required to pay under policies and contracts and the rate of return New York Life is able to earn on its general account investments supporting such policies and contracts.

During periods of low or declining interest rates, as cash becomes available from premiums on life insurance and annuity policies, from maturity, redemption or sale of existing securities or from other sources, the yield on the new investments purchased will be lower than that on existing investments, thus lowering the average yield New York Life earns on its investment portfolio. Periods of low or declining interest rates have the potential to negatively affect New York Life's profitability in the following principal ways:

- New York Life is contractually obligated to credit a fixed minimum rate of interest on almost all of its life insurance and annuity policies. Should yields on new investments decline to levels below these guaranteed minimum rates for a long enough period, New York Life may be required to credit interest to policyholders at a higher rate than the rate of return it earns on its portfolio of investments supporting those products, thus generating losses.

- A lower portfolio rate restricts New York Life's ability to maintain its investment spread since competitive pressure and the need to satisfy policyholder expectations constrain how much New York Life can reduce rates credited to policyholder funds to compensate for declines in its portfolio rate.

Accordingly, low or declining interest rates may materially affect New York Life's results of operations, financial position and cash flows and significantly reduce its profitability.

New York Life is affected by the monetary policy of the United States and of the central banks around the world. In the United States, the Federal Reserve Board has taken a number of actions in recent years to spur economic activity by keeping interest rates low and through its asset purchase programs. In December 2015, noting improving economic outlook in the United States, the Federal Reserve Board raised the target range for the benchmark federal funds rate for the first time since 2008. The Federal Reserve Board again raised the benchmark federal funds rate in December 2016, and may take further actions to influence interest rates in the future, which may have an impact on the pricing levels of risk-bearing investments, and may impact the level of product sales.

Periods of high or increasing rates also have the potential to negatively affect New York Life's profitability. In periods of increasing interest rates, life insurance policy loans, surrenders and withdrawals may increase as policyholders seek investments with higher perceived returns. This could result in cash outflows requiring New York Life to sell invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which could cause New York Life to suffer realized investment losses. When interest rates rise, such as in inflationary periods, New York Life may also face competitive pressure to increase crediting rates on its life insurance and annuity contracts. Such changes in New York Life's crediting rates may occur more quickly than corresponding changes to the rates New York Life earns on its general account investments, thereby reducing its spreads in respect of such contracts. In addition, an increase in interest rates accompanied by unexpected extensions of certain lower yielding investments could result in a decline in New York Life's profitability. An increase in interest rates would also adversely affect the fair values of the fixed income securities in New York Life's investment portfolio.

Credit Risk

New York Life and its subsidiaries may realize losses on bonds held in their investment portfolios arising from defaults and impairments of bonds considered to be other-than-temporary. New York Life may also realize losses on delinquencies or defaults in its commercial loan portfolio.

New York Life's investment portfolio contains investments in financial institutions that have significant direct or indirect exposure to debt issued by certain EU member states, several of which have experienced above average public debt, inflation and unemployment in recent years. A number of EU member states are significantly impacted by the economies of their more influential neighbors, such as Germany. In addition, financial troubles of one nation can lead to troubles in others. In particular, a number of large European banks hold significant amounts of sovereign and/or financial institution debt of other European nations and could experience difficulties as a result of defaults or declines in the value of such debt.

Equity Risks

The value of New York Life's unaffiliated common and preferred stock portfolio and other equity investments could experience declines as a result of difficult conditions in the global capital markets and the economy. A portion of these investments in limited partnerships and other invested assets have underlying private equity characteristics. For a more detailed breakdown of the different types of limited partnership investments please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—New York Life's Investment Portfolio—Limited Partnerships and Other Invested Assets."

In addition, because the revenues of New York Life's investment management businesses are to a large extent based on fees related to the value of assets under management, declining equity and other capital markets could reduce such values and therefore reduce fee revenues. As different investment styles move in or out of favor and performance fluctuates, these businesses may experience asset outflows which would also reduce fee revenue.

Equity declines may also increase the exposure of New York Life and its wholly owned subsidiary New York Life Insurance and Annuity Corporation ("**NYLIAC**") to losses from annuity products that have guaranteed minimum benefits.

Fluctuations in Credit Spreads

New York Life's exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. A widening of credit spreads would reduce the value of New York Life's bond portfolio. Such widening of credit spreads, to the extent it reflects actual deterioration of credit quality, could result in higher other-than-temporary impairments. Credit spread tightening would reduce net investment income associated with new purchases of fixed income securities.

Regulatory Developments, Including the Implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Could Adversely Affect New York Life's Business.

New York Life's business is subject to comprehensive regulation and supervision throughout the U.S. and in the international markets in which it operates. New York Life is also affected by federal legislation and administrative policies in areas such as securities laws, employee benefit plan regulation, financial services regulations and federal and international taxation. Changes in laws or regulations or the interpretation thereof could significantly increase New York Life's compliance costs and tax expenses and reduce its profitability. Failure to comply with applicable regulations may expose New York Life to significant penalties and reputational damage. The results of the recent U.S. presidential and congressional elections may increase the chance of federal legislative and regulatory changes that could have an unknown impact on the laws and regulations applicable to New York Life.

Insurance Regulation. New York Life and its U.S. insurance subsidiaries are subject to comprehensive state regulation and supervision throughout the United States. State laws in the United States grant insurance regulatory authorities broad administrative powers with respect to, among other things, licensing companies and agents to transact business, calculating the value of assets to determine compliance with statutory requirements, mandating certain insurance benefits, regulating certain premium rates, reviewing and approving policy forms, regulating unfair trade and claims practices, including restrictions on marketing and sales practices, distribution agreements and payments of inducements, establishing and revising statutory reserve requirements and solvency standards, fixing maximum interest rates on life insurance policy loans and minimum rates for accumulation of

surrender values, approving future rate increases, restricting various transactions between affiliates, and regulating the types, amounts and valuation of investments.

From time to time, regulators raise issues during examinations or audits that could, if determined adversely, have a material impact on New York Life. New York Life cannot predict whether or when regulatory actions may be taken that could adversely affect its operations.

In addition, state insurance regulators and the NAIC frequently reexamine existing laws and regulations and insurance regulators may impose changes in the future that put further regulatory burdens on insurers. New or modified laws and regulations may increase compliance costs and, in some cases, adversely affect an insurer's operations. The NAIC regularly reviews and updates its statutory reserve and risk-based capital requirements. Changes to these requirements may increase the amount of reserves and capital that New York Life and its U.S. insurance subsidiaries are required to hold. Moreover, the NAIC is developing a principle-based reserving ("**PBR**") approach for life insurers with implementation beginning in 2017, and the NYDFS has announced that it will adopt a PBR approach for life insurers beginning in 2018. Under a PBR framework, statutory reserves for new business would reflect a combination of company experience and prescribed assumptions and methodologies. The ultimate financial impact of the PBR framework on new business is uncertain, but it could result in higher reserves, more volatile reserves and potentially higher relative tax costs.

Assessments are levied against New York Life and its U.S. insurance subsidiaries as a result of mandatory participation in various types of state guaranty associations. The amounts of such assessments are highly unpredictable and could increase significantly if there is an increase in the number or size of insurance companies which become insolvent or subject to rehabilitation.

U.S. Federal Regulation Affecting Insurance. Federal initiatives often have an impact on New York Life's life insurance business. The Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank**") is significantly changing financial regulation in the United States. Among other things, Dodd-Frank establishes a process for the designation of nonbank financial companies by the Financial Stability Oversight Council ("**FSOC**"). Companies that are designated by FSOC as "systemically important financial institutions" ("**SIFIs**") are subject to heightened prudential standards and supervision by the Federal Reserve Board. Since FSOC made its first SIFI designations in 2013, New York Life has not been, and does not believe it will be, designated by FSOC as an SIFI and therefore does not expect to be subject to heightened prudential standards and supervision by the Federal Reserve Board. Other aspects of Dodd-Frank that affect or could affect New York Life include new conditions on the writing and trading of derivatives and the maintenance of information with respect to such instruments, and the possible adoption of new regulations that could affect the sale and distribution of variable annuity and variable life insurance products. Dodd-Frank also allows federal regulators to compel state insurance regulators to liquidate an insolvent insurer under some circumstances if the state regulators have not acted within a specific period, and establishes the Federal Insurance Office ("**FIO**"), which has the authority to develop federal policy on prudential international insurance matters, including by participating in the negotiation of international insurance agreements with foreign regulators for the United States. The FIO also is authorized to collect information about the insurance industry and identify gaps in regulation that could contribute to a systemic crisis in the industry or the broader financial system. While not having a general supervisory or regulatory authority over the business of insurance, the director of this office performs various functions with respect to insurance, including serving as a non-voting member of FSOC and making recommendations to FSOC regarding insurers to be designated as systemically important and therefore subject to heightened prudential standards and oversight by the Federal Reserve Board.

Given the large number of provisions that must be implemented through regulatory action, New York Life cannot predict what impact Dodd-Frank could have on its business, results of operations and financial condition. New York Life also cannot predict how President Trump's February 2017 executive order outlining his administration's core principles for regulation of the financial system, or future legislation, will impact New York Life.

Furthermore, Congress has considered, and may consider in the future, legislative proposals that could impact the estimated fair value of mortgage loans, such as legislation that would permit bankruptcy courts to rewrite the terms of a mortgage contract, including reducing the principal balance of mortgage loans owed by bankrupt

borrowers, or legislation that requires loan modifications. These activities could result in the loss of principal on certain of New York Life's non-agency residential mortgage-backed security ("**RMBS**") holdings and a ratings downgrade in such holdings which, in turn, would cause an increase in unrealized losses on such securities and increase the risk-based capital that New York Life must hold to support its investments.

Federal legislation and administrative policies in other areas, including employee benefit plan regulation and individual retirement account regulation, federal taxation and securities regulation, could significantly affect the insurance industry and the costs faced by its participants. In that regard, in April 2016 the U.S. Department of Labor ("**DOL**") issued a final regulation accompanied by new class exemptions and amendments to long-standing exemptions from the prohibited transaction provisions under ERISA (collectively, the "**Rule**"), with applicability beginning on April 10, 2017, and additional compliance with certain other provisions required by January 1, 2018. The Rule redefines who will be considered a "fiduciary" for purposes of providing advice and sales of products to, and other transactions with, tax-qualified ERISA plans and ERISA welfare plans (collectively, "**ERISA plans**"), ERISA plan fiduciaries and participants, and Individual Retirement Accounts ("**IRAs**"). The Rule generally provides that covered investment advice to an ERISA plan fiduciary or participant, or an IRA owner will be treated as a fiduciary activity. New York Life has analyzed the Rule's impact, and is implementing the adjustments that New York Life believes are necessary to comply with the Rule as of the anticipated applicability date of April 10, 2017.

On February 3, 2017, a Presidential memorandum directed the DOL to examine the Rule to determine whether it may adversely affect access to retirement information and advice, and if so, to issue a proposed rule rescinding or revising the Rule. On March 2, 2017, the DOL published a notice proposing a 60-day extension of the Rule's anticipated applicability date from April 10, 2017 to June 9, 2017 (the "**Notice**"), and requesting comments on the Rule, as called for in the February 3, 2017 Presidential memorandum to DOL. The Notice also provides that upon completion of its examination, the DOL may allow the Rule to become applicable, issue a further extension of the applicability date, propose to withdraw the rule, or propose amendments to the Rule. New York Life cannot predict what impact the Notice or the DOL's examination will have on the Rule, or how any potential amendments to the Rule may affect New York Life's business.

If the Rule becomes applicable in its current form on April 10, 2017, the Rule would broaden the circumstances under which New York Life and its sales personnel in providing investment advice to ERISA plans and IRAs could be deemed fiduciaries under ERISA or the Code, and increase fiduciary liability and prohibited transaction exposure in connection with providing advice and sales of products to, and other transactions with, ERISA plans and IRAs. For more information, see "—Changes in Tax Laws and the Interpretation Thereof Could Adversely Affect New York Life's Business" and "Regulation and Supervision—ERISA."

Regulation of Brokers and Dealers and Investment Advisers. Certain insurance policies and annuity contracts offered by NYLIAC, and all of the mutual funds and municipal fund securities (interests in college savings plans established pursuant to Section 529 of the Code) offered by certain subsidiaries of New York Life, are subject to various forms of regulation under the federal securities laws administered by the SEC. The Financial Industry Regulatory Authority ("**FINRA**"), a securities self-regulatory organization, as well as the states in which certain subsidiaries of New York Life offer securities products, provide investment advisory services, or conduct other securities-related activities, also regulate aspects of the securities-related businesses of such subsidiaries. If a regulator determines that any such subsidiary has failed to comply with such laws and regulations, its securities-related business could be adversely affected.

In addition, Dodd-Frank required the SEC to study the effectiveness of existing standards of care applicable to personalized investment advice and recommendations provided to retail customers and whether there were gaps that should be addressed through rulemaking or legislation. Although the SEC completed its study in January 2011 recommending (with two Commissioners dissenting) that the SEC establish a uniform fiduciary standard of care for broker-dealers and investment advisers, it has yet to issue proposed rules to implement this new standard of care. Until the regulatory process is completed, the impact on New York Life's broker-dealers and investment advisers, and on the sales and distribution systems for New York Life's variable life insurance and annuity products, cannot be determined. Future laws and regulations, including regulations promulgated pursuant to Dodd-Frank, or the interpretation thereof, could also materially and adversely affect New York Life's business, results of operations and

financial condition by increasing compliance expenses and the cost of conducting business. Moreover, New York Life cannot predict how President Trump's February 2017 executive order outlining his administration's core principles for regulation of the financial system will impact New York Life.

Adverse Capital and Credit Market Conditions May Significantly Affect New York Life's Ability to Meet Liquidity Needs or Access Capital, as well as Affect New York Life's Cost of Capital.

The capital and credit markets may be subject to periods of extreme volatility and disruption, which have at times severely limited the availability of credit. New York Life needs liquidity to pay benefits and other operating expenses, provide its subsidiaries with funds to meet their business needs and to support growth, and to repay certain maturing liabilities.

If New York Life were to need access to additional financing for any reason at a time of volatility or disruption in the capital and credit markets, its ability to obtain such financing could be limited and the cost of any such financing could be significant. New York Life's access to financing depends on a variety of factors such as market conditions, regulatory conditions, the availability of credit to New York Life and the life insurance industry generally, volume of trading activities and New York Life's credit ratings and credit capacity. Similarly, New York Life's access to funds could be adversely affected if regulatory authorities or rating agencies took negative actions against it, such as a ratings downgrade. If a combination of these factors were to occur, New York Life might not be able to successfully obtain additional financing on favorable terms, or at all.

Some of New York Life's Investments Are Relatively Illiquid or Are in Asset Classes That Have Experienced Significant Market Valuation Fluctuations.

New York Life holds certain investments that lack liquidity, such as privately placed fixed income securities and loans; equity real estate; and private equity and other limited partnership interests. If New York Life were to require significant amounts of cash on short notice in excess of cash on hand and liquid investments, New York Life could have difficulty selling these investments in a timely manner or be forced to sell them for less than it otherwise would have been able to realize, or both.

New York Life also holds certain investments in asset classes that are liquid but have in the past experienced significant market fluctuations, such as mortgage-backed and other asset-backed securities. The reported value of New York Life's relatively illiquid types of investments, its investments in the asset classes described above and, at times, its high quality, generally liquid asset classes, do not necessarily reflect the price that New York Life would realize upon the sale of the asset. If New York Life were forced to sell certain of its assets in a volatile or illiquid market, market prices may be lower than New York Life's carrying value in such investments. This could result in realized losses which could have a material adverse effect on New York Life's net income and financial position.

New York Life Faces Significant Competition.

New York Life faces significant competition in its insurance and investment management businesses. New York Life's ability to compete is based on a number of factors, including product features, investment performance, service, price, distribution capabilities, scale, commission structure, name recognition and financial strength ratings. A decline in New York Life's competitive position as to one or more of these factors could adversely affect its profitability. The nature of New York Life's businesses means that actual and potential competitors include a large number of insurance companies, mutual fund companies, banks and investment management firms. Industry consolidation, including acquisitions of insurance and other financial services companies in the United States by international companies, could result in larger competitors with strong financial resources, marketing and distribution capabilities and brand identities. In its international business, New York Life is competing against established local and international participants. These competitive pressures could result in increased pressure on the pricing of New York Life's products and services, and could harm its ability to maintain or increase profitability.

New York Life's career agency force is the primary means by which it distributes life insurance and annuity products. In order to continue increasing life insurance and annuity sales, New York Life must attract, develop and retain those who are or can be productive career agents. Competition exists among insurers for sales

representatives with such skills. New York Life and its U.S. insurance subsidiaries compete with other insurers for sales representatives primarily on the basis of their financial condition, support services and compensation and product features.

New York Life's ability to maintain sales growth also depends, to a lesser extent, on its ability to have continued success in its alternative distribution channels. Distributors are generally free to sell products from whichever providers they wish, which makes it important for New York Life to continually offer distributors products and services they find attractive.

Downgrades or Potential Downgrades in New York Life's Ratings Could Harm Its Competitive Position in the Life Insurance Market and Could Adversely Impact an Investment in the Notes.

Nationally recognized statistical rating organizations ("**NRSROs**"), such as A.M. Best, Fitch, Moody's and S&P, publish financial strength/claims paying ability ratings on life insurance companies, including New York Life, based on their evaluations of an insurance company's ability to meet its financial obligations. These ratings indicate an NRSRO's view of an insurance company's ability to meet its obligations to its insureds. NRSROs also assign credit ratings to New York Life's debt securities and surplus notes. Credit ratings are indicators of a debt issuer's ability to meet the terms of debt obligations in a timely manner, and are important factors in overall funding profile and ability to access external capital.

In certain of New York Life's markets, ratings are an important competitive factor. NRSROs continue to review the financial performance and condition of life insurers, including New York Life. A significant downgrade in New York Life's ratings, or the potential for such a downgrade, could adversely affect its competitive position in the life insurance market and increase its cost of funds.

New York Life cannot predict what actions rating agencies may take in the future that could adversely affect its business. As with other companies in the financial services industry, New York Life's financial strength/ claims paying ability ratings and ratings of New York Life's debt securities and outstanding surplus notes could be downgraded at any time and without any notice by any NRSRO and there can be no assurance that a rating will be maintained for any given period of time or that a rating will not be lowered or withdrawn in its entirety. In addition, it is possible that the NRSROs may change the benchmarks they use to analyze capital, liquidity, earnings and other factors that are critical to the assignment of a particular rating.

Although New York Life's ratings are not ratings of the Notes offered hereby, a downgrade of New York Life's ratings would most likely result in a corresponding downgrade of ratings of any outstanding Series of Notes. In addition, any downgrade or potential downgrade in the ratings assigned to the Notes or to New York Life's ratings in general could adversely impact the trading prices of, and the liquidity of any market for, the Notes.

The Amount of Statutory Capital that New York Life Must Hold is Sensitive to a Number of Factors Outside of its Control, Including Equity Market and Credit Market Conditions.

New York Life conducts its insurance business directly and through licensed insurance company subsidiaries. Insurance regulators and the NAIC prescribe accounting standards and statutory capital and reserve requirements for New York Life and its U.S. insurance company subsidiaries. The NAIC has established regulations that provide minimum capitalization requirements based on risk-based capital ("**RBC**") formulas for life insurance companies that are a function of asset, insurance business, interest rate and operational and management risks.

In any particular year, statutory surplus amounts and RBC ratios may increase or decrease depending on a variety of factors, including the amount of statutory income or losses generated by New York Life (which itself is sensitive to equity market and credit market conditions), the amount of additional capital it must hold to support its business growth, changes in equity market levels, the value of certain fixed-income and equity securities in its investment portfolio, the value of certain derivative instruments and changes in interest rates and foreign currency exchange rates, as well as changes to the NAIC RBC formulas. These factors are outside of New York Life's control. Increases in the amount of required statutory reserves reduce the statutory capital used in calculating New

York Life's RBC ratios. In addition, in extreme scenarios of equity market declines, the amount of additional statutory reserves that NYLIAC is required to hold for its variable annuity guarantees would increase, which would decrease NYLIAC's, and therefore New York Life's, statutory surplus. New York Life's statutory surplus and RBC ratios have a significant influence on its financial strength/claims paying ability ratings.

The NAIC, the FIO and the Federal Reserve, as well as international insurance regulators at the International Association of Insurance Supervisors ("**IAIS**") continue to work to develop group capital calculations or group capital standards. The NAIC has begun to develop a group capital assessment. The NAIC, FIO and the Federal Reserve are participating in efforts at the IAIS to develop a global "insurance capital standard." Concerns remain about how such global standards will interact with existing U.S. regulatory requirements and the proposed rulemaking being developed by the Federal Reserve Board with respect to SIFIs and insurer savings and loan holding companies. New York Life cannot predict what impact these proposed capital standards may have on its operations. It is possible that New York Life or its affiliates may be required to hold additional capital, which may adversely affect its operations.

To the extent that New York Life's statutory capital resources are deemed to be insufficient to maintain a particular rating by one or more NRSROs, it may seek to improve its capital position, including through operational changes and potentially seeking outside capital. If New York Life is not able to improve its capital position in such a scenario for any reason, any ratings downgrade that followed could have a material and adverse effect on New York Life's business, results of operations, financial condition and liquidity.

The Determination of the Amount of Allowances and Impairments Taken on New York Life's Investments Is Subjective and Could Materially Impact Its Results of Operations or Financial Condition.

The determination of the amount of allowances and impairments of investments varies by investment type and is based upon New York Life's periodic evaluation and assessment of risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. Management updates its evaluations quarterly and reflects changes in allowances and impairments in operations as such evaluations are revised. There can be no assurance that New York Life's management's best estimate reflects actual losses that New York Life will ultimately incur on these investments. Furthermore, additional impairments may need to be taken or allowances provided for in the future. Historical trends may not be indicative of future impairments or allowances.

For example, the cost of New York Life's fixed income and equity securities is adjusted for impairments deemed to be other-than-temporary that are charged to earnings in the period in which the determination is made. The assessment of whether impairments have occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in fair value of a security. New York Life's management considers a wide range of factors about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. For further information regarding New York Life's impairment methodology, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—New York Life's Investment Portfolio."

Losses Due to Defaults by, or Deteriorating Credit of, Others, Including Issuers of Investment Securities, Reinsurers and Derivative Instrument Counterparties, Could Adversely Affect the Value of New York Life's Investments, Results of Operations, Financial Condition or Liquidity.

Issuers or borrowers whose securities or loans are held by New York Life, customers, trading counterparties, counterparties under swaps and other derivative contracts, reinsurers, clearing agents, exchanges, clearing houses and other financial intermediaries and guarantors may default on their obligations to New York Life due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure or other reasons. Such defaults could have a material adverse effect on New York Life's results of operations, financial condition and liquidity. In addition, the underlying collateral supporting structured securities held by New York Life, including mortgage-backed securities, may deteriorate or default causing these structured securities to be defaulted.

New York Life uses reinsurance and derivative instruments to mitigate its risks in various circumstances and to hedge various business risks. Amounts that New York Life expects to collect under reinsurance and derivative contracts are subject to counterparty risk. New York Life's obligations are not changed by its risk mitigation activities, and defaults by reinsurers and derivative counterparties could have a material adverse effect on New York Life's financial condition and results of operations.

Deviations from Assumptions Regarding Future Mortality, Morbidity and Interest Rates Used in Calculating Reserve Amounts and Pricing New York Life's Products Could Have a Material Adverse Impact on Its Results of Operations or Financial Condition.

New York Life establishes and carries reserves to pay future policyholder benefits and claims. The process of calculating reserve amounts for an insurance organization involves the use of a number of estimates and assumptions including those related to mortality (the relative incidence of death in a given time or place), morbidity (the incidence rate of a disease or medical condition) and interest rates (the rates expected to be paid or received on financial instruments, including insurance or investment contracts). Since New York Life cannot precisely determine the amount or timing of actual future benefits and claims, actual results could differ significantly from those assumed. Deviations from one or more of these estimates and assumptions could have a material adverse effect on New York Life's results of operations or financial condition.

New York Life sets prices for many of its insurance and annuity products based upon expected claims and payment patterns, using assumptions for mortality, morbidity, persistency (how long a contract stays in force) and interest rates. In addition to the potential effect of natural or man-made disasters, significant increases in mortality could emerge gradually over time, due to changes in the natural environment, the health habits of the insured population, effectiveness of treatment for disease or disability, or other factors. In addition, New York Life could fail to accurately provide for changes in other pricing assumptions, including changes in interest and inflation rates. Significant deviations in actual experience from New York Life's pricing assumptions could have a material adverse effect on the profitability of its products. New York Life's earnings are significantly influenced by the claims paid under its insurance contracts and will vary from period to period depending upon the amount of claims incurred. There is only limited predictability of claims experience within any given month or year. New York Life's future experience may not match its pricing assumptions or its past results. As a result of adverse experience, its results of operations and financial condition could be materially adversely affected.

Changes In New York Life's Assumptions Regarding the Discount Rate, Expected Rate of Return, Life Expectancy and Expected Increase in Compensation Used For New York Life's Pension and Other Postretirement Benefit Plans May Result In Increased Expenses and Reduce New York Life's Profitability.

New York Life determines its pension and other postretirement benefit plan costs based on assumed discount rates, expected rates of return on plan assets, life expectancy of plan participants and expected increases in compensation levels and trends in health care costs. Changes in these assumptions, including from the impact of a sustained low interest rate environment, may result in increased expenses and reduce New York Life's profitability.

New York Life's Risk Management Policies and Procedures May Leave It Exposed to Unidentified or Unanticipated Risks, Which Could Negatively Affect New York Life's Business.

New York Life has devoted significant resources to develop and periodically update its risk management policies and procedures and expects to do so in the future. However, New York Life's policies and procedures to identify, monitor and manage risks may not be fully effective. Many of the methods used by New York Life to manage risk and exposures are based on the use of observed historical market behavior or statistics based on historical models. As a result, these methods may not predict future exposures, which could be significantly greater than the historical measures indicate. Other risk management methods depend on the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that is publicly available or is otherwise accessible to New York Life, which may not always be accurate, complete, up-to-date or properly evaluated. Moreover, New York Life is subject to the risk of inadequate performance of contractual obligations by third-party vendors of products and services that are used in its businesses or to whom New York Life outsources certain business functions, as well as the risk of past or future misconduct by employees of its vendors and service providers, which could result in violations of law by New York Life, regulatory sanctions and/or reputational or

financial harm. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not always be fully effective.

New York Life's Requirements to Post Collateral or Make Payments Related to Declines in Market Value of Specified Assets Could Adversely Affect Its Liquidity and Expose it to Counterparty Credit Risk.

Many of New York Life's derivatives transactions with financial and other institutions specify the circumstances under which the parties are required to post collateral. In addition, under the terms of some of its transactions, New York Life may be required to make payments to New York Life's counterparties related to any decline in the market value of the specified assets. The amount of collateral New York Life is required to post and the payments it may be required to make under these agreements may incrementally increase under certain circumstances.

New York Life's Securities Lending Program Subjects It to Potential Liquidity and Other Risks.

New York Life has a securities lending program whereby fixed income securities are loaned to third parties, primarily major brokerage firms and commercial banks. The borrowers of these securities provide New York Life with collateral, typically cash. New York Life separately manages this collateral and invests such collateral in other securities, primarily U.S. Treasuries, U.S. government agency securities and mortgage-backed securities and highly rated corporate fixed income securities with short durations. Securities loaned under such transactions may be sold or repledged by the transferee.

As of December 31, 2016, all of the securities on loan under the program could be returned to New York Life by the borrowers, or called by New York Life, at any time. Returns of loaned securities would require New York Life to return the cash collateral associated with such loaned securities. In addition, in some cases, the maturity of the securities held as invested collateral (i.e., securities that New York Life has purchased with cash received from third parties) may exceed the term of the related securities loan and the market value may fall below the amount of cash received as collateral and invested. If New York Life is required to return significant amounts of cash collateral on short notice and it is forced to sell securities to meet the return obligation, it may have difficulty selling such collateral that is invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than it otherwise would have been able to realize under normal market conditions, or both. New York Life seeks to mitigate these risks by limiting the size of its securities lending programs as well as maintaining relatively short maturities of assets involved under the program. Under stressful capital market and economic conditions, liquidity deteriorates broadly, which may further restrict New York Life's ability to sell securities.

The Occurrence of Natural or Man-Made Disasters Could Adversely Affect New York Life's Operations, Results of Operations and Financial Condition.

The occurrence of natural disasters, including hurricanes, floods, earthquakes, tsunamis, tornadoes, fires, explosions and pandemic disease, and man-made disasters, including acts of terrorism and military actions, could adversely affect New York Life's operations, results of operations or financial condition, by causing, among other things, losses in New York Life's investment portfolio due to significant volatility in global financial markets or the failure of counterparties to perform; changes in the rate of mortality, claims, withdrawals, lapses and surrenders of existing policies and contracts, as well as sales of new policies and contracts; and disruption of New York Life's normal business operations due to catastrophic property damage, loss of life, or disruption of infrastructure, including communication and financial services.

There can be no assurance that New York Life's business continuation plans and insurance coverages would be effective in mitigating any negative effects on New York Life's operations or profitability in the event of a terrorist attack or other disaster.

Changes in Tax Laws and the Interpretation Thereof Could Adversely Affect New York Life's Business.

The U.S. as well as state, local and foreign jurisdictions in which New York Life operates consider from time to time legislation that could increase or change the manner of taxing the products New York Life sells and of calculating the amount of taxes paid by life insurance companies or other corporations, including New York Life. To the extent that any such legislation is enacted in the future, New York Life could be adversely affected. In June 2016, the Republican members of the congressional House Ways & Means Committee proposed a "blueprint" for tax reform (the "**Blueprint**"). The proposals contained in the Blueprint would fundamentally reform the tax system, including the system that applies to corporations and foreign business activity. Certain of these proposals involve reducing corporate tax rates but expanding the income base to which these lower rates apply by reducing or eliminating deductions or other tax benefits that determine the income base. While these proposals lack sufficient detail to assess their potential impact, if enacted, they could affect the amount and timing of U.S. federal income taxes that New York Life pays in connection with its operations, including its foreign operations, as well as the attractiveness of certain of its products to its customers. New York Life cannot predict whether, or in what form, legislation implementing these or any other potential changes or other legislation that could affect the taxes that New York Life pays or the tax treatment of its products, will ultimately be enacted or what the impact of any such legislation would be on its business or results from operations.

The attractiveness to New York Life's customers of many of its products is due, in part, to favorable tax treatment. Current federal income tax laws generally permit the tax-deferred accumulation of earnings on the premiums paid by the holders of annuities and life insurance products. Taxes, if any, are payable generally on income attributable to a distribution under the contract for the year in which the distribution is made. Death benefits under life insurance contracts may be received free of federal income tax. Congress from time to time considers legislation that could have the effect of reducing or eliminating the relative benefit of the deferral of taxation for New York Life's insurance, annuity and investment products. As a result, demand for certain of New York Life's products that offer income tax deferral could be negatively impacted. In addition, Congress has from time to time considered other legislation that would reduce or eliminate the benefits to policyholders of the deferral of taxation on the accretion of value within certain insurance products or otherwise affect the taxation of insurance products and insurance companies. To the extent that legislation is enacted in the future to reduce the tax deferred status of insurance or annuity products, limit the exclusion of death benefits from income, or reduce the taxation of competing products, all life insurance companies, including New York Life, could be materially adversely affected.

Congress has from time to time also considered material changes to the estate tax. The 2017 federal estate tax exemption amount is $5,490,000 (adjusted annually for inflation) and the current estate and gift tax rates are: (i) 37% for taxable amounts over $500,000 but not over $750,000; (ii) 39% for taxable amounts over $750,000 but not over $1,000,000; and (iii) 40% for taxable amounts over $1,000,000. Many of New York Life's products are sold in order to help customers meet their estate tax planning needs. One of the potential changes being considered under the Blueprint is the repeal of the estate tax. To the extent that legislation is enacted that would repeal or materially decrease the estate tax, sales of New York Life's products could be adversely affected.

In those jurisdictions in which New York Life does business, its taxes could increase as a result of changes in regulations or in the interpretation of applicable tax laws and regulations. Also, changes in corporate tax rates in any of these jurisdictions, including the U.S., could affect the value of deferred tax assets and deferred tax liabilities. Furthermore, the value of deferred tax assets could be impacted by New York Life's future earnings levels.

Litigation and Regulatory Investigations May Result in Significant Financial Losses and Harm to New York Life's Reputation.

New York Life faces litigation and regulatory investigations and other actions in the ordinary course of operating its business, including the risk of individual and class action lawsuits relating to suitability, sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, denial or delay of benefits and breaches of fiduciary or other duties. Plaintiffs in class action and other litigation against New York Life may seek substantial or unspecified compensatory and punitive damages, and the probability and amount of liability, if any, may remain unknown for substantial periods of time.

A substantial liability for a lawsuit judgment or a significant regulatory action against New York Life could have a material and adverse effect on its business, results of operations and financial condition. Moreover, even if New York Life ultimately prevails in the litigation, regulatory action or investigation, it still could suffer significant harm to its reputation, which could have a material adverse effect on its business, results of operations and financial condition, including its ability to attract new customers, retain current customers and recruit and retain employees and agents.

New York Life is also subject to various regulatory inquiries from time to time, such as information requests and books and record examinations, from state and federal regulators and other authorities. A number of state insurance regulators and other officials have in recent years made regulatory inquiries relating to New York Life's and its affiliates' claims-payment practices and compliance with unclaimed property laws. It is possible that other jurisdictions may pursue similar inquiries and that such inquiries and related activity may result in additional payments to beneficiaries, additional escheatment of funds deemed abandoned under state laws, administrative penalties, and changes to New York Life's procedures for the identification and escheatment of abandoned property. Although, based on information currently known to it, management believes that these matters are not likely to have a material effect on the financial position of New York Life, New York Life cannot predict the ultimate outcome of these matters with certainty.

New York Life's International Business Faces Political, Legal, Operational, Tax and Other Risks that Could Negatively Impact Its Results of Operations.

New York Life's international operations face certain political, legal, operating, tax and other risks generally not encountered in its U.S. operations. New York Life faces the risk of discriminatory regulation, nationalization or expropriation of assets, price controls and exchange controls or other restrictions that could prevent it from transferring funds from these operations out of the countries in which it operates or converting local currencies it holds into U.S. dollars or other currencies. In addition, New York Life relies on local staff, including sales forces, in these countries and may encounter labor problems resulting from workers' associations, trade unions and protective labor laws in some countries.

New York Life's international operations are subject to foreign currency translation risk whereby the assets and liabilities of the operations are held in currencies other than the U.S. dollar. In Mexico, New York Life's subsidiaries sell U.S. dollar denominated products, which subjects them to foreign exchange risk. For example, when the foreign currency weakens, the cost of such products generally increases and may result in reduced sales volume and higher policy surrenders. In addition, New York Life's investment management business is subject to foreign exchange risk through its international operations and may be impacted by movements in currency exchange rates. These risks can adversely impact both the financial condition and results of operations of New York Life.

New York Life's international businesses are also subject to the risk of changes in laws and regulations or the interpretation thereof in those jurisdictions in which they conduct business. Any such change could have an adverse effect on these businesses and on New York Life. New York Life's investment management operations include entities that do business in the United Kingdom and cross border in other EU countries. If the United Kingdom withdraws from the EU, these entities may face increased legal and regulatory challenges in conducting their cross border business.

A Computer System Failure or Security Breach Could Disrupt New York Life's Business, Damage its Reputation and Adversely Impact Its Profitability.

New York Life relies on computer systems to conduct business, including customer service, marketing and sales activities, customer relationship management and producing financial statements. While New York Life has policies, procedures, automation and backup plans and facilities designed to prevent or limit the effect of failure, its computer systems may be vulnerable to disruptions or breaches as the result of natural disasters, man-made disasters, criminal activity, pandemics or other events beyond its control. Moreover, New York Life's computer systems have been, and will likely continue to be, subject to computer viruses or other malicious codes, unauthorized access, cyber-attacks or other computer-related penetrations. The failure of New York Life's computer systems for any reason could disrupt its operations, result in the loss of customer business and adversely impact its profitability.

New York Life retains confidential information on its computer systems, including customer information and proprietary business information. While New York Life has established multiple administrative and technical controls to reduce the risk of cyber-incidents and protect its information technology, in the current environment there can be no guaranty that any set of controls will prevent security breaches. Any compromise of the security of New York Life's computer systems that results in the disclosure of personally identifiable customer information could damage New York Life's reputation, expose New York Life to litigation, increase regulatory scrutiny and require it to incur significant technical, legal and other expenses.

The area of cybersecurity has come under increased scrutiny by insurance regulators. In 2015, the NAIC focused on cybersecurity and related matters in adopting a "Roadmap for Cybersecurity Consumer Protections," that is anticipated to be the starting point for the development of a new NAIC model law with respect to cybersecurity. Additionally, the NYSDFS published a cybersecurity regulation, effective March 1, 2017, that requires New York licensed insurance companies to assess their specific risk profile and establish and maintain a cybersecurity program designed to address its cybersecurity risks.

DOCUMENTS AVAILABLE

For so long as the Program remains in effect or any Notes shall be outstanding, upon request the Issuer will provide to each person to whom a copy of this Offering Memorandum has been delivered without charge copies of the following documents:

(i) this Offering Memorandum;

(ii) the Indenture, each Series Indenture, the Trust Agreement, each Series Trust Agreement and the Certificate of Trust (all as defined herein);

(iii) the Charter and By-Laws of New York Life;

(iv) the Statutory Financial Statements and all audited statutory financial statements of New York Life (including any notes thereto) filed with the NYSDFS after the date hereof;

(v) the 2016 Annual Statement and all annual unaudited statutory financial statements of New York Life (including any notes, schedules and supplements thereto) filed with the NYSDFS after the date hereof;

(vi) all quarterly unaudited statutory financial statements of New York Life (including any notes and schedules thereto) filed with the NYSDFS after the date hereof;

(vii) any amendments and supplements to this Offering Memorandum that remain in effect at the time of the offering of the Series of Notes and which have not been modified or superseded by any other amendment, supplement or document incorporated by reference in this Offering Memorandum;

(viii) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request any part of which is included or referred to in the registration document;

(ix) all financial statements of the Issuer generally and with respect to the applicable Series of the Issuer prepared after the date hereof, if any;

(x) a copy of the Funding Agreement relating to any Series of Notes listed on any securities exchange (provided, that, with respect to the offering of any Series of Notes not listed on any securities exchange, a copy of the Funding Agreement relating to such Series of Notes will be available for inspection and can be obtained free of charge by a holder of any Notes of such Series); and

(xi) all amendments and supplements to this Offering Memorandum and the Final Terms relating to any Series of Notes listed on any securities exchange prepared by the Issuer from time to time (provided, that, with respect to the offering of any Series of Notes not listed on any securities exchange, a copy of the Final Terms relating to such Series of Notes will be available for inspection and can be obtained free of charge by a holder of any Notes of such Series).

Copies of such documents may also be inspected during normal business hours at the office of the Issuer located at c/o Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, DE 19890. In addition, physical copies of such documents will be available free of charge from the principal office of the relevant Paying Agent(s).

The Issuer extends to each investor the opportunity, prior to the consummation of the sale of any Notes, to ask questions of, and receive answers from, the Issuer concerning the Issuer, any Series of the Issuer, the Notes, the Series Collateral, New York Life and the terms and conditions of the Program, and to obtain any further information it may consider necessary in making an informed investment decision or in order to verify the information set forth herein, to the extent the Issuer possesses the same or can acquire such information without unreasonable effort or expense.

The Issuer has undertaken, in connection with the admission of the Notes to the Official List and trading on the regulated market of the Irish Stock Exchange or any other regulated market, that if there shall occur any material adverse change in the business or financial position of the Issuer or New York Life or any change in the information set out under "Description of the Notes" that is a significant new factor, material mistake or inaccuracy relating to the information included in this Offering Memorandum which is capable of affecting the assessment of any Notes under the Program, the Issuer will prepare or procure the preparation of a supplement to this Offering Memorandum or publish a new Offering Memorandum, as the case may be, for use in connection with any subsequent issue by the Issuer of Notes to be listed on the Irish Stock Exchange (or such other exchange, if any).

The Issuer is not subject to the reporting requirements of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). The Issuer has agreed that, at any time while the Notes are outstanding, it will furnish the holders of Notes and prospective purchasers designated by such holders, upon request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Requests for available information may be made by contacting the relevant offices of the Paying Agents.

This Offering Memorandum and any amendment or supplement to this Offering Memorandum, as the case may be, will be published on the website of the Central Bank at www.centralbank.ie. Other than the 2016 Annual Statement available on the website of the Irish Stock Exchange, the information on any web site mentioned in this Offering Memorandum or any web site directly or indirectly linked to any web site mentioned in this Offering Memorandum is not a part of, or incorporated by reference into, this Offering Memorandum and investors in the Notes should not rely on it.

Other than as set forth in this Offering Memorandum, in any amendment or supplement hereto, or in any Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issue of Notes.

Delaware law does not require that the Issuer, either generally or with respect to any Series of the Issuer, prepare financial statements. The Issuer has not prepared financial statements as of the date of this Offering Memorandum, and it is not anticipated that any such financial statements will be prepared with respect to the Issuer generally or with respect to any Series of the Issuer. If and when prepared, copies of the financial statements of the Issuer generally and with respect to any Series of the Issuer will be made available free of charge from the Issuer at its office located at c/o Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, DE 19890.

FORWARD-LOOKING INFORMATION

This Offering Memorandum contains forward-looking statements that are intended to enhance the reader's ability to assess New York Life's future financial and business performance. Forward-looking statements include, but are not limited to, statements that represent New York Life's beliefs concerning future operations, strategies, financial results or other developments, and contain words and phrases such as "may," "expects," "should" or similar expressions. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond New York Life's control or are subject to change, actual results could be materially different and the value of New York Life's investments, New York Life's financial condition and New York Life's liquidity could be adversely affected. The following uncertainties, among others, may have such an effect:

- Difficult conditions in the global capital markets and the economy.
- Significant financial and capital market risks affecting New York Life's businesses, including interest rate risk, credit risk, equity risk and the risk of fluctuations in credit spreads.
- Adverse regulatory developments.
- Adverse capital and credit market conditions.
- Significant market valuation fluctuations of New York Life's investments, including some that are relatively illiquid.
- Significant competition in New York Life's businesses.
- Downgrades or potential downgrades in New York Life's ratings.
- The sensitivity of the amount of statutory capital New York Life must hold to factors outside of its control.
- Subjectivity in determining the amount of allowances and impairments taken on certain of New York Life's investments.
- Losses due to defaults by, or deteriorating credit of, others, including issuers of investment securities or reinsurance and derivative instrument counterparties.
- Deviations from assumptions regarding future mortality, morbidity and interest rates used in calculating reserve amounts and pricing New York Life's products.
- Changes in New York Life's assumptions regarding the discount rate, expected rate of return, life expectancy and expected increase in compensation used for its pension and other postretirement benefit plans.
- Effectiveness of New York Life's risk management policies and procedures.
- Requirements to post collateral or make payments related to declines in market value of specified assets.
- Liquidity and other risks in connection with New York Life's securities lending program.
- Occurrence of natural or man-made disasters, such as terrorist attacks, military actions, and large scale pandemics or natural disasters.

- Changes in tax laws and the interpretation thereof.
- Litigation and regulatory investigations.
- Political, legal, operational, tax and other risks affecting New York Life's international businesses.
- A computer system failure or security breach.

Consequently, such forward-looking statements should be regarded solely as New York Life's current plans, estimates and beliefs. New York Life does not intend, and does not undertake, any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.

Prospective investors should review carefully the section captioned "Risk Factors" in this Offering Memorandum for a more complete discussion of the risks of an investment in the Notes.

USE OF PROCEEDS

The proceeds from the sale of each Series of Notes issued under the Program, net of certain expenses, underwriting discounts and commissions or similar applicable compensation will be used immediately by the Issuer to purchase a Funding Agreement from New York Life.

DESCRIPTION OF THE ISSUER

*This section provides an overview of the material provisions of the Trust Agreement, dated as of August 14, 2003 (as amended and restated by the Amended and Restated Trust Agreement, dated as of August 22, 2003, the "**Trust Agreement**") between the Administrative Trustee and the Trust Beneficial Owner and the Certificate of Trust (the "**Certificate of Trust**") filed with the Secretary of State of the State of Delaware on August 14, 2003. These documents are not restated in their entirety and prospective investors should read the actual documents.*

General

The Issuer is a special purpose statutory trust created on August 14, 2003 under the laws of the State of Delaware pursuant to the Trust Agreement and the filing of the Certificate of Trust for the purpose of, among other things, issuing the Notes (which are considered to be asset-backed securities for the purposes of the Prospectus Directive). The exclusive purposes of the Issuer are, and the Issuer shall have the power and authority, to:

- issue and sell the Notes;
- use the net proceeds from the sale of the Notes to purchase Funding Agreements;
- pledge, collaterally assign and grant a security interest in the Series Collateral for each Series of Notes to the Indenture Trustee; and
- engage in only those other activities necessary or incidental thereto.

The principal executive office of the Issuer is located at New York Life Global Funding, c/o: Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, DE 19890; its telephone number is 302-636-6392; and its facsimile number is 302-636-4140, Attention: Corporate Trust Administration. The organization identification number of the Issuer is 3693142.

The Issuer is Organized in Series

The Issuer is organized in series, as permitted by Sections 3804(a) and 3806(b)(2) of the Trust Act. In connection with the issuance of each Series of Notes, the Issuer will:

- create a separate Series of the Issuer pursuant to a Series Trust Agreement (as defined in the Trust Agreement);
- issue and sell the Notes of such Series with respect to the applicable Series of the Issuer; and
- purchase the related Funding Agreement from New York Life and procure the other components of the Series Collateral with respect to the applicable Series of the Issuer. See "Description of the Notes—General—Security; Limited Recourse."

Accordingly, the applicable Series of Notes and the liabilities, obligations and expenses related thereto will constitute debt, liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to the applicable Series of the Issuer. The Series Collateral for the applicable Series of Notes will constitute the assets of, and be associated with, such Series of the Issuer.

Although the applicable Series of the Issuer will not be a separate legal entity, the Trust Act provides that, if the Issuer complies with all applicable statutory requirements, the debts, liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to a particular Series of the Issuer will be enforceable only against the assets of such Series of the Issuer and not against the assets of the Issuer generally or the assets of any other Series of the Issuer. In addition, under the Trust Act, none of the debts, liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to the Issuer generally or any other Series of the Issuer

will be enforceable against the assets of such Series of the Issuer. Notice of this limitation on liabilities of each Series of the Issuer is set forth in the Certificate of Trust.

Administrative Trustee

Wilmington Trust Company is the sole administrative trustee of the Issuer generally and with respect to each Series of the Issuer, and has agreed, under the terms of the Trust Agreement to provide certain administrative services to the Issuer generally and with respect to each Series of the Issuer until such time as the Series Trust Agreement is terminated. The Series Trust Agreement shall be terminated following the payment to each of the holders of the relevant series of Notes, and the beneficial interest owner of the relevant beneficial interest of all amounts required to be paid to them pursuant to such series of Notes, the relevant Series Indenture, the Trust Agreement, the relevant Series Trust Agreement and other program documentation. Under the Trust Agreement, the Administrative Trustee may resign at any time upon 90 days notice to the Trust Beneficial Owner and the Indenture Trustee and may also be removed by the Trust Beneficial Owner and the Indenture Trustee for cause in case of the Administrative Trustee being adjudged bankrupt or subject to analogous proceedings. The resignation or removal of the Administrative Trustee shall become effective upon appointment by the Trust Beneficial Owner and the Indenture Trustee of a successor Administrative Trustee and the acceptance of such appointment by the successor Administrative Trustee. The Administrative Trustee has not participated in the preparation of this Offering Memorandum and will not be obligated in any way to make any payments under or in respect of the Notes. The Administrative Trustee is not affiliated with New York Life, the Trust Beneficial Owner, the Series Beneficial Owner, the Indenture Trustee or any of their respective affiliates.

Trust Beneficial Owner and Series Beneficial Owner

The Trust Beneficial Owner is the holder of the Beneficial Interest Certificate which evidences a beneficial interest in the General Property of the Issuer. After the payment in full to the holders of a Series of Notes of all amounts required to be paid to them and the satisfaction of all other expenses and liabilities of the relevant Series of the Issuer, Big Brothers Big Sisters of New York City, as the Series Beneficial Owner, will be entitled to receive any remaining Series Property (as defined in the Trust Agreement) of the relevant Series of the Issuer. As such, the Series Beneficial Owner will be the sole "beneficial owner" of each Series of the Issuer (as defined and used in Sections 3801(b) and 3806(b)(2) of the Trust Act). Neither the investment by the Trust Beneficial Owner nor any investment by the Series Beneficial Owner will be secured by the Series Collateral relating to any Series of Notes.

No Affiliation

None of New York Life or any of its officers, directors, subsidiaries or affiliates owns any beneficial interest in the Issuer nor has any of these persons or entities entered into any agreement with the Issuer other than:

- a license agreement pursuant to which, among other things, New York Life has granted to the Issuer a non-exclusive license to use the name "New York Life" as provided therein in connection with the Program;

- the Support Agreement (as defined herein);

- the Fifth Amended and Restated Purchase Agreement dated May 30, 2012 (as amended, the **"Purchase Agreement"**), among the Issuer, New York Life and the Purchasing Agents; and

- the Funding Agreements and certain other documents contemplated by the Program in connection with the issue and sale of the Funding Agreements and the Notes of each Series.

None of New York Life, its officers, directors, subsidiaries or affiliates is affiliated with the Trust Beneficial Owner, the Series Beneficial Owner, the Administrative Trustee or the Indenture Trustee.

Records and Financial Statements

As required by the Trust Act:

- separate and distinct records will be maintained for each Series of the Issuer; and
- the assets associated with each such Series of the Issuer will be held and maintained separately from the assets of the Issuer generally and from the assets of each other Series of the Issuer.

Delaware law does not require that the Issuer, either generally or with respect to any Series of the Issuer, prepare financial statements. The Issuer has not prepared financial statements as of the date of this Offering Memorandum, and it is not anticipated that any such financial statements will be prepared with respect to the Issuer generally or with respect to any Series of the Issuer.

Expenses of the Issuer

The Issuer has entered into a Support and Expenses Agreement, dated as of August 22, 2003 (the "**Support Agreement**"), with New York Life, pursuant to which New York Life has agreed to indemnify the Issuer with respect to any and all of the costs, losses, damages, claims, actions, suits, expenses (including reasonable fees and expenses of counsel), disbursements, taxes, penalties and liabilities of any kind or nature of the Issuer, other than the following: (i) any obligation of the Issuer to make any payment to any Holder (as defined in the Support Agreement) in accordance with the terms of the Notes; (ii) any obligation or expense of the Issuer to the extent that such obligation or expense has actually been paid utilizing funds available to the Issuer from payments under the applicable Funding Agreements (as defined in the Support Agreement); (iii) except for any amounts payable to the Administrative Trustee, any cost, loss, damage, claim, action, suit, expense, disbursement, tax, penalty and liability of any kind or nature whatsoever resulting from or relating to any insurance regulatory or other governmental authority asserting that: (a) the Notes are, or are deemed to be, (1) participations in the Funding Agreements or (2) contracts of insurance; or (b) the offer, purchase, sale and/or transfer of the Notes (1) constitute the conduct of the business of insurance or reinsurance in any jurisdiction or (2) require the Issuer, any Purchasing Agent, or any Holder to be licensed as an insurer, insurance agent or broker in any jurisdiction; (iv) any obligation of the Issuer to pay Additional Amounts to indemnify any Holder against potential withholding tax liabilities; and (v) any cost, loss, damage, claim, action, suit, expense, disbursement, tax, penalty and liability of any kind or nature whatsoever resulting from or relating to the acts or failures to act of any Service Provider (as defined in the Support Agreement) to the extent that such Service Provider would not be entitled to indemnification or payment from the Issuer in connection with any such act or failure to act pursuant to the terms of any agreement between the Issuer and such Service Provider in effect on the date of the Support Agreement.

CAPITALIZATION OF THE ISSUER

The following table presents the Issuer's capitalization at March 15, 2017 prepared in conformity with U.S. GAAP.

	At March 15, 2017
Debt[1]	
Short-Term Debt	$ 2,509,899,500
Long-Term Debt	8,312,515,000
Total Debt	10,822,414,500
Equity	
Paid in Capital	1,000
Retained Earnings	—
Accumulated Other Comprehensive Income	—
Total Equity	1,000
Total Capitalization	$ 10,822,415,500

1 For non-U.S. dollar denominated debt, amounts payable are converted to U.S. dollars using the spot rate of exchange at the applicable pricing date.

CERTAIN FINANCIAL AND ACCOUNTING MATTERS

Accounting Policies and Principles

Statutory Accounting Practices

The financial statements of New York Life have been prepared on the basis of NAIC SAP prescribed or permitted by the NYSDFS. NAIC SAP differs from U.S. GAAP in that NAIC SAP is primarily designed to reflect the ability of the insurer to satisfy its obligations to policyholders, contractholders and beneficiaries, whereas under U.S. GAAP, revenues and expenses are recorded in financial reporting periods to match revenues and expenses and reflect the ongoing financial results of the insurer. For example, under NAIC SAP, commissions and other costs incurred in connection with acquiring new business are charged to operations in the year incurred; whereas under U.S. GAAP, certain of these expenses are deferred and amortized on a basis to match them against appropriate revenues.

Under NAIC SAP, New York Life's financial statements are not consolidated and investments in subsidiaries are generally shown at net equity value. Accordingly, the assets, liabilities and results of operations of New York Life's subsidiaries are not consolidated with the assets, liabilities and results of operations, respectively, of New York Life. However, New York Life's financial statements do reflect, in New York Life's assets, the net equity value of New York Life's subsidiaries and, in New York Life's surplus, the current year change in net equity value, less dividends declared to and contributions received from New York Life, of subsidiaries as an unrealized gain or loss on investments. Dividends declared by subsidiaries to New York Life are included in New York Life's net investment income.

Discussion of Certain Differences between NAIC SAP and U.S. GAAP

The financial information of New York Life is presented in accordance with NAIC SAP. Statutory accounting is used by state insurance regulators to monitor the operations of insurance companies. Financial statements prepared under NAIC SAP as determined under New York State Insurance Law vary from those prepared under U.S. GAAP in certain material respects, primarily as follows:

- investments in subsidiaries and other controlled entities, including partnerships, limited liability companies and joint ventures, are not consolidated with the financial statements of New York Life, whereas under U.S. GAAP, consolidated financial statements are prepared;

- contracts that have any mortality or morbidity risk, regardless of significance, and contracts with life contingent annuity purchase rate guarantees are classified as insurance contracts, whereas under U.S. GAAP, only contracts that have significant mortality or morbidity risk are classified as insurance contracts otherwise they are accounted for in a manner consistent with the accounting for interest bearing or other financial instruments;

- the costs related to acquiring insurance contracts (principally commissions), policy issue expenses and sales inducements are charged to income in the period incurred, whereas under U.S. GAAP, these costs are deferred when related to successful sales and amortized over the periods benefited;

- life insurance and annuity reserves are based on different statutory methods and assumptions than they are under U.S. GAAP;

- dividends on participating policies are recognized for the full year when approved by the board of directors of New York Life (the "**Board of Directors**"), whereas under U.S. GAAP, they are accrued when earned by policyholders;

- certain policies which do not pass through all investment gains to policyholders are maintained in separate accounts, whereas U.S. GAAP reports these policies in the general account assets and liabilities of New York Life;

- reinsurance agreements are accounted for as reinsurance on an NAIC SAP and U.S. GAAP basis if certain risk transfer provisions have been met. NAIC SAP requires the reinsurer to assume insurance risk, regardless of the significance of the loss potential, whereas U.S. GAAP requires that there is a reasonable possibility that the reinsurer may realize significant loss from assuming insurance risk; under U.S. GAAP, certain reinsurance assumed by New York Life is accounted for at fair value based on the election of the fair value option, whereas this treatment is not allowed under NAIC SAP; assets and liabilities from reinsurance transactions are reported net of reinsurance, whereas under U.S. GAAP, assets and liabilities from reinsurance transactions are reported gross of reinsurance;

- U.S. GAAP requires that for certain reinsurance agreements, whereby assets are retained by the ceding insurer (such as funds withheld or modified coinsurance) and a return is paid based on the performance of underlying investments, that the liabilities for these reinsurance arrangements must be adjusted to reflect the fair value of the invested assets; NAIC SAP does not contain a similar requirement;

- investments in subsidiaries, controlled and other affiliated entities as defined in Statement of Statutory Accounting Principles (SSAP) No. 97, "*Investments in Subsidiary, Controlled and Affiliated Entities*," including partnerships, limited liability companies and joint ventures, are accounted for under the equity method. Under the equity method, domestic insurance subsidiaries are recorded at their underlying audited statutory surplus. Nonpublic non-insurance subsidiaries and other controlled entities are recorded at their underlying audited GAAP equity. Foreign insurance subsidiaries are recorded at their underlying audited GAAP equity with certain adjustments. In the absence of an admissible audit, the entire investment is nonadmitted. Changes in the value of such investments are recorded as unrealized gains or losses. The earnings of such investments are recorded in net investment income only when dividends are declared. Under U.S. GAAP, these investments are consolidated;

- investments in noncontrolled partnerships and limited liability companies are accounted for under the equity method for both NAIC SAP and U.S. GAAP. Under the statutory equity method, undistributed income and capital gains and losses for these investments are reported in surplus as unrealized gains or losses, whereas under U.S. GAAP, in many cases, for investment companies, unrealized gains and losses are included in net investment income;

- investments in bonds are generally carried at amortized cost or values as prescribed by the NYSDFS, whereas under U.S. GAAP, investments in bonds that are classified as available for sale or trading are carried at fair value, with changes in fair value of bonds classified as available for sale reflected in equity, and changes in fair value of bonds classified as trading reflected in earnings;

- an asset valuation reserve ("**AVR**") based on a formula prescribed by the NAIC is established as a liability to offset potential non-interest related investment losses. Changes in the AVR are recorded directly to surplus, whereas under U.S. GAAP, no AVR is recognized;

- realized gains and losses resulting from changes in interest rates are deferred in the interest maintenance reserve ("**IMR**") and amortized into investment income over the remaining life of the investment sold, whereas under U.S. GAAP, the gains and losses are recognized in income at the time of sale;

- corporate securities deemed to be other-than-temporarily impaired are written down to fair value, whereas under U.S. GAAP, if certain conditions are met, credit impairments on corporate securities are recorded based on the net present value of future cash flows expected to be collected, discounted at the current book yield. Also, if certain conditions are met, the non-credit portion of the impairment on a loan-backed or structured security is not accounted for whereas under U.S. GAAP, if certain conditions are met, the non-credit portion of the impairment on a debt security is recorded through other comprehensive income. A non-credit loss exists when the fair value of a security is less than the present value of projected future cash flows expected to be collected;

- deferred income taxes exclude state income taxes and are admitted to the extent they can be realized within three years subject to a 15% limitation of capital and surplus with changes in the net deferred tax reflected as a component of surplus, whereas under U.S. GAAP, deferred income taxes include federal and state income taxes and changes in deferred taxes are reflected in either earnings or other comprehensive income;

- a tax loss contingency is required to be established if it is more likely than not that a tax position will not be sustained upon examination by taxing authorities. If a loss contingency is greater than 50 percent of the tax benefit associated with a tax position, the loss contingency is increased to 100 percent, whereas under U.S. GAAP the amount of the benefit for any uncertain tax position is the largest amount that is greater than 50 percent likely of being realized upon settlement;

- certain assets, such as intangible assets, overfunded pension plan assets, furniture and equipment, and unsecured receivables are considered nonadmitted and excluded from assets, whereas they are included in assets under U.S. GAAP subject to a valuation allowance, as appropriate;

- goodwill held by an insurance company is admitted subject to a 10% limitation on surplus and amortized over the useful life of the goodwill, not to exceed 10 years, and goodwill held by non-insurance subsidiaries is assessed in accordance with U.S. GAAP, subject to certain limitations for holding companies and foreign insurance subsidiaries, whereas under U.S. GAAP, goodwill is considered to have an indefinite useful life and is tested for impairment. Losses are recorded only when goodwill is deemed impaired;

- fair value is required to be used in the determination of the expected return on the plan assets component of the net periodic benefit cost of pension and other postretirement obligations, whereas under U.S. GAAP, the market-related value of plan assets is used. The market-related value of plan assets can be either fair value or a calculated value that recognizes asset gains or losses over a period not to exceed five years;

- surplus notes are included as a component of surplus, whereas under U.S. GAAP, they are presented as a liability;

- contracts that contain an embedded derivative are not bifurcated between components and are accounted for consistent with the host contract, whereas under U.S. GAAP, either the contract is recorded at fair value with changes in the fair value included in earnings or the embedded derivative needs to be bifurcated from the host contract and accounted for separately;

- certain derivative instruments are carried at amortized cost, whereas under U.S. GAAP, all derivative instruments are carried at fair value; and

- changes in the fair value of derivative instruments not carried at amortized cost are recorded as unrealized capital gains or losses and reported as changes in surplus, whereas under U.S. GAAP, these changes are generally reported through earnings unless they qualify and are designated for cash flow or net investment hedge accounting.

The effects on the financial statements of the above variances between NAIC SAP as determined under New York State Insurance Law and U.S. GAAP are material to New York Life.

Adjustments for Impaired Investments

The cost basis of bonds and equity securities are adjusted for impairments in value deemed to be other-than-temporary, with the associated realized loss reported in net income. For a discussion of how New York Life determines whether an impairment is appropriate, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—New York Life’s Investment Portfolio.”

Statutory Investment Reserves

NAIC SAP requires a life insurance company to maintain both an AVR and an IMR to absorb both realized and unrealized gains and losses on a portion of New York Life's investments. The AVR is an investment reserve established to provide for default risk on fixed income assets and market value fluctuation on equity-type investments. The amount of the AVR is determined by formula, which considers the type of investment, the credit rating (where applicable) and current year changes in realized and unrealized capital gains and losses (other than those resulting from changes in interest rates). Changes in the AVR are accounted for as direct increases or decreases in surplus.

The IMR applies to interest sensitive investments including bonds, preferred stocks, mortgage-backed securities, asset-backed securities, mortgage loans and certain derivatives. The IMR is designed to capture the after-tax capital gains or losses which are realized upon the sale of such investments and which result from changes in the overall level of interest rates. The captured after-tax net realized gains or losses are then amortized into income. The IMR is not treated under NAIC SAP as part of total adjusted capital for RBC purposes. New York Life's IMR was $724 million and $593 million at December 31, 2016 and 2015, respectively.

Dividends to Policyholders

New York Life annually determines the amount of dividends payable to eligible policyholders. These dividends have the effect of reducing the cost of insurance to policyholders and should be distinguished from the dividends paid on shares of capital stock by other types of business corporations or by stock life insurance companies. Policies on which such dividends may be payable are referred to as participating policies; policies on which such dividends are not payable are referred to as non-participating policies.

Annually, the Board of Directors approves the divisible surplus[1] of New York Life, which is paid out to eligible policyholders in accordance with an actuarially determined dividend scale. New York Life has discretion, subject to statutory requirements as to the source of dividends, to vary the amount of dividends payable to policyholders, even many years after the issuance of a particular policy. In determining the policyholder dividends payable in any year, the Board of Directors considers, among other things, the amounts necessary to meet New York Life's future policy obligations, maintain reserves and operate the business. To the extent authorized by the Board of Directors, New York Life has the right to continue to declare policyholder dividends and to make dividend payments on its participating policies. These dividends are paid out of surplus.

Policy Reserves

Life insurance companies price their insurance products based upon assumptions regarding certain future events, including investment income, expenses incurred and use of mortality and morbidity tables. NAIC SAP prescribes methods for providing for future benefits to be paid on a conservative basis, primarily by charging current operations with amounts necessary to establish appropriate reserves for anticipated future claims. Thus, under applicable state law, New York Life must maintain reserves in amounts which are actuarially calculated to be sufficient to meet its various policy and contract obligations as they become due. Such reserves appear as liabilities on New York Life's financial statements.

New York Life is required under the New York Insurance Law to conduct annually an analysis of the sufficiency of all life insurance and annuity statutory reserves. See "Regulation and Supervision—Insurance Regulation—Policy and Contract Reserve Sufficiency Analysis."

Reinsurance

New York Life uses a variety of reinsurance agreements with insurers to control its loss exposure. Generally, these agreements are structured either on an automatic basis, where all risks meeting prescribed criteria are automatically covered, or on a facultative basis, where the reinsurer must accept the specific reinsurance risk

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1 Divisible surplus is the portion of New York Life's total surplus that is available, following each year's operations, for distribution in the form of dividends.

before the reinsurer becomes liable on that risk. The amount of each risk retained by New York Life on a facultative basis depends on its evaluation of the specific risk, its maximum retention limits and the amount of reinsurance available.

Under the terms of the reinsurance agreements, the reinsurers will be liable to reimburse New York Life for the ceded amount in the event a claim on a reinsured policy is paid. New York Life remains primarily liable for all claims payable on reinsured policies, even if the reinsurer fails to meet its obligations under the reinsurance agreement. New York Life routinely collects amounts due from its reinsurers on a timely basis. For more information, see "Description of the Business of the Company—Reinsurance."

On July 1, 2015, New York Life entered into a reinsurance transaction ("**Closed Block Reinsurance**") with John Hancock Life Insurance Company (U.S.A.) and one of its affiliates ("**John Hancock**") in which New York Life assumed on a coinsurance basis 100 percent of John Hancock's obligations and liabilities under the policies included in the closed block of participating policies established in connection with the demutualization of John Hancock Mutual Life Insurance Company (the "**Closed Block**"). New York Life simultaneously retroceded on a coinsurance basis 40 percent of those obligations and liabilities to John Hancock on a funds-withheld arrangement. The John Hancock policies reinsured by New York Life are primarily comprised of participating whole life insurance policies written prior to 2000.

At the date of the transaction, New York Life incurred a net ceding commission of $413 million and received assets with a market value equal to John Hancock's statutory liability.

The assets allocated to the Closed Block are for the exclusive benefit of the policies included in the Closed Block. Further, all revenues, after satisfying certain related expenses and taxes, from the reinsured policies inure solely to the benefit of those reinsured policyholders and will not be available to New York Life's policyholders.

Separate Accounts

Under state insurance laws, insurers are permitted to establish separate investment accounts in which assets backing certain policies, including certain group annuity contracts, are held. The investments in each separate account (which may be pooled or customer specific) are maintained separately from those in other separate accounts and the general account. Generally, the investment results of the separate account assets pass through to separate account policyholders and contractholders, so that an insurer derives management and other fees from, but bears no investment risk on these assets. In separate accounts for products with minimum interest rate or benchmark guarantees, the risk that the investment results of the separate account assets will not meet the minimum rate guaranteed on these products is borne by the insurer. Under the terms of the contracts of certain guaranteed separate accounts, New York Life will share in the excess investment performance of the separate account over an established benchmark.

STATUTORY CAPITALIZATION OF NEW YORK LIFE

New York Life is a mutual insurance company incorporated under the laws of the State of New York, United States. New York Life was incorporated on May 21, 1841 under the name Nautilus Insurance Company, was licensed to transact business in the State of New York on April 17, 1845 and changed its name to New York Life Insurance Company on April 5, 1849. The U.S. federal employer identification number of New York Life is 13-5582869. The registered office of New York Life is 51 Madison Avenue, New York, New York 10010. The telephone number of New York Life is +1 (800) 692-3086.

As a mutual company, New York Life has no capital stock and no shareholders. New York Life's participating policyholders generally have certain rights to receive policy dividends, and they and certain other policyholders may have rights to receive distributions in a proceeding for its rehabilitation, liquidation or dissolution. Policyholders also have certain rights to vote in the election of directors as provided by New York law.

New York Life's balance sheet includes its surplus and an AVR. The amount by which the admitted assets of New York Life exceed its liabilities is referred to as surplus. The AVR stabilizes surplus from fluctuations in the value of the investment portfolio (see "Certain Financial and Accounting Matters—Accounting Policies and Principles-Statutory Investment Reserves.")

The following table sets forth the capitalization of New York Life at December 31, 2016. The AVR is included in the following table even though such reserve is shown as a liability on New York Life's balance sheet. This treatment is consistent with the general view of the insurance industry. In addition, this reserve is included as part of total adjusted capital for RBC purposes.

	2016 (in millions)
Total Short-Term Debt (less than 1 year)	**$ 503**
AVR	$ 2,175
Surplus:	
Surplus notes	1,993
Unassigned funds	18,115
Surplus and AVR	**$ 22,283**

SELECTED HISTORICAL STATUTORY FINANCIAL INFORMATION OF NEW YORK LIFE

The table presented below sets forth selected financial information for New York Life. Prospective investors should read it in conjunction with "Certain Financial and Accounting Matters" and New York Life's Statutory Financial Statements. The selected financial information for New York Life at and for each of the years ended December 31, 2016, 2015 and 2014 has been derived from the Statutory Financial Statements.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results may differ from estimates. Historical results are not necessarily indicative of results for any future period.

	2016	2015	2014
		(in millions)	
Statement Of Operations Data:			
Total income	$ 22,061	$ 27,198	$ 20,056
Dividends to policyholders[1]	1,944	1,923	1,687
Net gain from operations	607	151	902
Net income (loss)	298	(152)	848
Balance Sheet Data:			
Total assets	$ 170,762	$ 163,554	$ 146,267
Total liabilities	$ 150,654	$ 144,058	$ 127,661
Surplus:			
Surplus notes	1,993	1,992	1,992
Unassigned funds	18,115	17,504	16,614
Surplus	20,108	19,496	18,606
Asset valuation reserve[2]	2,175	2,260	2,438
Surplus and asset valuation reserve	$ 22,283	$ 21,756	$ 21,044

[1] Dividends to policyholders are discretionary and subject to the approval of New York Life's Board of Directors.
[2] These amounts are included in Total liabilities but are treated as part of adjusted capital in the calculation of RBC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Prospective investors should read the following overview in conjunction with "Certain Financial and Accounting Matters", "Selected Historical Statutory Financial Information of New York Life" and the audited Statutory Financial Statements of New York Life and the notes thereto contained elsewhere in this Offering Memorandum.

General

Based on data compiled by SNL Financial LC, New York Life is one of the largest mutual life insurance companies in the United States in terms of both total assets, of which it had $171 billion at December 31, 2016 and $164 billion at December 31, 2015, and total life insurance in force, of which it had $1,166 billion at December 31, 2016 and $1,124 billion at December 31, 2015. The wide range of insurance and investment products and services offered through New York Life and its subsidiaries and affiliates includes life insurance, long-term care ("**LTC**") insurance, annuities (including guaranteed lifetime income ("**GLI**")), pension products, mutual funds and other investment products and investment advisory services. The Company had assets under management of $538 billion and $528 billion at December 31, 2016 and 2015, respectively.[21]

New York Life is domiciled in New York State and is comprised of two primary business segments: the Insurance and Agency Group and the Investments Group. These operations are conducted through New York Life and its subsidiaries, including:

- NYLIAC
- NYLIFE Insurance Company of Arizona ("**NYLAZ**")
- New York Life Investment Management Holdings LLC and subsidiaries ("**NYL Investments**")
- NYL Investors LLC ("**NYL Investors**")
- Madison Capital Funding LLC ("**MCF**")
- New York Life Enterprises LLC and subsidiaries ("**NYLE**")
- NYLIFE LLC and subsidiaries ("**NYLIFE LLC**")

The results of the subsidiaries are included in surplus as unrealized gains and losses, and dividends from subsidiaries are recorded as a component of net investment income when declared.

New York Life and NYLIAC offer their insurance and annuity products in all 50 states of the United States and the District of Columbia primarily through New York Life's career agency force. In addition, NYLIAC also distributes products through third-party banks, brokers and independent financial advisers. NYLAZ is licensed in all states except New York and Maine, but ceased all sales operations in May 2011. New York Life also offers individual and group life insurance, health insurance and investment products in Mexico through Seguros Monterrey New York Life, S.A. de C.V. ("**Seguros Monterrey**"), an indirect subsidiary of New York Life through NYLE.

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2 Assets under management consist of cash and invested assets and separate account assets of the Company's domestic and international insurance operations, and assets the Company manages for third-party investors, including mutual funds, separately managed accounts, retirement plans and assets under administration associated with only those agreements under which NYL Investments receives a revenue share.

Business Segments

Insurance and Agency Group

The Insurance and Agency Group provides individual life insurance and LTC insurance principally to middle and upper income individuals, small-to-medium-size businesses and their owners, and professionals (primarily through New York Life's career agency force). New York Life conducts a significant portion of its insurance business through New York Life's wholly owned subsidiary, NYLIAC, which offers variable and universal life insurance products and products specially designed for the BOLI and COLI markets. This business segment also includes group membership association ("**GMAD**") operations, which underwrites group life and disability programs for professional and affinity organizations and Direct Operations, which has an exclusive endorsement from AARP to sell life insurance (through New York Life) and fixed immediate and deferred annuities (through NYLIAC) to its members. The Insurance and Agency Group sells life insurance, health insurance and investment products in Mexico, through Seguros Monterrey.

Investments Group

The Investments Group consists of activities conducted through New York Life and its subsidiaries, including NYLIAC, NYL Investments, MCF and NYL Investors. The Retail Annuities business within the Investments Group develops and markets immediate income annuities and deferred income annuities that are issued by New York Life and NYLIAC, and fixed and variable deferred annuities that are issued by NYLIAC. The Institutional Annuities business within the Investments Group includes New York Life's structured settlement annuities, guaranteed products ("**GP**") (including guaranteed interest contracts ("**GICs**") and other fixed income investment products offered through New York Life) and Stable Value businesses. The Investments Group also includes an integrated investment management enterprise with the following businesses: asset management boutiques, retail mutual funds and general account investment management (the management of certain assets of New York Life and its affiliates). See Note 21 of the 2016 Statutory Financial Statements for information on acquisitions and dispositions impacting the Investments Group.

Basis of Financial Presentation

The discussion below regarding New York Life's results of operations is based on the audited financial statements of New York Life included in this Offering Memorandum. Those financial statements have been prepared on the basis of NAIC SAP prescribed by the NYSDFS. Under NAIC SAP, results of subsidiaries are not consolidated with the results of New York Life on a line-by-line basis, but rather are generally recorded at their underlying net equity value as affiliated common stock investments and other invested assets, with the current year change in net equity value, less dividends paid to and contributions from New York Life reflected in unrealized capital gains and losses through surplus. Dividends received from subsidiaries are included in New York Life's net investment income. During 2016, New York Life recorded dividend distributions from its subsidiaries of $303 million, which were included in net investment income. During 2015, New York Life recorded accrued dividend distributions from its subsidiaries of $350 million, which were included in net investment income and were received during 2016.

Financial statements prepared on the basis of NAIC SAP vary in certain material respects from financial statements prepared on the basis of U.S. GAAP. See "Certain Financial and Accounting Matters—Accounting Policies and Principles—Discussion of Certain Differences between NAIC SAP and U.S. GAAP."

Income, Benefits and Expenses

New York Life derives its income principally from premiums on life insurance and annuity contracts and net investment income from general account assets. New York Life's benefits and expenses consist principally of insurance benefits provided to policyholders and beneficiaries; additions to reserves; and operating expenses, including marketing, administrative and distribution costs. In addition, New York Life has historically focused, and expects to continue to focus, on participating life insurance products, which typically pay annual policyholder dividends. As a result, a significant deduction from income is represented, and likely will continue to be represented, by policyholder dividends.

New York Life's profitability is primarily derived from spread on mortality and investment income and depends primarily on the adequacy of its product pricing, which is a function of its ability to select underwriting risk, its mortality and persistency experience, its ability to generate investment income and control credit risk on the investments supporting its products and its ability to control expenses in accordance with its pricing assumptions. See "Risk Factors-Risk Factors Relating to New York Life—Deviations from Assumptions Regarding Future Mortality, Morbidity and Interest Rates Used in Calculating Reserve Amounts and Pricing New York Life's Products Could Have a Material Adverse Impact on Its Results of Operations or Financial Condition."

Results of Operations

The following is a discussion and analysis of the statutory results of operations of New York Life for the years ended December 31, 2016, 2015 and 2014.

Results of Operations - For the Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

Net Income (Loss)

New York Life's net income (loss), which is net gain from operations plus net realized capital gains(losses) (after-tax and transfers to the IMR), was $298 million for the year ended December 31, 2016 and represented a $450 million increase from the $(152) million reported for the year ended December 31, 2015. The net loss reported for the year ended December 31, 2015 was primarily driven by the initial reduction in net income from the acquisition of the Closed Block Reinsurance of $688 million, which was mainly comprised of an initial net ceding commission incurred and federal income tax expense (see "—Federal Income Taxes").

See "Certain Financial and Accounting Matters—Reinsurance" for details on the Closed Block Reinsurance transaction and "Annex B—Financial Statement Impact of Closed Block Reinsurance" for a detailed breakout of the initial impact of the Closed Block Reinsurance on the financial statements of New York Life.

Excluding the initial impact of the Closed Block Reinsurance in 2015, New York Life's net income of $298 million for the year ended December 31, 2016 decreased $238 million, or 44.4%, from the net income of $536 million for the year ended December 31, 2015. The decrease was primarily driven by lower net gain from operations of $232 million.

Net Gain from Operations

Net gain from operations after dividends and federal income taxes for the year ended December 31, 2016 was $607 million, which primarily consists of investment spread income and earnings from mortality spreads, and represents an increase of $456 million when compared to the $151 million reported for the year ended December 31, 2015.

Excluding the initial impact of the Closed Block Reinsurance in 2015, New York Life's net gain from operations after dividends and federal income taxes for the year ended December 31, 2016 of $607 million was $232 million, or 27.7%, lower as compared to the $839 million for the year ended December 31, 2015, and was comprised of the following:

- $302 million decrease in net gain from operations before dividends and federal income taxes mainly driven by an increase in operating expenses (see "—Operating Expenses"), and lower limited partnership distributions (see "—Net Investment Income");
- $145 million higher dividend expense to policyholders;
- $163 million current federal income tax benefit for the year ended December 31, 2016, a change of $215 million from the current federal income tax expense of $52 million for the year ended December 31, 2015 (see "—Federal Income Taxes").

Premium Income

Premiums are generated from sales of life and health insurance and annuities. In addition, sales of GP and Stable Value products, included within Institutional Annuities, with annuity purchase rate guarantees, are counted as premium since there is mortality risk in these products.

The following table shows premium income by business operation for the years ended December 31, 2016 and 2015 ($ in millions):

	2016	2015	Change $	Change %
Individual Life[1]	$ 7,646	$ 13,315	$ (5,669)	(42.6)%
Direct Operations	1,461	1,389	72	5.2
GMAD	535	526	9	1.7
LTC	281	266	15	5.6
Insurance and Agency Group	**9,923**	**15,496**	**(5,573)**	**(36.0)%**
Institutional Annuities:				
GP and Structured Settlements (“**SS**”)	1,659	1,321	338	25.6
Stable Value	3,606	3,512	94	2.7
Retail Annuities	253	71	182	nm
Investments Group	**5,518**	**4,904**	**614**	**12.5**
Total	**$ 15,441**	**$ 20,400**	**$ (4,959)**	**(24.3)%**

[1] Premium income for the year ended December 31, 2015 includes $6,212 million related to initial reinsurance premium from the Closed Block Reinsurance.

nm = not meaningful

Insurance and Agency Group premiums for the year ended December 31, 2016 decreased $5,573 million from the same period last year, primarily driven by the initial reinsurance premium related to the Closed Block Reinsurance assumed in the third quarter of 2015.

Excluding the initial reinsurance premium from the Closed Block Reinsurance in 2015, Insurance and Agency Group premiums increased $639 million, or 6.9%, from the same period last year. The increase was primarily driven by higher renewal and first year premiums from Individual Life business.

Premiums from the Investments Group for the year ended December 31, 2016 increased $614 million from the same period last year. The increase in premiums was primarily driven by sales from Retail Annuities' participating annuity products, which were launched in July 2015, and higher sales from GP's single premium and GIC products. The increase in Stable Value was primarily driven by higher sales of Stable Value products and the book value guaranteed separate account products.

Net Investment Income (including amortization of IMR)

Net investment income for the year ended December 31, 2016 was $6,078 million, an increase of $110 million, or 1.8%, from the $5,968 million reported for the year ended December 31, 2015. The growth in net investment income was primarily driven by fixed income investments of $345 million mainly due to an increase in average asset balances, partially offset by a decline in the portfolio yield. The higher average asset balance is driven by the Closed Block Reinsurance as well as strong operating cash flows. Partially offsetting this increase is lower income from equity investments of $231 million primarily driven by a decrease in limited partnership distributions.

Benefit Payments

New York Life's benefit payments primarily include death benefits, annuity benefits, accident and health benefits, surrender benefits (including scheduled maturities and withdrawals on GP, primarily GICs, and Stable Value) and interest on policy claims and deposit funds.

The following table shows benefit payments by business operation for the years ended December 31, 2016 and 2015 ($ in millions):

			Change	
	2016	2015	$	%
Individual Life	$ 5,313	$ 5,035	$ 278	5.5 %
Direct Operations	858	811	47	5.8
GMAD	303	305	(2)	(0.7)
LTC	92	86	6	7.0
Insurance and Agency Group	**6,566**	**6,237**	**329**	**5.3 %**
Institutional Annuities:				
GP and SS	2,436	2,625	(189)	(7.2)
Stable Value	2,275	2,476	(201)	(8.1)
Retail Annuities	102	110	(8)	(7.3)
Investments Group	**4,813**	**5,211**	**(398)**	**(7.6)**
Total	**$ 11,379**	**$ 11,448**	**$ (69)**	**(0.6)%**

The increase in the Insurance and Agency Group benefit payments was primarily driven by higher benefit payments related to the Closed Block Reinsurance as 2016 reflects a full year of activity, while 2015 only reflects six months of activity from the initial acquisition date.

The decrease in the Investments Group benefit payments was primarily driven by lower withdrawals from Stable Value products and lower scheduled GIC maturities during 2016.

Additions to Reserves

The following table shows additions to reserves by business operation for the years ended December 31, 2016 and 2015 ($ in millions):

	2016	2015	Change $	Change %
Individual Life[1]	$ 2,805	$ 8,343	$ (5,538)	(66.4)%
LTC	224	207	17	8.2
Direct Operations	170	92	78	84.8
GMAD	29	16	13	81.3
Insurance and Agency Group	**3,228**	**8,658**	**(5,430)**	**(62.7)%**
Institutional Annuities:				
GP and SS	373	(94)	467	nm
Stable Value	269	790	(521)	(65.9)
Retail Annuities	172	(6)	178	nm
Investments Group	**814**	**690**	**124**	**18.0 %**
Total	**$ 4,042**	**$ 9,348**	**$ (5,306)**	**nm**

1 Additions to reserves for the year ended December 31, 2015 includes $5,732 million related to the initial impact of the Closed Block Reinsurance.

nm = not meaningful

The decrease in the Insurance and Agency Group additions to reserves was primarily driven by the initial impact of the Closed Block Reinsurance assumed in third quarter of 2015.

Excluding the initial impact of the Closed Block Reinsurance, Insurance and Agency Group additions to reserves increased $302 million, or 10.3%, from the same period last year. The increase was mainly driven by Individual Life, largely reflecting the aging of the insurance inforce including the receipt of renewal premiums, partially offset by the runoff of business reserves from the Closed Block Reinsurance in 2016.

The increase in the Investments Group additions to reserves was primarily driven by higher GIC sales and lower scheduled GIC maturities during 2016, as well as higher sales from Retail Annuities' participating annuity products in 2016. Partially offsetting the increase was lower guaranteed interest account ("**GIA**") premiums, which includes an accounting reclassification of a $237 million GIA contract sold in 2015. This GIA contract was reported as premium income in 2015 but was reclassed in 2016 to a deposit-type contract since it did not contain any mortality risk (the decrease in premiums was offset by a corresponding decrease in reserves).

Net Transfers to Separate Accounts

Net transfers to separate accounts for the year ended December 31, 2016 were $1,000 million, a change of $880 million from the $120 million transferred to separate accounts for the year ended December 31, 2015, primarily due to higher net deposits in 2016.

Operating Expenses

Operating expenses primarily include general insurance expenses, taxes, licenses, fees and commissions. For the year ended December 31, 2016, total operating expenses of $3,117 million reflected a decrease of $690 million, or 18.1%, from the $3,807 million reported for the year ended December 31, 2015. The decrease was primarily driven by the initial impact of the Closed Block Reinsurance assumed during the third quarter of 2015, mainly due to the commission and expense allowance paid on the assumed reinsurance.

Excluding the initial impact of the Closed Block Reinsurance, operating expenses increased $283 million, or 10.0%, from the same period last year. Approximately half of the increase was driven by higher variable expenses, which includes agents commissions and field compensation. The remaining increase was mainly driven by higher general operating expenses (which includes costs associated with transforming New York Life's operations).

Dividends to Policyholders

Dividends to policyholders for the years ended December 31, 2016 and 2015 consisted of the following:

			Change	
	2016	**2015**	**$**	**%**
Dividends - New York Life Policyholders	$ 1,851	$ 1,753	$ 98	5.6 %
Dividends - Closed Block Reinsurance[1]	93	170	(77)	(45.3)
Total	**$ 1,944**	**$ 1,923**	**$ 21**	**1.1 %**

[1] Includes $124 million related to the initial impact of the Closed Block Reinsurance. Dividends from the Closed Block Reinsurance are not required to be approved by New York Life's Board of Directors.

Dividends to New York Life policyholders are approved by the Board of Directors annually and primarily factor in investment experience (interest earnings, credit loss experience and equity returns), mortality results and expense levels that develop over a period of time.

Federal Income Taxes

Under statutory accounting, current federal income taxes are reflected in net income, whereas deferred tax items are reflected as a component of surplus. Therefore, differences between the statutory tax rate to tax expense includes temporary book/tax differences in addition to permanent differences. The following table reconciles the tax expense calculated at the statutory rate to the tax (benefit) expense reflected in New York Life’s results of operations for the years ended December 31, 2016 and 2015 (in millions):

	2016	**2015**	**Change**
Pre-tax gain from operations at 35%	**$ 155**	**$ 167**	$ (12)
Tax credits[1]	(107)	(129)	22
Dividends from subsidiaries[2]	(106)	(123)	17
Tax exempt income	(61)	(39)	(22)
Amortization of IMR	(53)	21	(74)
Excess of book over tax reserves	3	12	(9)
Deferred acquisition costs (“**DAC**”) tax	(20)	309	(329)
Non-deductible pension and postretirement costs	3	81	(78)
Excess of book over tax policyholder dividends	33	25	8
Other	(10)	3	(13)
Total federal income tax (benefit) expense	**$ (163)**	**$ 327**	$ (490)

[1] Tax credits result primarily from investments in low income housing and alternative energy.
[2] Dividends from subsidiaries represent after-tax earnings of the subsidiary and are not subject to tax when received by New York Life.

The year over year change in federal income taxes of $490 million was primarily driven by higher DAC tax in 2015 as a result of the Closed Block Reinsurance transaction. Under the Code, insurance companies are required to capitalize initial acquisition costs and take the deduction over time ("**DAC tax**"). This is accomplished by applying a tax on 7.7% of premiums, including net considerations on reinsurance transactions. This tax will be recovered over a 10 year period, beginning in 2016.

Also contributing to the year over year change were tax benefits related to expected pension contributions to be included in New York Life's 2016 federal income tax return.

Net Realized Capital Gains (Losses)

New York Life reported net realized capital losses after taxes and transfers to the IMR of $309 million for the year ended December 31, 2016, a decline of $6 million from the $303 million reported in the previous year.

The following table represents the net realized capital gains (losses) for the years ended December 31, 2016 and 2015 (in millions):

	2016	2015	Change
Derivatives	$ 398	$ (88)	$ 486
Bonds	104	267	(163)
Common stock	56	17	39
Limited partnerships and other invested assets	11	(9)	20
Other[1]	(84)	126	(210)
Total before OTTI and capital gains tax	**485**	**313**	**172**
OTTI	(434)	(401)	(33)
Capital gains tax expense[2]	(110)	(87)	(23)
Net capital losses after-tax and before transfers to the IMR	**(59)**	**(175)**	**116**
Capital gains transferred to the IMR[3]	(250)	(128)	(122)
Net capital losses after-tax	**$ (309)**	**$ (303)**	**$ (6)**

1 Other primarily represents realized foreign exchange (losses) gains on Global Medium Term Note contracts of $(83) million and $118 million for the years ended December 31, 2016 and 2015, respectively. These (losses) gains were substantially offset by realized gains (losses) on currency swaps included in Derivatives.

2 OTTI losses are generally not subject to current tax treatment; however, current year tax includes benefits on current year OTTI on residential mortgage-backed securities and sales of other securities impaired in prior years.

3 Capital gains tax expense transferred to the IMR was $134 million and $65 million for the years ended December 31, 2016 and 2015, respectively.

The increase in gains on derivatives was primarily driven by the termination of certain asset and liability management hedges during the year ended December 31, 2016, which generated realized capital gains of $315 million (the after-tax amount of the gains of $204 million was transferred to the IMR).

The following table shows the distribution of OTTI and the year-over-year change in OTTI by asset type for the years ended December 31, 2016 and 2015 (in millions):

	2016	2015	Change
Limited partnerships and other invested assets	$ (251)	$ (267)	$ 16
Bonds	(176)	(129)	(47)
Common and preferred stock	(7)	(3)	(4)
Other	—	(2)	2
Total OTTI	**$ (434)**	**$ (401)**	**$ (33)**

The increase in OTTI of $33 million was primarily driven by impairments on energy sector bonds, mainly resulting from lower oil and gas prices during the first half of 2016. Overall, OTTI losses in both 2016 and 2015 represent less than 1% of total cash and invested assets.

Results of Operations - For the Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

Net Income (Loss)

New York Life's net loss, which is net gain from operations plus net realized capital gains/(losses) (after-tax and transfers to the IMR), was $152 million for the year ended December 31, 2015, a $1,000 million decrease from the net income of $848 million reported for the year ended December 31, 2014. The decrease was primarily driven by the reduction in net income from the acquisition of the Closed Block Reinsurance of $661 million, which was mainly comprised of an initial net ceding commission incurred and federal income tax expense (see "—Federal Income Taxes"). See "Certain Financial and Accounting Matters—Reinsurance" for details on the Closed Block Reinsurance transaction.

Net Gain from Operations

Net gain from operations after dividends and federal income taxes for the year ended December 31, 2015 was $151 million, which represents a decrease of $751 million from the $902 million net gain from operations reported for the year ended December 31, 2014.

Excluding the impact of the Closed Block Reinsurance, New York Life's net gain from operations after dividends and federal income taxes for the year ended December 31, 2015 was $809 million. This represents a decrease of $93 million, or 10.3%, when compared to the $902 million reported for the year ended December 31, 2014. The decrease was attributable to the following:

- $265 million increase in operating expenses (see "—Operating Expenses");
- $66 million of higher dividend expense to policyholders mainly due to the continuation of New York Life's dividend scale approved by the Board of Directors in November 2015;
- $246 million increase in net investment income (see "—Net Investment Income").

Premium Income

Premiums are generated from sales of life and health insurance and annuities. In addition, sales of GP, included within Institutional Annuities, and Stable Value products that include annuity purchase rate guarantees, are counted as premium since there is exposure to mortality risk in these products.

The following table shows premium income by business operation for the years ended December 31, 2015 and 2014 ($ in millions):

	2015	2014	Change $	Change %
Individual Life[1]	$ 13,315	$ 6,628	$ 6,687	nm %
Direct Operations	1,389	1,300	89	6.8
GMAD	526	519	7	1.3
LTC	266	250	16	6.4
Insurance and Agency Group	**15,496**	**8,697**	**6,799**	**78.2**
Institutional Annuities:				
Stable Value	3,288	2,985	303	10.2
GP and SS	1,545	2,253	(708)	(31.4)
Retail Annuities	71	—	71	nm
Investments Group	**4,904**	**5,238**	**(334)**	**(6.4)**
Total	**$ 20,400**	**$ 13,935**	**$ 6,465**	**46.4 %**

[1] Includes $6,335 million related to the Closed Block Reinsurance for the year ended December 31, 2015, of which $6,212 million is related to initial reinsurance premium.

nm = not meaningful

Insurance and Agency Group premiums for the year ended December 31, 2015 increased $6,799 million from the same period last year, primarily driven by the Closed Block Reinsurance (see "Annex B—Financial Statement Impact of Closed Block Reinsurance" for a breakdown of the impact of the Closed Block Reinsurance on New York Life's financial statements).

Excluding the Closed Block Reinsurance, Insurance and Agency Group premiums increased $464 million, or 5.3%, from the same period last year. The increase was primarily driven by higher renewal and single premiums from Individual Life's whole life business, as well as higher first year and renewal premiums from Direct Operations business.

Premiums from the Investments Group for the year ended December 31, 2015 decreased $334 million from the same period last year. The decrease was driven by lower Institutional Annuities premiums, mainly due to lower GIC sales during 2015. Partially offsetting the decrease was an increase in Stable Value product premiums mainly driven by higher premiums from sales of stable value investment ("**SVI**") separate accounts and guaranteed interest account GIA products during 2015.

Net Investment Income (including amortization of IMR)

Net investment income for the year ended December 31, 2015 was $5,968 million, an increase of $447 million, or 8.1%, from the $5,521 million reported for the year ended December 31, 2014, and includes $201 million related to the invested assets transferred from the acquisition of the Closed Block Reinsurance (see "—Financial Position—At December 31, 2015 Compared to December 31, 2014—Assets"). Excluding the Closed Block Reinsurance, the growth in net investment income of $246 million was primarily driven by higher dividend distributions from subsidiaries of $125 million and higher income on real estate mainly due to the change in accounting guidance for wholly owned real estate held in limited liability companies (see "—Financial Position—At December 31, 2015 compared to December 31, 2014—Statutory Surplus and AVR—Change in Accounting Principles" for further detail). Also adding to the increase was higher income on fixed income securities, mortgage loan investments and other invested assets due to larger asset balances, which was partially offset by the impact of lower portfolio yields due to turnover in investments.

Benefit Payments

New York Life's benefit payments primarily include death benefits, annuity benefits, accident and health benefits, surrender benefits (including scheduled maturities and withdrawals on GP (primarily GICs) and Stable Value products) and interest on policy claims and deposit funds.

The following table shows benefit payments by business operation for the years ended December 31, 2015 and 2014 ($ in millions):

			Change	
	2015	**2014**	**$**	**%**
Individual Life[1]	$ 5,035	$ 4,836	$ 199	4.1 %
Direct Operations	811	744	67	9.0
GMAD	305	295	10	3.4
LTC	86	81	5	6.2
Insurance and Agency Group	**6,237**	**5,956**	**281**	**4.7**
Institutional Annuities:				
Stable Value	2,625	3,033	(408)	(13.5)
GP and SS	2,476	2,277	199	8.7
Retail Annuities	110	123	(13)	(10.6)
Investments Group	**5,211**	**5,433**	**(222)**	**(4.1)**
Total	**$ 11,448**	**$ 11,389**	**$ 59**	**0.5 %**

1 Includes $355 million related to the Closed Block Reinsurance for the year ended December 31, 2015.

The increase in the Insurance and Agency Group benefit payments was primarily driven by the Closed Block Reinsurance (see "Annex B—Financial Statement Impact of Closed Block Reinsurance" for a breakdown of the impact of the Closed Block Reinsurance on New York Life's financial statements).

Excluding the Closed Block Reinsurance, Insurance and Agency Group benefit payments were $5,882 million, a decrease of $74 million, or 1.2%, from the same period last year. The decrease was mainly driven by lower death and surrender benefits on Individual Life whole and term life products, partially offset by higher death benefits from the Direct Operations business.

The decrease in the Investments Group benefit payments was primarily driven by lower scheduled GIC maturities during 2015, partially offset by higher withdrawals on GIA products during the year.

Additions to Reserves

The following table shows additions to reserves by business operation for the years ended December 31, 2015 and 2014 ($ in millions):

	2015	2014	Change $	Change %
Individual Life[1]	$ 8,343	$ 2,258	$ 6,085	nm %
LTC	207	235	(28)	(11.9)
Direct Operations	92	111	(19)	(17.1)
GMAD	16	3	13	nm
Insurance and Agency Group	**8,658**	**2,607**	**6,051**	**nm**
Institutional Annuities:				
Stable Value	790	807	(17)	(2.1)
GP and SS	(94)	265	(359)	nm
Retail Annuities	(6)	(72)	66	91.7
Investments Group	**690**	**1,000**	**(310)**	**(31.0)**
Total	**$ 9,348**	**$ 3,607**	**$ 5,741**	**nm %**

1 Includes $5,675 million related to the Closed Block Reinsurance for the year ended December 31, 2015.

nm = not meaningful

The increase in the Insurance and Agency Group additions to reserves was primarily driven by the Closed Block Reinsurance (see "Annex B—Financial Statement Impact of Closed Block Reinsurance" for a breakdown of the impact of the Closed Block Reinsurance on New York Life's financial statements).

Excluding the Closed Block Reinsurance, Insurance and Agency Group additions to reserves were $2,983 million, an increase of $376 million, or 14.4%, from the same period last year. The increase was mainly driven by Individual Life, largely reflecting the aging of the insurance inforce including the receipt of renewal premiums.

The decrease in the Investments Group additions to reserves was primarily driven by a decrease in Institutional Annuities reserves mainly resulting from the decline in GIC sales from the same period last year.

Net Transfers to/from Separate Accounts

Net transfers to separate accounts for the year ended December 31, 2015 were $120 million, a change of $176 million from the $56 million transferred from separate accounts for the year ended December 31, 2014, primarily due to higher net deposits from Stable Value products in 2015.

Operating Expenses

Operating expenses primarily include general insurance expenses, taxes, licenses, fees and commissions. For the year ended December 31, 2015, total operating expenses of $3,881 million reflected an increase of $1,331 million, or 52.2%, from the $2,550 million reported for the year ended December 31, 2014. The increase was primarily driven by the Closed Block Reinsurance (see "Annex B—Financial Statement Impact of Closed Block Reinsurance" for a breakdown of the impact of the Closed Block Reinsurance on New York Life's financial statements), mainly due to the commission and expense allowance paid on the assumed reinsurance.

Excluding the Closed Block Reinsurance, operating expenses were $2,815 million, an increase of $265 million, or 10.4%, from the same period last year. The increase was mainly driven by higher general expenses, including approximately $63 million of higher costs associated with upgrading New York Life's finance and

technology operations, and higher postretirement benefits costs primarily due to a lower discount rate (the discount rate used to measure expenses in 2015 was 4.25% as compared to 5.05% in 2014) and an updated mortality assumption.

Dividends to Policyholders

Dividends to policyholders of $1,923 million includes $1,753 million approved by the Board of Directors in November 2015 and $170 million assumed from the Closed Block Reinsurance. The dividend scale approved by the Board of Directors in November 2015, which primarily factors in investment experience (interest earnings, credit loss experience and equity returns), mortality results and expense levels that develop over a period of time, increased by $66 million, or 3.9%, from the $1,687 million reported for the year ended December 31, 2014.

Federal Income Taxes

The following table reconciles the tax expense calculated at the statutory rate to the tax expense/(benefit) reflected in New York Life's results of operations for the years ended December 31, 2015 and 2014 (in millions):

	2015	2014	Change
Pre-tax gain from operations at 35%	**$ 167**	**$ 308**	**$ (141)**
Tax credits[1]	(129)	(139)	10
Dividends from subsidiaries	(123)	(79)	(44)
Tax exempt income	(39)	(67)	28
Amortization of IMR	21	(41)	62
Tax basis versus statutory basis reserves adjustment	12	(16)	28
Excess of tax over book loss on limited partnerships	(9)	(13)	4
DAC tax	309	26	283
Short term incentive compensation	5	44	(39)
Non-deductible pension and postretirement costs	81	57	24
Excess of book over tax policyholder dividends	25	60	(35)
Other (including prior period adjustments)	7	29	(22)
Subtotal before pension contribution	**$ 327**	**$ 169**	**$ 158**
Pension contribution credit	—	(192)	192
Total federal income tax expense (benefit)	**$ 327**	**$ (23)**	**$ 350**

1 Tax credits result primarily from investments in low income housing and alternative energy.

The increase in federal income tax expense of $350 million was primarily driven by higher DAC tax as a result of the Closed Block Reinsurance transaction. Under the Code, insurance companies are required to capitalize initial acquisition costs and take the deduction over time. This is accomplished by applying a tax on 7.7% of premiums, including net considerations on reinsurance transactions. The increase in DAC tax in 2015 is driven by the Closed Block Reinsurance. This tax will be recovered over a 10 year period.

Also adding to the increase in federal income taxes was a tax benefit included in 2014 results related to pension contributions made during 2014 (no contribution was made during 2015). Partially offsetting these increases was a decline in pre-tax net gain from operations, which was primarily driven by the initial impact of the acquisition of the Closed Block Reinsurance.

Net Realized Capital Gains/(Losses)

New York Life reported net realized capital losses after taxes and transfers to the IMR of $303 million for the year ended December 31, 2015, a decline of $249 million from the $54 million reported in the previous year.

The following table represents the net realized capital losses for the years ended December 31, 2015 and 2014 (in millions):

	2015	2014	Change
Bonds	$ 267	$ 320	$ (53)
Common stock	17	142	(125)
Limited partnerships	(9)	26	(35)
Derivatives	(88)	4	(92)
Other[1]	126	(6)	132
Total before OTTI and capital gains tax	**313**	**486**	**(173)**
OTTI	(401)	(191)	(210)
Capital gains tax expense[2]	(87)	(178)	91
Net capital gains/(losses) after-tax and before transfers to the IMR	**(175)**	**117**	**(292)**
Capital gains transferred to the IMR[3]	(128)	(171)	43
Net capital losses after-tax	**$ (303)**	**$ (54)**	**$ (249)**

1 Primarily realized foreign exchange gains/(losses) on Global Medium Term Note contracts of $118 million and $(20) million at December 31, 2015 and 2014, respectively.

2 OTTI losses are generally not subject to current tax treatment; however, current year tax includes benefits on current year OTTI on residential mortgage-backed securities and sales of other securities impaired in prior years.

3 Capital gains tax expense transferred to the IMR was $65 million and $92 million for the years ended December 31, 2015 and 2014, respectively.

The following table shows the distribution of OTTI and the year-over-year change in OTTI by asset type for the years ended December 31, 2015 and 2014 (in millions):

	2015	2014	Change
Limited partnerships and other invested assets	$ (267)	$ (160)	$ (107)
Bonds	(129)	(27)	(102)
Common and preferred stock	(3)	(3)	—
Other	(2)	(1)	(1)
Total OTTI	**$ (401)**	**$ (191)**	**$ (210)**

The increase in OTTI of $210 million was primarily driven by impairments on limited partnerships, mainly consisting of leveraged buyouts, mezzanine funds and limited partnerships that invest in hedged strategies, and impairments of corporate bonds, primarily in the energy sector due to lower oil prices.

Financial Position

The following is a discussion and analysis of the statutory financial position of New York Life for the years ended December 31, 2016, 2015 and 2014.

Financial Position - At December 31, 2016 compared to December 31, 2015

Assets

New York Life’s total assets at December 31, 2016 were $170,762 million, which was $7,208 million, or 4.4%, higher than the $163,554 million reported at December 31, 2015. The increase primarily reflected:

- $5,569 million higher cash and invested assets, mainly driven by the investment of operating cashflow and increase in value of New York Life's affiliated entities (see “—Statutory Surplus and AVR” for further details);
- $1,470 million increase in separate accounts assets, mainly due to net contributions and investment income earned during the year.

Liabilities

New York Life’s total liabilities, including AVR, at December 31, 2016 were $150,654 million, which was $6,596 million, or 4.6%, higher than the $144,058 million reported at December 31, 2015. The increase primarily reflected:

- $4,938 million higher policyholder liabilities (policy reserves, deposit funds and policy claims), mainly driven by the aging of the insurance inforce including the receipt of renewal premiums on life insurance, and positive net cash flow on deposit funds;
- $1,468 million increase in separate accounts liabilities (see “—Assets”).

Statutory Surplus and AVR

Statutory surplus was $20,108 million at December 31, 2016, an increase of $612 million, or 3.1%, from the $19,496 million reported at December 31, 2015. The main drivers of the change in New York Life's statutory surplus and AVR are presented in the following table (in millions):

	2016
Beginning surplus	$ 19,496
Net income	298
Net unrealized capital gains[1]	286
Change in deferred taxes	243
Change in AVR	85
Change in nonadmitted assets[2]	(73)
Pension and postretirement impacts	(218)
Other	(9)
Ending surplus	**20,108**
AVR	2,175
Surplus and AVR[3]	**$ 22,283**

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1 Excludes deferred capital gains tax benefit on net unrealized gains of $14 million reclassified to "Change in deferred taxes."

2 Excludes the decrease in nonadmitted deferred income taxes of $100 million reclassified to "Change in deferred taxes."

3 Consolidated statutory surplus and AVR, which includes the AVR of New York Life's wholly owned U.S. insurance subsidiaries (NYLIAC and NYLAZ), totaled $23,336 million at December 31, 2016.

New York Life's net income accounted for $298 million of the change in surplus during the year ended December 31, 2016 (see "—Results of Operations—For the Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015—Net Income (Loss)"). Other items impacting New York Life's 2016 surplus position included the following:

Net Unrealized Capital Gains

Net unrealized capital gains resulted in an increase in surplus of $286 million at December 31, 2016. The increase was primarily due to:

- $327 million of unrealized gains on affiliated entities that are accounted for under the equity method primarily attributable to undistributed earnings and other changes in surplus;
- Net unrealized gains on limited partnerships of $147 million primarily resulting from undistributed earnings on limited partnerships;
- Net unrealized loss on bonds of $148 million primarily resulting from foreign exchange losses due to the strengthening of the U.S. dollar against various foreign currencies;
- Derivative losses of $44 million primarily due to the reversal of prior years unrealized gains as a result of the termination of certain asset and liability management hedges, partially offset by currency swaps hedging foreign denominated bonds.

Change in Deferred Taxes

The following table details the components of the change in deferred taxes at December 31, 2015 (in millions):

		2016
Deferred income tax benefit on operating results	$	129
Deferred capital gains tax benefit on change in net unrealized capital gains		14
Subtotal		143
Decrease in deferred income taxes nonadmitted[1]		100
Total change in deferred taxes	**$**	**243**

1 Primarily due to an increase in deferred tax benefits expected to be realized within three years on limited partnerships, expected pension contributions and dividends payable.

Change in AVR

The AVR decreased $85 million due to a $177 million decrease to the equity component (primarily other invested assets and real estate) partially offset by a $92 million increase to the default component (primarily bonds and mortgage loans) as required under the NAIC's AVR formula.

Change in Nonadmitted Assets

Certain assets are not allowed as admitted assets under NAIC SAP. Generally these are assets with economic value, but which cannot be readily used to pay policyholder obligations. A net increase in nonadmitted assets during 2016 resulted in a decrease to surplus of $73 million during the year ended December 31, 2016, primarily due to the higher fixed asset balances.

Pension and Postretirement Impacts

The calculation of pension and other postretirement benefits obligations requires management to select demographic and economic assumptions that affect the reported amounts of assets and liabilities at year end. Assumptions include, but are not limited to, interest rates, return on plan assets, mortality, withdrawal and retirement rates, and healthcare cost trend. The selected actuarial assumptions comply with the NAIC guidance, which requires New York Life to use its best estimate for each assumption, and are reviewed regularly for reasonableness, comparing assumed results to actual plan experience with adjustments made when necessary. New York Life uses a December 31st measurement date for these plans, as required.

Pension and postretirement related impacts to surplus of $218 million are primarily a result of a decrease in the discount rate used to measure plan liabilities, partially offset by favorable demographic and claims experience. The following table details the components of the pension and postretirement related impacts (in millions):

		December 31, 2016
Decrease in discount rate (from 4.65% to 4.39%)	$	(331)
Asset returns (actual return of 5.6% compared to 7.5% assumption)		(112)
Favorable demographic and claims experience		205
Other		20
Total	**$**	**(218)**

Financial Position - At December 31, 2015 compared to December 31, 2014

Assets

New York Life's total assets at December 31, 2015 were $163,554 million, which was $17,287 million, or 11.8%, higher than the $146,267 million reported at December 31, 2014. The increase primarily reflected:

- $16,510 million higher cash and invested assets, primarily as a result of the assets transferred from the Closed Block Reinsurance (see "Annex B—Financial Statement Impact of Closed Block Reinsurance" for a breakdown of the impact of the Closed Block Reinsurance on New York Life's financial statements). Excluding the Closed Block Reinsurance, cash and invested assets increased $5,869 million, mainly driven by the investment of operating cashflow;
- $518 million increase in separate accounts assets, mainly due to net contributions during the year, investment income and realized gains earned during the year.

Liabilities

New York Life's total liabilities, including AVR, at December 31, 2015 were $144,058 million, which was $16,397 million, or 12.8%, higher than the $127,661 million reported at December 31, 2014. The increase primarily reflected:

- $10,788 million higher policyholder liabilities (policy reserves, deposit funds and policy claims), mainly driven by $6,563 million of policyholder liabilities assumed from the Closed Block Reinsurance. Excluding the Closed Block Reinsurance, the increase of $4,225 million in policyholder liabilities was primarily driven by higher reserves due to the aging of the insurance inforce and an increase in deposits funds due to net deposits during the year;
- $4,598 million higher liability for funds withheld under coinsurance as a result of the Closed Block Reinsurance (see "Certain Financial and Accounting Matters—Reinsurance");
- $519 million increase in separate accounts liabilities (see "—Assets").

Statutory Surplus and AVR

Statutory surplus was $19,496 million at December 31, 2015, an increase of $890 million, or 4.8%, from the $18,606 million reported at December 31, 2014. The main drivers of the change in New York Life's statutory surplus and AVR are presented in the following table (in millions):

		2015
Beginning surplus	$	18,606
Net loss		(152)
Net unrealized capital gains[1]		420
Pension and postretirement impacts		393
Change in AVR		178
Change in accounting principles		127
Change in deferred taxes		104
Change in nonadmitted assets[2]		(34)
Correction of error		(142)
Other		(4)
Ending surplus		**19,496**
AVR		2,260
Surplus and AVR[3]	**$**	**21,756**

1 Excludes deferred capital gains tax expense on **net** unrealized gains of $15 million reclassified to "Change in deferred taxes."

2 Excludes the increase in nonadmitted deferred income taxes of $373 million reclassified to "Change in deferred taxes."

3 Consolidated statutory **surplus** and AVR, which includes the AVR of New York Life's wholly owned U.S. insurance subsidiaries (NYLIAC and NYLAZ), totaled $22,688 million at December 31, 2015.

New York Life's net loss accounted for $152 million of the change in surplus during the year ended December 31, 2015 (see "—Results of Operations—For the Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014—Net Income/(Loss)"). Other items impacting New York Life's 2015 surplus position included the following:

Net Unrealized Capital Gains

Net unrealized capital gains resulted in an increase in surplus of $420 million at December 31, 2015. The increase was primarily due to $330 million of unrealized gains on affiliated entities primarily attributable to:

- NYLIAC - $477 million increase resulting from positive operating results primarily driven by investment spread income and income on policy fees;
- NYL Investments and NYL Investors - a net $96 million increase (excluding $350 million of dividends reported in net gain). The total $446 million contribution to surplus (including dividend income) from NYL Investments and NYL Investors resulted from the gain on the sale of NYL Investments' retirement plan services business of providing administrative, recordkeeping and custody services, along with positive operating results on its fee-based asset management operations;
- New York Life Enterprises - a net $186 million decrease primarily due to unrealized losses experienced on foreign denominated fixed maturity investments, which were mostly driven by interest rates in Mexico.

Adding to the increase was $90 million in other net unrealized gains from the general account investment portfolio, largely driven by net unrealized gains on other invested assets of $113 million primarily resulting from the recognition of earnings on limited partnerships (resulting from the receipt of audited GAAP financial statements during 2015).

Pension and Postretirement Impacts

The calculation of pension and other postretirement benefits obligations requires management to select demographic and economic assumptions that affect the reported amounts of assets and liabilities at year end. Assumptions include, but are not limited to, interest rates, return on plan assets, mortality, withdrawal and retirement rates, and healthcare cost trend. The selected actuarial assumptions comply with the NAIC guidance, which requires New York Life to use its best estimate for each assumption, and are reviewed regularly for reasonableness, comparing assumed results to actual plan experience with adjustments made when necessary. New York Life uses a December 31st measurement date for these plans, as required.

Pension and postretirement related impacts to surplus of $393 million are primarily a result of an increase in the discount rate (driven by an increase in corporate bond rates), partially offset by less than expected asset returns. The following table details the components of the pension and postretirement related impacts (in millions):

	December 31, 2015
Increase in discount rate (from 4.25% to 4.65%)	$ 575
Asset returns (actual return of 3.7% compared to 7.5% assumption)	(323)
Other[1]	141
Total	**$ 393**

1 Statutory accounting requires that certain liability changes be charged against surplus immediately, before the expense is incurred. When the expense is charged through net gain, there is an offsetting benefit to negate the initial reduction to surplus. This benefit, along with other components required to be recognized in the current year, is included in this line-item.

Change in AVR

The AVR decreased $178 million due to a $231 million decrease to the equity component (primarily real estate and other invested assets) as required under the NAIC's AVR formula. The decrease was partially offset by an increase in the default component of $54 million (primarily bonds and mortgage loans).

Change in Accounting Principles

The increase in surplus due to changes in accounting principles of $127 million resulted from the following:

- In 2015, the NAIC provided clarification on the accounting for prepayment penalty income on callable bonds. Specifically, the NAIC proposed changes to clarify that a prepayment penalty represents the amount of proceeds received over the par value of the bond and that such amount should be recorded in investment income. Historically, New York Life had reported prepayment penalties as realized gains and deferred them in the IMR based on its interpretation of the IMR instructions. Based on the new clarification from the NAIC, a cumulative effect of change in accounting principle was recorded as of January 1, 2015 to remove any unamortized amounts from the IMR related to prepayment penalties. The cumulative impact of this change increased surplus by $112 million at January 1, 2015;
- In 2015, the NAIC changed guidance on accounting for wholly owned real estate held in limited liability companies. The new guidance requires insurance companies to account for single member/single asset real estate held in a limited liability company as a direct real estate investment, as opposed to using the equity method as an LLC. This change in accounting principle resulted in an increase to surplus of $15 million.

Change in Deferred Taxes

The following table details the components of the change in deferred taxes at December 31, 2015 (in millions):

	2015
Deferred income tax benefit on operating results[1]	$ 492
Deferred capital gains tax expense on change in net unrealized capital gains	(15)
Subtotal	477
Increase in deferred income taxes nonadmitted[2]	(373)
Total change in deferred taxes	**$ 104**

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1 Includes $330 million related to the Closed Block Reinsurance at December 31, 2015, of which $283 million is related to DAC tax (see "—Results of Operations—For the Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014—Federal Income Taxes" for further detail).

2 Includes $(220) million related to the Closed Block Reinsurance at December 31, 2015, which represents deferred taxes required to be nonadmitted since the recovery is expected to occur between four and ten years from the closing date of the transaction.

Change in Nonadmitted Assets

Certain assets are not allowed as admitted assets under NAIC SAP. Generally these are assets with economic value, but which cannot be readily used to pay policyholder obligations. A net increase in nonadmitted assets during 2015 resulted in a decrease to surplus of $34 million during the year ended December 31, 2015, primarily due to higher prepaid expenses and software consulting expenses

Correction of Error

New York Life discovered an error, dating back to 2004, relating to reserves for its increasing premium term products. New York Life had been reserving for these products under NAIC guidelines as opposed to the more conservative New York State guidelines. To correct this error, New York Life increased term reserves by $142 million and recorded a prior period correction that decreased statutory surplus by the same amount.

Results by Segment

The following discussion presents summary information regarding the performance of the Insurance and Agency Group and the Investments Group, to the extent reflected in the financial statements of New York Life, for the years ended December 31, 2016, 2015 and 2014 (see "—Business Segments" for discussion of products offered through New York Life). Business segment results exclude certain corporate transactions that are included in the total results of New York Life.

Insurance and Agency Group

	2016	2015	2014
	(in millions)		
Income:			
Premiums	$ 9,923	$ 15,496	$ 8,697
Net investment income	4,124	4,002	3,709
Other income	348	694	447
Total income	14,395	20,192	12,853
Benefits and expenses:			
Benefit payments	6,566	6,237	5,956
Additions to reserves	3,232	8,664	2,614
Adjustment in funds withheld	135	74	—
Operating expenses	2,626	3,543	2,372
Total benefits and expenses	12,559	18,518	10,942
Net gain before dividends and federal income taxes	**1,836**	**1,674**	**1,911**
Dividends to policyholders	1,943	1,923	1,686
Net gain (loss) before federal income taxes	**(107)**	**(249)**	**225**
Federal income taxes	(240)	178	50
Net gain (loss) from operations	**$ 133**	**$ (427)**	**$ 175**

The Insurance and Agency Group for New York Life reflects the results of the Individual Life, Direct Operations, GMAD and LTC businesses. Individual Life is the primary business in this segment and has the most significant impact on the results of the group.

The increase in net gain (loss) from operations of $560 million for the year ended December 31, 2016 from 2015 was primarily driven by the initial reduction in net income from the acquisition of the Closed Block Reinsurance in 2015 (see "Annex B—Financial Statement Impact of Closed Block Reinsurance" for a breakdown of the impact of the Closed Block Reinsurance on New York Life's financial statements).

Excluding the initial impact of the Closed Block Reinsurance, net gain from operations decreased $128 million for the year ended December 31, 2016 from the prior year, mainly due to:

- $127 million decrease in net gain before dividends and federal income taxes, mainly driven by lower limited partnership distributions;
- $144 million higher dividend expense to policyholders due to the continuation of New York Life's dividend scale approved by the Board of Directors in November 2016 (includes $48 million related to the Closed Block Reinsurance). The payments of dividends include support from capital gains (both realized and unrealized) and earnings from other businesses, which are not reflected in Insurance and Agency Group's net gain, but are included in New York Life's surplus;

- $143 million higher federal income tax benefit in 2016 mainly due to a decline in pre-tax net gain (assuming a 35% effective tax rate), and the amortization of initial DAC tax related to the Closed Block Reinsurance.

The decrease in net gain (loss) from operations of $602 million for the year ended December 31, 2015 from 2014 was primarily driven by the initial reduction in net income from the acquisition of the Closed Block Reinsurance (see "Annex B—Financial Statement Impact of Closed Block Reinsurance" for a breakdown of the impact of the Closed Block Reinsurance on New York Life's financial statements).

Excluding the Closed Block Reinsurance, net gain from operations increased $56 million for the year ended December 31, 2015 from the prior year, mainly due to:

- A federal income tax benefit in 2015 of $88 million compared to a federal income tax expense in 2014 of $50 million primarily due to tax adjustments taken in 2014 related to a timing change in the deductibility of certain expenses, and a decline in taxable pre-tax income;
- Higher net investment income of $93 million primarily driven by higher income on real estate mainly due to the change in accounting for single real estate limited partnerships and higher limited partnership distributions;
- An increase in operating expenses of $178 million mainly driven by higher general expenses, including higher costs associated with upgrading New York Life's finance and technology operations, and higher postretirement benefits costs primarily due to a lower discount rate (the discount rate used to measure expenses in 2015 was 4.25% as compared to 5.05% in 2014) and an updated mortality assumption.

Despite a declining portfolio yield, New York Life was able to support its dividends to policyholders from its strong surplus position and operating results from its asset management businesses.

Investments Group

	2016	2015	2014
	(in millions)		
Income:			
Premiums	$ 5,518	$ 4,904	$ 5,238
Net investment income	1,679	1,660	1,607
Other income	95	103	112
Total income	7,292	6,667	6,957
Benefits and expenses:			
Benefit payments	4,813	5,211	5,434
Additions to reserves	1,810	804	937
Operating expenses	225	183	89
Total benefits and expenses	6,848	6,198	6,460
Net gain before dividends and federal income taxes	**444**	**469**	**497**
Dividends to policyholders	1	—	1
Net gain before federal income taxes	**443**	**469**	**496**
Federal income taxes	136	149	132
Net gain from operations	**$ 307**	**$ 320**	**$ 364**

The Investments Group primarily reflects the results of New York Life's Institutional Annuities (primarily GP and Individual Annuities' structured settlements product), Stable Value and Retail Annuities businesses.

The decrease in net gain from operations of $13 million for the year ended December 31, 2016 from 2015 was primarily driven by higher overhead expenses on New York Life's GP and Stable Value businesses, along with lower fee income.

The decrease in net gain from operations of $44 million for the year ended December 31, 2015 from 2014 was primarily driven by higher overhead expenses on New York Life's GP and Stable Value businesses, partially offset by favorable spread income.

Other

New York Life's other results primarily reflect investment income on assets not directly supporting policyholder liabilities, dividends received from subsidiaries, interest on surplus notes and the impact of contributions to New York Life's qualified pension plans. The results of this segment ultimately support the participating life business in the Insurance and Agency Group. Net gain from operations for the years ended December 31, 2016 and 2015 were as follows:

- $167 million for 2016, primarily representing $276 million of dividend income from subsidiaries ($156 million from NYL Investments, $79 million from NYL Investors and $41 million from MCF), partially offset by interest paid on New York Life's surplus notes during 2016. The decrease from the prior year was primarily driven by the lower dividend income from subsidiaries in 2016;
- $258 million for 2015, primarily representing $275 million of dividend income from NYL Investments and $75 million of dividend income from NYL Investors. The decrease from 2014 was primarily driven by tax benefits on pension contributions.

Liquidity Sources and Requirements

Liquidity Sources

New York Life's principal cash inflows from its insurance activities are derived from life insurance premiums, annuity considerations, GICs and deposit funds. New York Life's principal cash inflows from investments result from proceeds on sales, repayments of principal, maturities of invested assets and investment income. The following table sets forth the total available liquidity of New York Life from liquid assets and other funding sources at the end of the specified periods (in millions). Liquid assets include cash and cash equivalents, short-term investments and publicly traded securities, excluding assets that are pledged or otherwise committed. Other funding sources includes the available capacity at short-term borrowing facilities.

New York Life's Available Liquidity at Market Value

	December 31,		
	2016	**2015**	**2014**
Cash and short-term investments:			
Cash and cash equivalents	$ 2,718	$ 3,960	$ 1,099
Short-term investments	467	555	1,895
Less: securities lending and other short-term liabilities	(1,559)	(1,228)	(1,033)
Net cash and short-term investments	**1,626**	**3,287**	**1,961**
Liquid bonds:			
U.S. government and agency bonds	10,574	9,294	8,246
Public corporate investment-grade bonds & collateralized mortgage obligations ("**CMOs**")[1]	46,232	42,529	39,152
Liquid bonds	**56,806**	**51,823**	**47,398**
Equities:			
Public equities portfolio	929	1,076	1,787
Total liquid assets	**59,361**	**56,186**	**51,146**
Other funding sources:			
Bank facility/commercial paper capacity	1,997	1,497	1,497
Federal Home Loan Bank available capacity[2]	5,606	5,798	5,158
Total other funding sources	**7,603**	**7,295**	**6,655**
Total available liquidity	**$ 66,964**	**$ 63,481**	**$ 57,801**

1 Includes all public corporate investment-grade bonds and CMOs, which are stated at fair value.

2 Available capacity represents 5% of New York Life's total admitted assets, less secured borrowing. At December 31, 2016, New York Life's borrowing capacity with the Federal Home Loan Bank was $7,885 million, of which $2,279 million had been used.

New York Life's U.S. insurance subsidiaries (NYLIAC and NYLAZ) are subject to certain insurance department regulatory restrictions as to the payment of dividends to New York Life. In general, a dividend may be paid without prior approval from the domiciliary state insurance department provided that the subsidiary's statutory earned surplus is positive. In addition, dividends paid in any twelve month period cannot exceed the greater of (1) 10% of the subsidiary's surplus, or (2) the subsidiary's net gain from operations, each based on the preceding December 31st statutory financial statements, without regulatory approval. These restrictions pose no short-term or long-term liquidity concerns for New York Life, as it does not rely on subsidiary dividends as a significant source of liquidity.

Liquidity Uses

New York Life's principal cash outflows primarily relate to the payment of liabilities associated with its various life insurance, annuity and group pension products, GICs and funding agreements, operating expenses and income taxes. Liabilities arising from New York Life's insurance activities primarily relate to benefit payments, policy surrenders, withdrawals from GICs and maturity of funding agreements, and loans and dividends to policyholders. See "—Investment Risk Management" for a discussion of liquidity risk.

A primary liquidity concern with respect to life insurance and annuity products is the risk of early policyholder and contractholder withdrawals. New York Life includes provisions in certain of its contracts that are designed to limit withdrawals from general account institutional pension products (group annuities, GICs and certain deposit fund liabilities) sold to employee benefit plan sponsors. Such provisions include surrender charges, market value adjustments and prohibitions or restrictions on withdrawals. New York Life closely monitors its liquidity requirements in order to match cash inflows with expected cash outflows, and employs an asset/liability management approach tailored to the specific requirements of each product line based upon the return objectives, risk tolerance, liquidity, tax and regulatory requirements of the underlying products. It also regularly conducts liquidity stress tests and monitors early warning indicators of potential liquidity issues.

New York Life participates in a securities lending program for its general account whereby fixed income securities are loaned to third parties, primarily major brokerage firms and commercial banks. The borrowers of its securities provide New York Life with collateral, typically in cash. New York Life separately manages this collateral and invests such cash collateral in a portfolio of highly rated fixed income securities with short maturities. Securities on loan under the program could be returned to New York Life by the borrowers, or New York Life could call such securities at any time. Returns of loaned securities would require New York Life to return the cash collateral associated with such loaned securities. New York Life was liable for cash collateral under its control of $653 million and $578 million at December 31, 2016 and 2015, respectively. See "Risk Factors—Risk Factors Relating to New York Life—New York Life's Securities Lending Program Subjects It to Potential Liquidity and Other Risks."

New York Life is committed to maintaining adequate capitalization for its insurance and non-insurance subsidiaries to fund growth opportunities and support new products, and, with respect to its U.S. insurance subsidiaries, to maintain targeted RBC levels. In addition, New York Life may make loans to its affiliates to provide additional funds to meet the business needs of these entities. New York Life made capital contributions (net of returns of capital) of $8 million and $16 million to its non-insurance subsidiaries during the year ended December 31, 2016 and 2015, respectively.

The following table summarizes the characteristics of New York Life's annuity contract reserves and deposit fund liabilities in terms of contractholders' ability to withdraw funds for the indicated periods ($ in millions):

	December 31,			
	2016		2015	
	Amount	% of Total	Amount	% of Total
Subject to discretionary withdrawal:				
With market value adjustment	$ 14,470	27 %	$ 13,446	27 %
At fair value	8,946	17	7,884	16
Total with market value adjustment or at fair value	23,416	44	21,330	43
Not subject to discretionary withdrawal provisions	26,811	51	25,697	52
At book value without adjustment	2,621	5	2,448	5
Total annuity reserves and deposit fund liabilities[1]	**$ 52,848**	**100 %**	**$ 49,475**	**100 %**

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[1] Annuity contract reserves and deposit fund liabilities are monetary amounts that an insurer must have available to provide for future obligations with respect to annuities and deposit funds. These are liabilities on the balance sheet of financial statements prepared in conformity with NAIC SAP. These amounts are at least equal to the values available to be withdrawn by policyholders.

At December 31, 2016, of the total direct life, accident and health and annuity reserves of $93,089 million and deposit fund liabilities of $15,676 million, the total amounts related to policies and deposits that have surrender privileges were $72,881 million and $1,866 million, respectively. Of these reserves, the amounts redeemable for cash to policyholders and depositors at December 31, 2016 were $70,831 million and $1,866 million, respectively.

At December 31, 2015, of the total direct life, accident and health and annuity reserves of $88,932 million and deposit fund liabilities of $14,597 million, the total amounts related to policies and deposits that have surrender privileges were $69,627 million and $1,666 million, respectively. Of these reserves, the amounts redeemable for cash to policyholders and depositors at December 31, 2015 were $67,569 million and $1,666 million, respectively.

Individual life insurance policies, other than term life insurance policies, generally increase in cash values over their lives. Policyholders have the right to borrow from New York Life an amount generally up to the cash value of their policies at any time. As of December 31, 2016 and 2015, New York Life had $58,878 million and $56,199 million, respectively, in cash values with respect to policies for which policyholders had rights to take policy loans. The majority of cash values eligible for policy loans are at variable interest rates, which are reset annually on the policy anniversary.

Cash Flows

Net cash provided from operating activities for the years ended December 31, 2016 and 2015 was $4,360 million and $4,989 million, respectively.

Net cash used in investing activities was $6,670 million and $2,876 million for the years ended December 31, 2016 and 2015, respectively. In 2016 and 2015, New York Life used the cash flow generated by its operations to invest primarily in fixed income securities.

Net cash from financing activities and miscellaneous sources was $907 million and $939 million for the years ended December 31, 2016 and 2015, respectively. The net cash from financing activities and miscellaneous resources during the year ended December 31, 2016 was primarily associated with an increase in deposit funds of $999 million mainly resulting from higher net deposits on funding agreements. The net cash from financing activities and miscellaneous resources during the year ended December 31, 2015 was primarily associated with an increase in

deposit funds of $520 million associated with funding agreements resulting from higher net deposits, and other cash provided from miscellaneous sources.

Financing

New York Life Capital Corporation

New York Life Capital Corporation ("**NYLCC**") is a wholly owned indirect subsidiary of New York Life and serves as a conduit for New York Life to the credit markets and is authorized to issue up to $2.5 billion of commercial paper to institutional investors. The proceeds are loaned to New York Life or its subsidiaries for investment purposes or to meet short-term liquidity needs. By reinvesting the proceeds, New York Life earns a spread above the cost of borrowing. At both December 31, 2016 and 2015, New York Life had a loan payable to NYLCC of $503 million.

Effective April 13, 2016, New York Life and NYLCC entered into a five-year $1.25 billion revolving credit facility (the "**Credit Facility**") with a syndicate of lenders. The Credit Facility expires April 13, 2021. New York Life and NYLCC are borrowers under the Credit Facility. The Credit Facility replaced a three-year $500 million revolving credit facility, effective June 28, 2013, and a five-year $500 million revolving credit facility, effective June 28, 2013, that New York Life entered into with a syndicate of lenders, both of which were terminated on April 13, 2016. New York Life and NYLCC were borrowers under each facility.

Federal Home Loan Bank of New York

New York Life is a member of the Federal Home Loan Bank of New York ("**FHLB of NY**") and began issuing funding agreements to the FHLB of NY in exchange for cash. The proceeds are used for general business purposes. The funding agreements are issued through the general account and are included in the liability for deposit funds on the accompanying Statutory Statements of Financial Position. When a funding agreement is issued, New York Life is required to post collateral in the form of eligible securities including mortgage-backed, government and agency debt instruments for each of the advances received. Upon any event of default by New York Life, the FHLB of NY's recovery on the collateral is limited to the amount of New York Life's liability to the FHLB of NY. The following table summarizes the details of New York Life's funding agreements to the FHLB of NY at December 31, 2016 and 2015 (in millions):

	2016	2015
Funding agreement liability	$ 2,279	$ 1,802
Fair value of collateral pledged to the FHLB of NY	$ 3,016	$ 2,493
Investment in FHLB of NY stock	$ 143	$ 119

New York Life had posted additional capital of $737 million and $691 million at December 31, 2016 and 2015, respectively, to allow for additional funding through the FHLB of NY if the need arose.

Surplus Notes

The following table summarizes the surplus notes issued and outstanding at December 31, 2016 ($ in millions):

Issue Date	Principal Amount	Carrying Value	Interest Paid Current Year	Cumulative Interest Paid	Interest Rate	Maturity Date
10/8/2009	$ 1,000	$ 998	$ 67	$ 479	6.75%	11/15/2039
5/5/2003	1,000	995	59	794	5.88%	5/15/2033
Total	$ 2,000	$ 1,993	$ 126	$ 1,273		

The 2009 Notes and the 2003 Notes (collectively, the "**Surplus Notes**") were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and are administered by Citibank, as registrar/paying agent. Interest on the Surplus Notes is paid semi-annually on May 15th and November 15th of each year.

The Surplus Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims against New York Life. Under New York State Insurance Law, the Surplus Notes are not part of the legal liabilities of New York Life. Each payment of interest or principal may be made only with the prior approval of the Superintendent of the NYSDFS (the "**Superintendent**") and only out of surplus funds, which the Superintendent determines to be available for such payments under New York State Insurance Law. Provided that approval is granted by the Superintendent, the Surplus Notes may be redeemed at the option of New York Life at any time at the "make-whole" redemption price equal to the greater of: (1) the principal amount of the Surplus Notes to be redeemed, or (2) the sum of the present values of the remaining scheduled interest and principal payments on the notes to be redeemed, excluding accrued interest as of the date on which the Surplus Notes are to be redeemed, discounted on a semi-annual basis at an adjusted treasury rate plus 20 basis points for the 2003 Notes and 40 basis points for the 2009 Notes, respectively, plus in each case, the accrued interest on the notes to be redeemed to the redemption date.

Commitments and Contingencies

New York Life, in the ordinary course of its business, enters into numerous arrangements with its affiliates and may enter into guarantees and/or keepwells between itself and its affiliates.

New York Life, as lessee, enters into various operating lease agreements primarily associated with real property (including leases of office spaces) and data processing and other equipment. The approximate future minimum rental payments required under these operating leases was $887 million at December 31, 2016.

Unfunded commitments on limited partnerships, limited liability corporations and other invested assets amounted to $3,865 million at December 31, 2016. Included in the total unfunded commitments are $45 million related to commitments on low-income housing tax credit investments, which have been recorded in limited partnerships and other invested assets with a corresponding liability through other liabilities in the accompanying Statutory Statements of Financial Position. Contractual commitments to extend credit under commercial mortgage loan agreements totaled $558 million at December 31, 2016, at both fixed and variable rates of interest. These commitments are diversified by property type and geographic location. At December 31, 2016, New York Life had outstanding contractual obligations to acquire additional private placement securities amounting to $434 million.

Investment Risk Management

New York Life's investment portfolio has potential exposure to various sources of investment risk, including interest rate, credit and equity price risks. New York Life has established comprehensive policies and procedures at both the corporate and business segment levels to control overall risk exposures. The Investment Committee of the Board of Directors provides oversight over New York Life's investment activity, including review of various risk factors and establishment of investment policies. New York Life supplements its financial modeling with comprehensive stress testing, which is intended to assess New York Life's financial resilience and sustainability of its business model to extreme events.

New York Life evaluates the impact of various stress events on its capital and liquidity on a regular basis using the analysis of various stress scenarios. Based on the results of these stress tests, New York Life believes that it has ample liquidity and financial strength to provide for its foreseeable cash requirements, including cash outflows in extreme stress scenarios. Various liquidity risk indicators are tracked regularly to provide management with an early indication of potential liquidity issues.

Earnings and cash flows relating to fixed-rate investments are sensitive to interest rate changes, which can materially affect the fair value of these investments. New York Life manages interest rate risk as part of its asset/liability management process and product design procedures. Asset/liability management strategies include segmentation of investments by product line and the construction of investment portfolios designed to specifically satisfy the projected cash needs of the product lines. New York Life also seeks to assess and control interest rate risk by modeling asset and liability cash flows under current and projected interest rate scenarios. New York Life monitors its asset/liability position regularly, enabling management to adjust asset portfolios through rebalancing or option purchases, or to alter liability cash flows, in order to efficiently mitigate risk exposures exceeding its risk tolerances. See "Risk Factors—Risk Factors Relating to New York Life—New York Life Is Exposed to Significant Financial and Capital Markets Risks Which May Adversely Affect Its Business, Results of Operations and Financial Condition."

New York Life's investments in bonds and mortgage loans expose it to potential credit losses. Credit risk is managed by applying disciplined credit evaluation and underwriting standards; aligning allocations to lower-quality, higher-yielding investments with New York Life's risk-return tolerances; and diversifying bond exposures by industry, issuer and sector, and mortgage loan exposure by region and property type. See "Risk Factors—Risk Factors Relating to New York Life—Losses Due to Defaults by, or Deteriorating Credit of, Others, Including Issuers of Investment Securities, Reinsurers and Derivative Instrument Counterparties, Could Adversely Affect the Value of New York Life's Investments, Results of Operations, Financial Condition or Liquidity."

New York Life follows a fundamental approach to credit analysis supporting bond purchase or sale decisions. Key factors include the stability and adequacy of cash flow in relation to debt service requirements and the outlook for growth in net income. Issuers of below investment grade bonds generally have relatively high levels of indebtedness and are thus more sensitive than issuers of investment grade bonds to adverse economic conditions or to increasing interest rates. Although private placements are relatively less liquid, they benefit from more comprehensive financial covenants and are more likely to be secured or senior in structure.

New York Life actively manages and monitors its credit risk exposure. New York Life, through NYL Investors and other indirect asset management subsidiaries, manages credit risk on an individual issuer and sector basis as well as for the aggregate corporate portfolio in accordance with New York Life's investment policy guidelines. Individual issuer limits are set based on the issuer's credit rating and other factors. Credit ratings for issuers used to monitor credit risk are either from credit rating providers or internal ratings. A comparable internal rating is used if an externally provided rating is not available. The internal ratings are maintained and monitored by an experienced group of credit analysts specialized by industry and asset type. Factors involved in determining credit ratings include financial and operating ratios, industry outlook and priority of claim. Credit limits and guidelines are established and reviewed periodically. The bond portfolio is continuously examined to identify any potential problems or events that would result in the issuer not being able to comply with the contractual terms. These are included on a "watchlist" that is routinely monitored.

New York Life also follows a fundamental approach to the credit analysis of asset-backed securities. The analysis process involves a review of deal documents for each security, supplemented by analysis of: the pool of assets securing the securities; the attributes of the loans included in the pool; the structure of the transaction and the impact of the structural features on the amount and/or timing of principal and interest to be paid on the securities; the credit enhancement afforded the securities and the structure of the credit enhancement; the loss coverage afforded the securities as a result of the credit enhancement and structural features; and the feasibility of a servicing transfer, if necessary. Additionally, the credit analyst evaluating asset-backed securities may also perform quantitative analysis of the security's cash flows and stress tests to quantify the loss coverage afforded and to determine that the ratio of the credit enhancement to the expected loss is consistent with the ratings.

New York Life actively monitors and manages its commercial mortgage loan portfolio. Substantially all of the commercial mortgage loan portfolio is serviced directly by New York Life's subsidiary, NYL Investors. All aspects of loan origination and loan management are performed and/or reviewed by NYL Investors personnel, including lease analysis, economic and financial reviews, tenant analysis, and oversight of delinquency and bankruptcy proceedings. Properties securing loans are generally reinspected and revalued on a regularly scheduled basis. Problem or potential problem loans are reinspected and revalued as often as required.

If any mortgage loan analysis or other information that is obtained indicates a potential problem (likelihood of the borrower not being able to comply with the present loan repayment terms), the loan will be placed on an internal watchlist and routinely monitored. Among the criteria that would indicate a potential problem are: borrower bankruptcies; major tenant bankruptcies; loan relief/restructuring requests; delinquent tax payments; late payments; higher loan to value ratios; low debt service coverage ratios; and vacancy levels. No single factor necessarily requires a loan to be included on the watchlist, as such determination is subject to judgment as to whether circumstances call for inclusion.

New York Life's holdings of public and private equity securities are subject to market risk. These holdings are diversified and managed against risk tolerance limits established by individual product lines and at the aggregate corporate level. Weak equity market performance may adversely affect sales of New York Life's variable products, mutual funds or investment management products, cause potential purchasers of New York Life's products to refrain from new or additional investments, and may cause current investors to withdraw from the market or reduce their rates of ongoing investment. A prolonged decline in the equity markets or a drop in fixed income rates could also cause New York Life's surplus to be reduced by higher pension costs and can create funding shortfalls in pension assets relative to the projected pension obligation that New York Life could be required to fund. See "Risk Factors—Risk Factors Relating to New York Life—New York Life Is Exposed to Significant Financial and Capital Markets Risks Which May Adversely Affect Its Business, Results of Operations and Financial Condition" and "Risk Factors—Risk Factors Relating to New York Life—Changes in New York Life's Assumptions Regarding the Discount Rate, Expected Rate of Return, Life Expectancy and Expected Increase in Compensation Used For New York Life's Pension and Other Postretirement Benefit Plans May Result In Increased Expenses and Reduce New York Life's Profitability."

New York Life's Investment Portfolio

New York Life's investment strategy seeks long-term returns through disciplined security selection, portfolio diversity and an integrated approach to risk management. New York Life selects and monitors investments to balance the goals of safety, stability, liquidity, growth and after-tax total return with its need to comply with regulatory investment requirements. New York Life seeks to achieve a relatively safe and stable income stream by maintaining a broad based portfolio of investment grade bonds. These holdings are supplemented by investments in additional asset types with the objective of further enhancing the portfolio's diversification and expected returns. These additional asset types include commercial mortgages and other real estate financing investments, non-investment grade bonds, common and preferred stock, private equity and other limited partnership investments.

At December 31, 2016 and 2015, New York Life's general account investment portfolio totaled $142,785 million and $137,216 million, respectively. Invested assets increased in 2016 primarily as a result of the investment of operating cash flow. Invested assets are managed to support the liabilities of New York Life's lines of business. New York Life emphasizes asset/liability management and liquidity management across all product lines. Quality and diversification are essential building blocks in portfolio construction. The investment portfolios are specifically

tailored to fit the unique interest rate sensitivities and cash flow characteristics associated with each of the product segments. In addition, New York Life takes a comprehensive enterprise view, taking measures to mitigate overall risk exposures at the corporate level.

The fair value of New York Life's investments varies depending on economic and market conditions. For various reasons, New York Life may, from time to time, need to sell certain of its investments at a price and a time when their market value is less than their book value. In addition, mortgage loans, many of which have balloon payment maturities and equity real estate are generally illiquid and carry a greater risk of investment losses than investment grade securities. Furthermore, in periods of declining interest rates, bond calls and mortgage prepayments generally increase, resulting in reinvestment at then current market rates.

Changes in interest rates can have significant effects on New York Life's profitability. Under certain circumstances of interest rate volatility, New York Life is exposed to disintermediation risk and reduction in net interest spread or profit margins. The fair value of New York Life's invested assets fluctuates depending on market and other general economic conditions and the interest rate environment. In addition, mortgage prepayments, life insurance and annuity surrenders and bond calls are affected by interest rate fluctuations. Although New York Life employs a number of asset/liability management strategies to minimize the effects of interest rate volatility, no assurance can be given that New York Life will continue to be successful in managing the effects of such volatility and that such volatility will not have a material and adverse impact on New York Life's business, financial condition, results of operations and liquidity. See "Risk Factors—Risk Factors Relating to New York Life—New York Life Is Exposed to Significant Financial and Capital Markets Risks Which May Adversely Affect Its Business, Results of Operations and Financial Condition."

The cost basis of bonds and equity securities are adjusted for impairments in value deemed to be other-than-temporary, with the associated realized loss reported in net income if the loss is credit related, or deferred in the IMR if interest related. Factors considered in evaluating whether a decline in value is other-than-temporary include: (1) whether the decline is substantial; (2) duration that the fair value has been less than cost; (3) the financial condition and near-term prospects of the issuer; and (4) New York Life's ability and intent to retain the investment for the period of time sufficient to allow for an anticipated recovery in value. An other-than-temporary loss on loan-backed and structured securities is recognized in net income when it is anticipated that the amortized cost will not be recovered. The entire difference between the loan-backed or structured security's amortized cost and its fair value is recognized in net income only when New York Life (a) has the intent to sell the security or (b) it does not have the intent and ability to hold the security to recovery. If neither of these two conditions exists, a realized loss is recognized in net income for the difference between the amortized cost basis of the security and the present value of projected future cash flows expected to be collected. The net present value is calculated by discounting New York Life's best estimate of projected future cash flows at the effective interest rate implicit in the loan-backed or structured security prior to impairment. When a bond (other than a loan-backed or structured security), preferred stock or common stock is deemed other-than-temporarily impaired, the difference between the investment's amortized cost and its fair value is recognized as a realized loss and reported in net income.

The following table summarizes New York Life's invested assets in the general account as of December 31, 2016 and 2015 ($ in millions):

	2016		2015	
	Carrying Value	**% of Total**	**Carrying Value**	**% of Total**
Cash, cash equivalents and short term investments	$ 3,044	2.1 %	$ 4,439	3.3 %
Bonds[1]				
Public	59,497	41.7	54,335	39.6
Private	33,551	23.5	31,843	23.2
Subtotal	**93,048**	**65.2**	**86,178**	**62.8**
Mortgage loans[2]	14,853	10.4	14,601	10.6
Real estate				
Equity	1,325	0.9	1,111	0.8
Foreclosures	25	—	35	—
Company occupied	236	0.2	280	0.2
Subtotal	**1,586**	**1.1**	**1,426**	**1.0**
Equity securities				
Unconsolidated insurance subsidiaries	8,829	6.2	8,237	6.0
Common and preferred stock	1,071	0.7	1,203	0.9
Subtotal	**9,900**	**6.9**	**9,440**	**6.9**
Policy loans	10,596	7.4	10,410	7.6
Limited partnership and other invested assets	8,810	6.2	9,486	6.9
Derivative instruments	806	0.6	1,064	0.8
Other investments	142	0.1	172	0.1
Total general account investments	**$ 142,785**	**100.0 %**	**$ 137,216**	**100.0 %**

1 At December 31, 2016 and 2015, respectively, the estimated fair value of New York Life's bonds was $98,159 million and $90,771 million.

2 Includes residential mortgage loans of $8 million and $12 million at December 31, 2016 and 2015, respectively.

For a breakdown of realized gains and losses and OTTI at December 31, 2016 and 2015, see Note 10 of the 2016 Statutory Financial Statements. The average yield on general account cash and invested assets, excluding net realized investment gains and losses, was 4.4% and 4.7% for the years ended December 31, 2016 and 2015, respectively.

The following table illustrates the investment income and the yield based on average assets for each of the components of New York Life's investment portfolio for the years ended December 31, 2016 and 2015 ($ in millions):

	2016		2015	
	Yield	Amount	Yield	Amount
Bonds:				
Investment income	4.5%	$ 4,063	4.7%	$ 3,747
Average ending assets		89,613		79,872
Mortgage loans:				
Investment income	4.6	682	4.9	653
Average ending assets		14,727		13,216
Real estate:				
Investment income, net of expenses	6.7	101	7.4	70
Average ending assets		1,506		967
Policy loans:				
Investment income	5.1	535	5.2	505
Average ending assets		10,503		9,638
Cash, cash equivalents and short-term investments:				
Investment income	0.3	13	0.1	3
Average ending assets		3,742		2,890
Equity securities:				
Investment income	0.4	37	0.6	57
Average ending assets		9,669		9,533
Limited partnerships & other invested assets:				
Investment income[1]	9.6	880	9.7	1,139
Average ending assets		9,148		11,758
Derivative instruments:				
Investment income	1.0	9	1.5	15
Average ending assets		935		978
Average ending other invested assets		158		109
Average ending assets		**140,001**		**128,961**
Investment income before expenses and fees		**1,264**		**6,189**
Investment expenses and fees	(0.2)	(227)	(0.2)	(243)
IMR amortization income	0.2	117	0.2	149
Net investment income ("NII")[2]		**6,211**		**6,095**
Net pre-tax realized gains (losses)		134		(205)
Total NII and realized gains (losses)[3]		**$ 6,345**		**$ 5,890**

1 New York Life recorded dividend distributions from its subsidiaries of $303 million and $350 million for the years ended December 31, 2016 and 2015, respectively, which were included in net investment income.

2 Excludes interest expense of $133 million and $127 million for the years ended December 31, 2016 and 2015, respectively.

3 Capital gains tax expenses were $110 million and $87 million for the years ended December 31, 2016 and 2015, respectively.

Bonds

The carrying value of New York Life's bond portfolio totaled $93,048 million and $86,178 million at December 31, 2016 and 2015, respectively. Bonds represent 65.2% and 62.8% of total cash and invested assets at December 31, 2016 and 2015, respectively, and consist of publicly traded and private placement debt securities. At December 31, 2016 and 2015, publicly traded bonds comprised 63.9% and 63.0% of the total bond portfolio, respectively. For a breakdown of bond maturities at December 31, 2016 and 2015, see Note 6 of the 2016 Statutory Financial Statements.

Most of the public and private placement bonds held by New York Life are evaluated by the NAIC's Securities Valuation Office ("**SVO**"). The SVO evaluates the credit quality of the investments of insurers for regulatory reporting purposes and assigns securities to one of six investment categories called "NAIC Designations." The NAIC designation for certain loaned backed and structured securities is developed using financial modeling which the SVO obtains from external sources. The NAIC Designations closely mirror the ratings of marketable bonds used by the NRSROs. NAIC Designations 1 and 2 include bonds considered investment grade (e.g., rated BBB- or higher by S&P) by the NRSROs. Designations 3 through 6 are referred to as below investment grade (e.g., rated BB+ or lower by S&P).

It is New York Life's objective to maintain a high quality, well diversified, bond portfolio. The bond portfolio consists primarily of investment-grade corporate bonds, asset-backed and mortgage-backed securities and U.S. Treasury securities and agency obligations. As of December 31, 2016 and 2015, 93.0% and 92.0% of the bond portfolio, respectively, was invested in NAIC 1 and NAIC 2 or Moody's Aaa, Aa, A or Baa investment grade securities or S&P AAA, AA, A or BBB investment grade securities.

An analysis of the credit quality, as determined by NAIC Designation, of the total bond portfolio and, separately, the public and private placement bond portfolios, at December 31, 2016 and 2015, is set forth in the following tables ($ in millions):

Total Bonds - Public and Private
By NAIC Designation

		2016			2015		
NAIC Designation[1]	**Approximate Rating Agency Equivalent Designation[2]**	**Carrying Value**	**Estimated Fair Value[3]**	**% of Total Carrying Value**	**Carrying Value**	**Estimated Fair Value[3]**	**% of To**
1	AAA to A-	$ 59,669	$ 63,391	64.1 %	$ 54,163	$ 58,393	6
2	BBB+ to BBB-	26,867	28,091	28.9	25,121	25,747	2
	Investment grade	**86,536**	**91,482**	**93.0**	**79,284**	**84,140**	**9**
3	BB+ to BB-	3,824	3,903	4.1	4,288	4,150	5
4	B+ to B-	2,279	2,318	2.4	2,212	2,103	2
5	CCC+ to CCC-	343	364	0.4	337	300	0
6	CC to D	66	92	0.1	57	78	0
	Below investment grade	**6,512**	**6,677**	**7.0**	**6,894**	**6,631**	**8**
	Total	**$ 93,048**	**$ 98,159**	**100.0 %**	**$ 86,178**	**$ 90,771**	**1**

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1 NAIC designations are assigned no less frequently than annually.
2 S&P ratings equivalents are shown above. Comparisons between NAIC Designations and S&P ratings or Moody's equivalent ratings are published by the NAIC. S&P and Moody's have not rated some of the bonds in New York Life's investment portfolio.
3 For a discussion of how New York Life estimates the fair value of bonds in its investment portfolio, see Note 9 of the 2016 Statutory Financial Statements.

Public Bonds
By NAIC Designation

NAIC Designation[1]	Approximate Rating Agency Equivalent Designation[2]	2016 Carrying Value	2016 Estimated Fair Value[3]	2016 % of Total Carrying Value	2015 Carrying Value	2015 Estimated Fair Value[3]	2015 % of Total Carrying Value
1	AAA to A-	$ 42,982	$ 46,316	72.2 %	$ 38,836	$ 42,770	71.5 %
2	BBB+ to BBB-	13,501	14,408	22.7	12,328	12,927	22.7
	Investment grade	**56,483**	**60,724**	**94.9**	**51,164**	**55,697**	**94.2**
3	BB+ to BB-	1,733	1,801	2.9	2,091	2,001	3.8
4	B+ to B-	1,149	1,173	1.9	960	905	1.8
5	CCC+ to CCC-	125	140	0.2	107	90	0.2
6	CC to D	7	14	—	13	15	—
	Below investment grade	**3,014**	**3,128**	**5.1**	**3,171**	**3,011**	**5.8**
	Total	**$ 59,497**	**$ 63,852**	**100.0 %**	**$ 54,335**	**$ 58,708**	**100.0 %**

Private Bonds
By NAIC Designation

NAIC Designation[1]	Approximate Rating Agency Equivalent Designation[2]	2016 Carrying Value	2016 Estimated Fair Value[3]	2016 % of Total Carrying Value	2015 Carrying Value	2015 Estimated Fair Value[3]	2015 % of Total Carrying Value
1	AAA to A-	$ 16,687	$ 17,075	49.7%	$ 15,327	$ 15,623	48.1 %
2	BBB+ to BBB-	13,366	13,683	39.8	12,793	12,820	40.2
	Investment grade	**30,053**	**30,758**	**89.6**	**28,120**	**28,443**	**88.3**
3	BB+ to BB-	2,091	2,102	6.2	2,197	2,149	6.9
4	B+ to B-	1,130	1,145	3.4	1,252	1,198	4.0
5	CCC+ to CCC-	218	224	0.6	230	210	0.7
6	CC to D	59	78	0.2	44	63	0.1
	Below investment grade	**3,498**	**3,549**	**10.4**	**3,723**	**3,620**	**11.7**
	Total	**$ 33,551**	**$ 34,307**	**100.0 %**	**$ 31,843**	**$ 32,063**	**100.0 %**

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1 NAIC designations are assigned no less frequently than annually.
2 S&P ratings equivalents are shown above. Comparisons between NAIC Designations and S&P ratings or Moody's equivalent ratings are published by the NAIC. S&P and Moody's have not rated some of the bonds in New York Life's investment portfolio.
3 For a discussion of how New York Life estimates the fair value of bonds in its investment portfolio, see Note 9 of the 2016 Statutory Financial Statements.

The carrying value of New York Life's total bond portfolio was $93,048 million and $86,178 million at December 31, 2016 and 2015, respectively. Of the total bond portfolio, the carrying value of investment grade bonds was $86,536 million and $79,284 million, respectively, representing 93% and 92% of total bond holdings at December 31, 2016 and 2015, respectively. Below investment grade bonds were $6,512 million and $6,894 million, representing 7% and 8% of total bond holdings at December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, the portfolio of below investment grade bonds was comprised of 75.2% and 77.4%, respectively, of issues that were acquired as below investment grade as part of the New York Life's high yield investment objective to enhance overall portfolio yield and income. The remaining 24.8% and 22.6%, respectively, of the portfolio was

comprised of issues that were acquired as investment grade but have since been downgraded (i.e., fallen angels). Such fallen angels totaled $1,613 million and $1,559 million at December 31, 2016 and 2015, respectively. New York Life applies the same prudent principles in managing its high yield portfolio, emphasizing diversification standards (such as limits on issuer, industry and geographic locations to minimize concentration risks), credit quality and liquidity. New York Life manages its aggregate risk exposure to investment risks against an approved risk budget and other internal limits and guidelines.

Included in private bonds at December 31, 2016 are two affiliated bonds issued by MCF and NYL Investments.

At December 31, 2016 and 2015, the bond issued by MCF had a carrying value of $1,966 million and $1,786 million, respectively and a fair value of $2,006 million and $1,786 million, respectively. During 2016 and 2015, New York Life recorded interest income on this investment of $78 million and $106 million, which was included in net investment income. Prior to December 2015, NYL had revolving loan agreements (the "**Loan Agreements**") with MCF, which were recorded in "other invested assets." All amounts outstanding under the Loan Agreements were repaid in full on December 31, 2015. On December 31, 2015, New York Life entered into a new Note Funding Agreement with MCF. Under this agreement, New York Life acquired a variable funding note from MCF which is included in Bonds in the accompanying Statutory Statements of Financial Position as of December 31, 2016 and 2015.

New York Life also has an affiliated bond investment in NYL Investments with a carrying value of $600 million and a fair value of $606 million as of December 31, 2016. In 2014, New York Life loaned NYL Investments a principal amount of $400 million. During 2015, the loan was increased to $600 million. These loans were recorded in "Other invested assets." During 2016, the $600 million loan was converted to a $600 million note, which is now included in Bonds in the accompanying Statutory Statements of Financial Position. This was solely a change in legal form of the instrument with no changes to the economic terms of the investment. During 2016 and 2015, New York Life recorded interest income from NYL Investments totaling $26 million and $17 million, respectively, which was included in net investment income.

For more information on Related Party Transactions see Note 11 of the 2016 Statutory Financial Statements.

The following table presents the estimated fair value of New York Life's total bond portfolio as performing, OTTI and temporarily impaired greater than 20% at December 31, 2016 and 2015. OTTI bonds are defined as bonds for which OTTI write-downs have been taken. See "—New York Life's Investment Portfolio" and Note 6 to the 2016 Statutory Financial Statements. Temporarily impaired greater than 20% is defined as bonds for which estimated fair value is below carrying value by more than 20% as of the balance sheet date, but which continue to meet all their contractual obligations.

	2016			2015		
	Carrying Value	**Estimated Fair Value[1]**	**% of Total Carrying Value**	**Carrying Value**	**Estimated Fair Value[1]**	**% of Total Carrying Value**
			($ in millions)			
Performing	$ 92,114	$ 97,189	99.0 %	$ 84,462	$ 89,374	98.0 %
OTTI	775	862	0.8	574	613	0.7
Temporarily impaired greater than 20%	159	108	0.2	1,142	784	1.3
Total	**$ 93,048**	**$ 98,159**	**100.0 %**	**$ 86,178**	**$ 90,771**	**100.0 %**

1 For a discussion of how New York Life estimates the fair value of bonds in its investment portfolio, see Note 9 of the 2016 Statutory Financial Statements.

New York Life's net unrealized gains on bonds of $5,102 million and $4,592 million at December 31, 2016 and 2015, respectively, are not reflected in New York Life's Statutory Financial Statements since these bonds are held at amortized cost under NAIC SAP. Net unrealized gains are comprised of gross unrealized gains of $6,021 million and $5,820 million at December 31, 2016 and 2015, respectively, which are partially offset by gross unrealized losses totaling $919 million and $1,228 million at December 31, 2016 and 2015, respectively. For a breakdown of unrealized losses by investment type and a discussion of the unrealized losses on corporate bonds, mortgage-backed securities and asset-backed securities at December 31, 2016 and 2015, see Note 10 of the 2016 Statutory Financial Statements.

The following table presents New York Life's temporarily impaired greater than 20% bonds, stated in the previous table, by length of time that the individual securities have been in a continuous unrealized loss position of 20% or more at December 31, 2016 and 2015 ($ in millions):

	2016			2015		
	Carrying Value	Estimated Fair Value[1]	Unrealized Loss	Carrying Value	Estimated Fair Value[1]	Unrealized Loss
Less than 6 months.........	$ 119	$ 92	$ 27	$ 1,031	$ 741	$ 290
Between 6-9 months.......	—	—	—	30	16	14
Between 9-12 months.....	2	1	1	5	2	3
More than 12 months	38	15	23	76	25	51
Total	**$ 159**	**$ 108**	**$ 51**	**$ 1,142**	**$ 784**	**$ 358**

1 For a discussion of how New York Life estimates the fair value of bonds in its investment portfolio, see Note 9 of the 2016 Statutory Financial Statements.

During 2016 and 2015, New York Life recognized $176 million and $129 million, respectively, in OTTI on bonds.

Under NAIC SAP, bonds are carried at amortized cost, or the lower of amortized cost or fair value, if in default (as defined by an NAIC Designation of 6). Unrealized losses were $51 million and $358 million on temporarily impaired bonds with losses greater than 20% at December 31, 2016 and 2015, respectively, of which $1 million and $2 million were reported as unrealized losses and a reduction in statutory surplus as of December 31, 2016 and 2015, respectively. The decrease in unrealized losses is primarily due to a decline in market prices on corporate bonds in the energy sector resulting from declining oil prices, as well as an overall increase in interest rates.

Bonds were diversified by industry type, at December 31, 2016 and 2015, as set forth in the following table ($ in millions):

	2016			2015		
	Carrying Value	% of Total	Estimated Fair Value[1]	Carrying Value	% of Total	Estimated Fair Value[1]
Mortgage-backed	$ 16,765	18.0 %	$ 17,068	$ 13,858	16.1 %	$ 14,495
Consumer goods	13,261	14.3	13,921	12,551	14.5	13,161
Utilities	9,818	10.5	10,562	9,392	10.9	10,024
Capital goods	9,601	10.3	10,093	9,206	10.7	9,470
U.S. & state governments	12,387	13.3	13,888	11,252	13.1	13,040
Bank and finance	7,681	8.3	7,949	6,489	7.5	6,717
Asset-backed	6,996	7.5	7,079	6,644	7.7	6,723
Energy	4,394	4.7	4,674	5,027	5.8	4,765
Media	1,818	2.0	1,917	1,952	2.3	2,020
Transportation	2,478	2.7	2,662	2,336	2.7	2,463
Other	7,849	8.4	8,346	7,471	8.7	7,893
Total bonds	**$ 93,048**	**100.0 %**	**$ 98,159**	**$ 86,178**	**100.0 %**	**$ 90,771**

1 For a discussion of how New York Life estimates the fair value of bonds in its investment portfolio, see Note 9 of the 2016 Statutory Financial Statements.

At December 31, 2016, the Bank and finance category above includes an affiliated bond with MCF with a carrying value of $1,966 million and a fair value of $2,006 million; and a NYL Investments affiliated bond with a carrying value of $600 million and a fair value of $606 million. See Note 11 of the 2016 Statutory Financial Statements for a more detailed discussion of New York Life's investments in affiliates.

Mortgage-Backed and Asset-Backed Securities

New York Life's mortgage-backed securities investment portfolio consists of pass-through securities, which are pools of mortgage loans collateralized by single-family residences and primarily issued by government sponsored entities (e.g., Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation), and structured pass-through securities, such as CMOs, that may have specific prepayment and maturity profiles, are primarily AAA rated, and may be issued by either government sponsored entities or "private label" issuers.

New York Life also holds commercial mortgage-backed securities ("**CMBS**") that may be originated by single or multiple issuers, which are collateralized by mortgage loans secured by income producing commercial properties such as office buildings, multi-family dwellings, industrial, retail, hotels and other property types.

The following table presents the types of mortgage-backed securities held at December 31, 2016 and 2015 ($ in millions):

	2016			2015		
	Carrying Value	**% of Total**	**Estimated Fair Value[1]**	**Carrying Value**	**% of Total**	**Estimated Fair Value[1]**
Agency Pass-through securities	$ 5,189	31.0 %	$ 5,173	$ 3,101	22.4 %	$ 3,224
CMO - Sequential pay class	772	4.6	814	929	6.7	983
CMO - Planned amortization class	1,927	11.5	2,064	1,997	14.4	2,175
CMO - Other	4,589	27.3	4,748	3,967	28.6	4,217
Subtotal CMO	7,288	43.4	7,626	6,893	49.7	7,375
Commercial mortgage-backed	4,288	25.6	4,269	3,864	27.9	3,896
Total	**$ 16,765**	**100.0 %**	**$ 17,068**	**$ 13,858**	**100.0 %**	**$ 14,495**

1 For a discussion of how New York Life estimates the fair value of bonds in its investment portfolio, see Note 9 of the 2016 Statutory Financial Statements.

Subprime residential mortgage loans are residential mortgage loans to customers with weak credit profiles, including mortgages originated using relaxed mortgage-underwriting standards. Midprime residential mortgage loans fall between the prime and subprime sectors on the credit scale. New York Life classifies the bonds as prime, midprime or subprime based on the bond's weighted average FICO score: bonds with weighted average FICO scores of 700 or higher are classified as "prime"; bonds with weighted average FICO scores of 626 to 699 are classified as "midprime"; and bonds with weighted average FICO scores of 625 or less are classified as "subprime".

New York Life's investments in subprime and midprime residential mortgages are limited to residential mortgage-backed securities supported by subprime or midprime mortgage loans. At December 31, 2016, the carrying value of residential mortgage-backed securities with subprime and midprime loans was $65 million and $183 million, respectively. At December 31, 2015, the carrying value of residential mortgage-backed securities with subprime and midprime loans was $84 million and $228 million, respectively. For more information regarding fair value determination of bonds, see Note 9 of the 2016 Statutory Financial Statements.

Commercial Mortgage-Backed Securities

CMBS performance is sensitive to the strength of the related underlying mortgage loans, the U.S. economy, and the supply and demand for commercial real estate. The tables below present the ratings by vintage year and by bond type for CMBS held at December 31, 2016 and 2015 ($ in millions):

2016

Vintage Year	AAA	AA	A	BBB	BB	B & Below	Total Amortized Cost	Total Fair Value	Ratio of Fair Value to Amortized Cost
2012-2016	$ 2,616	$ 366	$ 231	$ 391	$ 46	$ —	$ 3,650	$ 3,614	99 %
2010-2011	162	13	4	—	—	—	179	194	108 %
2009 and prior	222	77	44	24	23	69	459	461	100 %
Total	**$ 3,000**	**$ 456**	**$ 279**	**$ 415**	**$ 69**	**$ 69**	**$ 4,288**	**$ 4,269**	**100 %**

2015

Vintage Year	AAA	AA	A	BBB	BB	B & Below	Total Amortized Cost	Total Fair Value	Ratio of Fair Value to Amortized Cost
2012-2015	$ 1,595	$ 282	$ 200	$ 245	$ 43	$ —	$ 2,365	$ 2,353	99 %
2010-2011	198	4	13	—	—	—	215	232	108 %
2009 and prior	661	246	151	99	36	97	1,290	1,319	102 %
Total	**$ 2,454**	**$ 532**	**$ 364**	**$ 344**	**$ 79**	**$ 97**	**$ 3,870**	**$ 3,904**	**101 %**

The largest grouping of CMBS held consists of those with an AAA rating, which are stratified in the below table by bond type and vintage year. CMBS bond performance is largely a function of vintage year, because the strength of real estate mortgage underwriting has a strong cyclical component, and subordination level, which positions the bond class in the securitization structure according to credit support and weighted average life.

The majority of the CMBS portfolio consists of AAA rated conduit bonds, which are backed by pools of mortgage loans each secured by at least one property. Senior conduit CMBS bonds are structured to include “fast pay” and “long pay” bonds - the former providing additional structural protection beyond the protection attained due to higher credit enhancement of senior bonds, and the latter providing higher yield at equal credit enhancement and with a longer average life. The bonds rated below AAA are typically backed by loans secured by a single property or a cross-collateralized portfolio of similar properties controlled by a single sponsor. While the credit risk associated with these types of bonds is more concentrated than those in conduit CMBS, the risks are inherently more transparent and more readily evaluated.

The tables below present the AAA CMBS and related commercial real estate ("**CRE**") securities at amortized cost by bond types, with conduit bonds further categorized by subordination level, and vintage year at December 31, 2016 and 2015 (in millions):

2016

Vintage Year	2012-2016	2010-2011	2009 and Prior	Total
Fixed rate AAA CMBS				
Interest only	$ 1	$ 3	$ —	$ 4
Fast Pay Senior Conduit	594	19	1	614
Long Pay Senior Conduit	1,207	18	175	1,400
Senior-Sub & Below Conduit	348	99	17	464
SASB AAA	248	23	29	300
Floating rate AAA CMBS				
Fast Pay Senior Conduit	—	—	—	—
Long Pay Senior Conduit	—	—	—	—
Senior-Sub & Below Conduit	—	—	—	—
Multi-Floater AAA	3	—	—	3
SASB AAA	18	—	—	18
ReREMIC AAA	—	—	—	—
CRE CDO AAA	197	—	—	197
Total AAA CMBS holdings	**$ 2,616**	**$ 162**	**$ 222**	**$ 3,000**

2015

Vintage Year	2012-2015	2010-2011	2009 and Prior	Total
Fixed rate AAA CMBS				
Interest only	$ 2	$ 3	$ —	$ 5
Fast Pay Senior Conduit	373	54	47	474
Long Pay Senior Conduit	548	18	527	1,093
Senior-Sub & Below Conduit	205	100	55	360
SASB AAA	199	23	32	254
Floating rate AAA CMBS				
Fast Pay Senior Conduit	—	—	—	—
Long Pay Senior Conduit	—	—	—	—
Senior-Sub & Below Conduit	—	—	—	—
Multi-Floater AAA	17	—	—	17
SASB AAA	13	—	—	13
ReREMIC AAA	—	—	—	—
CRE CDO AAA	238	—	—	238
Total AAA CMBS holdings	**$ 1,595**	**$ 198**	**$ 661**	**$ 2,454**

The tables below present the AAA CMBS and related CRE securities weighted average credit enhancement levels[1] by vintage year at December 31, 2016 and 2015:

2016

Vintage Year	2012-2016	2010-2011	2009 and Prior	Total
Fixed rate AAA CMBS				
Interest only	—%	—%	—%	—%
Fast Pay Senior Conduit	31.2	31.4	37.1	31.2
Long Pay Senior Conduit	30.9	33.4	38.2	31.8
Senior-Sub & Below Conduit	23.9	34.6	33.6	26.6
SASB AAA	37.9	20.7	26.4	35.5
Floating rate AAA CMBS				
Fast Pay Senior Conduit	—	—	—	—
Long Pay Senior Conduit	—	—	—	—
Senior-Sub & Below Conduit	—	—	—	—
Multi-Floater AAA	94.1	—	—	94.1
SASB AAA	58.3	—	—	58.3
ReREMIC AAA	—	—	—	—
CRE CDO AAA	64.0	—	—	64.0

2015

Vintage Year	2012-2015	2010-2011	2009 and Prior	Total
Fixed rate AAA CMBS				
Interest only	—%	—%	—%	—%
Fast Pay Senior Conduit	31.9	25.8	35.7	31.6
Long Pay Senior Conduit	30.9	31.2	37.4	34
Senior-Sub & Below Conduit	23.4	23.6	48.0	27.2
SASB AAA	39.2	20.7	30.2	36.4
Floating rate AAA CMBS				
Fast Pay Senior Conduit	—	—	—	—
Long Pay Senior Conduit	—	—	—	—
Senior-Sub & Below Conduit	—	—	—	—
Multi-Floater AAA	73.3	—	—	73.3
SASB AAA	64.5	—	—	64.5
ReREMIC AAA	—	—	—	—
CRE CDO AAA	49.8	—	—	49.8

1 Averages are weighted using amortized cost.

New York Life's asset-backed securities investment portfolio consists of securities collateralized by the cash flows of receivables relating to credit cards, automobiles, home equity and other asset classes (such as residential mortgage-backed securities, reduction rate bonds, equipment, collateralized debt and other trade receivables). At December 31, 2016, the percentage of New York Life's asset-backed securities that were rated AAA and AA were

25% and 15%, respectively. At December 31, 2015, the percentage of New York Life's asset-backed securities that were rated AAA and AA were 30% and 15%, respectively.

The following table below shows the types of asset-backed securities held at December 31, 2016 and 2015 ($ in millions):

	2016			2015		
	Carrying Value	% of Total	Estimated Fair Value[1]	Carrying Value	% of Total	Estimated Fair Value[1]
Collateralized debt obligations.....	$ 1,730	24.7 %	$ 1,726	$ 1,987	29.9 %	$ 1,963
Automobile receivables	29	0.4	29	32	0.5	33
Credit card receivables	91	1.3	91	80	1.2	79
Equipment	783	11.2	769	752	11.3	748
Home Equity Loans	13	0.2	14	—	—	—
Reduction rate bonds....................	36	0.5	38	51	0.8	54
Other[2]	4,314	61.7	4,412	3,742	56.3	3,846
Total...	**$ 6,996**	**100.0 %**	**$ 7,079**	**$ 6,644**	**100.0 %**	**$6,723**

1 For a discussion of how New York Life estimates the fair value of bonds in its investment portfolio, see Note 9 of the 2016 Statutory Financial Statements.

2 Other is primarily comprised of securities issued by special purpose corporations or trusts (issuer), established by a sponsoring organization, where the assets securing the issuer's obligation are pledged to an independent trustee until the issuer's obligation has been fully satisfied. Holders of the securities have direct recourse to the issuer's assets. The issuers of these securities are diverse in sectors and industries, and the assets are traded similarly to corporate bonds.

Mortgage Loans

New York Life underwrites commercial mortgages on general purpose income producing properties including office buildings, retail facilities, apartments, industrial and hotel properties. Geographic and property type diversification is also considered in analyzing investment opportunities, as well as property valuation and cash flow, as demonstrated in the tables below.

The mortgage loan portfolio, including both commercial and residential loans, was $14,853 million (commercial $14,845 million; residential $8 million) and $14,601 million (commercial $14,589 million; residential $12 million) at December 31, 2016 and 2015, respectively. The mortgage loan portfolio comprised 10.4% and 10.6%, respectively, of New York Life's total invested assets at December 31, 2016 and 2015.

At December 31, 2016, 38.2% of the portfolio was secured by properties located in the states of California, New York and New Jersey. At December 31, 2016 and 2015, no single borrower represented more than 6.1% and 6.3%, respectively, of the total aggregate principal balance of the commercial loan.

Mortgage loans on real estate are carried at unpaid principal balances, net of discounts/premiums and valuation allowances, and are secured. New York Life evaluates its mortgage loan portfolio for impairments quarterly. Specific valuation allowances are established for the excess carrying value of the mortgage loan over its estimated fair value, when it is probable that based on current information and events, New York Life will be unable to collect all amounts due under the contractual terms of the loan agreement. Specific valuation allowances on individual mortgage loans are based on the fair value of the collateral. If impairment is other than temporary, a direct write-down is recognized as a realized loss and a new cost basis, which is equal to the fair value of the collateral for the individual mortgage loan, is established. The new cost basis will not be changed for subsequent recoveries in value. Mortgage loans for which foreclosure is probable are considered other-than-temporarily impaired.

The following tables show the composition of New York Life's commercial mortgage loan portfolio by type of property and region at December 31, 2016 and 2015. Regions are as defined by the American Council of Life Insurance.

	2016		2015	
	Carrying Value	% of Total	Carrying Value	% of Total
	($ in millions)			
Property Type:				
Office	$ 4,501	30.3 %	$ 4,811	33.0 %
Apartment	3,833	25.8	3,742	25.6
Retail	3,816	25.7	3,631	24.9
Industrial	2,491	16.8	2,207	15.1
Other	204	1.4	198	1.4
Total	**$ 14,845**	**100.0 %**	**$ 14,589**	**100.0 %**

	2016		2015	
	Carrying Value	% of Total	Carrying Value	% of Total
	($ in millions)			
Region:				
South Atlantic[1]	$ 4,082	27.5 %	$ 3,953	27.1 %
Middle Atlantic	3,013	20.3	3,009	20.6
Pacific	3,213	21.6	3,022	20.7
North Central	1,617	10.9	1,774	12.1
New England	1,255	8.5	1,277	8.8
South Central	1,267	8.5	1,183	8.1
Mountain	315	2.1	286	2.0
Other	83	0.6	85	0.6
Total	**$ 14,845**	**100.0 %**	**$ 14,589**	**100.0 %**

1 At December 31, 2016, 20.6% of South Atlantic exposure was in the Washington D.C. area.

Loan-to-value ("**LTV**") and debt service coverage ("**DSC**") ratios are measures commonly used to assess the quality of commercial mortgage loans. The LTV ratio compares the amount of a loan to the fair value of the underlying property collateralizing such loan, and is commonly expressed as a percentage. LTV ratios greater than 100% indicate that the loan amount is greater than the collateral value. Therefore, all else being equal, a smaller LTV ratio generally indicates a higher quality loan. The DSC ratio compares a property's net operating income to its debt service payments. DSC ratios less than 1.0 indicate that property operations do not generate enough income to cover its current debt payments. Therefore, all else being equal, a larger DSC ratio generally indicates a higher quality loan.

The LTV ratios of New York Life's commercial mortgage loan portfolio (excluding single-family loans) were 52.4% and 53.0% at December 31, 2016 and 2015, respectively.

The following tables reflect the weighted average LTV and DSC ratios, based on carrying value, of New York Life's commercial mortgage loan portfolio at December 31, 2016 and 2015 ($ in millions):

	2016			2015		
LTV Range	**Avg. DSC**	**Carrying Value[1]**	**% of Portfolio**	**Avg. DSC**	**Carrying Value[1]**	**% of Portfolio**
< 50%	2.35	$ 5,977	40.8 %	2.34	$ 4,920	34.3 %
50% - 60%.................	2.04	4,076	27.8	1.98	4,993	34.8
60% - 70%.................	2.25	3,814	26.0	2.31	3,464	24.2
70% - 75%.................	2.07	306	2.1	1.79	480	3.3
75% - 80%.................	2.63	359	2.5	1.31	367	2.6
80% - 90%.................	1.23	73	0.5	1.20	73	0.5
90% - 100%...............	1.20	39	0.3	1.20	43	0.3
> 100%......................	—	—	—	—	—	—
Total.........................		**$ 14,644**	**100.0 %**		**$ 14,340**	**100.0 %**

1 Excludes $201 million and $249 million in long-term net leased and guaranteed loans at December 31, 2016 and 2015, respectively.

Mortgage Loans-Restructured and In Process of Foreclosure

Restructured mortgage loans are loans whose current payment terms have been modified to less than current market rates and which are currently performing pursuant to such modified terms. Loans on which maturities have been extended but on which current payments are being made at or above market interest rates are not classified as restructured loans.

At December 31, 2016 and 2015, New York Life had no restructured mortgage loans. During 2016, New York Life had one residential mortgage loan with a carrying value of less than $1 million that was foreclosed. During 2015, New York Life had no mortgage loans that were foreclosed. At December 31, 2016, there was one residential mortgage loan with a carrying value of less than $1 million and one commercial mortgage loan with a carrying value of $39 million that were in the process of foreclosure.

Foreclosed Real Estate

Real estate acquired in satisfaction of debt is accounted for when acquired at the lower of the property's market value or the loan balance. Subsequent to acquisition, foreclosures are typically revalued annually, and such analysis may trigger an impairment test to determine whether writedowns are necessary.

New York Life owned two foreclosed properties at December 31, 2016, with a carrying value of $25 million and $35 million, respectively. These properties, which are all held for investment, with the exception of a residential property with a carrying value of less than $1 million (which is held for sale), generated net operating income of $2 million for both years ended December 31, 2016 and 2015.

Capital Losses

Losses on mortgage loans are a result of foreclosures, sales of loans and writedowns in anticipation of losses. There were no losses in 2016 and 2015.

Equity Investments

Equity Securities

The carrying value of New York Life's common and preferred stock portfolio at December 31, 2016 and 2015 consists of the following (in millions):

		2016		2015
Common stock of insurance subsidiaries	$	8,829	$	8,237
Common stock and preferred stock		1,071		1,203
Total	**$**	**9,900**	**$**	**9,440**

The total carrying value of common stock of New York Life's insurance subsidiaries at December 31, 2016 was $8,829 million, an increase of $592 million from the $8,237 million at December 31, 2015. The increase was primarily due to positive operating results of NYLIAC.

The total carrying value of New York Life's unaffiliated equity portfolio at December 31, 2016 was $1,071 million, comprised of $905 million in direct investments in common stocks, $110 million in mutual funds and $56 million in preferred stock. The carrying value decreased by $132 million from the $1,203 million reported at December 31, 2015 primarily due to net dispositions of unaffiliated common stock totaling $127 million.

Equity Real Estate

At December 31, 2016 and 2015, the carrying value of New York Life's equity real estate portfolio was as follows (in millions):

		2016		2015
Commercial:				
Properties for company use	$	236	$	280
Investment		1,325		1,111
Acquired through foreclosure		25		35
Total real estate	**$**	**1,586**	**$**	**1,426**

The estimated fair value of the equity real estate portfolio was $2,759 million and $2,462 million at December 31, 2016 and 2015, respectively.

In addition to the above, New York Life also owns real estate in certain limited liability company ("**LLC**") structures, which are included within Limited partnerships and other invested assets of $811 million and $683 million for the years ended December 31, 2016 and 2015, respectively. The estimated fair value of these properties was $1,409 million and $1,189 million at December 31, 2016 and 2015, respectively.

NYL Investors manages the equity real estate investment portfolio. Each property in the portfolio is typically reappraised internally, at least annually, to determine fair value and assist in portfolio asset management.

Cash and Short-Term Investments

Cash (and cash equivalents) includes cash on hand, amounts due from banks and highly liquid debt instruments that have original maturities of three months or less at the date of purchase and are carried at amortized cost, which approximates fair value. Short-term investments consist of securities that have remaining maturities of greater than three months and less than or equal to twelve months when purchased and are carried at amortized cost, which approximates fair value. At December 31, 2016, cash and short term investments totaled $2,989 million, a decrease of $1,403 million from the $4,392 million reported at December 31, 2015, primarily due to higher investments in fixed income and equity securities.

Limited Partnerships and Other Invested Assets

At December 31, 2016 and 2015, New York Life's composition of limited partnership and other invested assets by type were as follows ($ in millions):

	2016		2015	
	Carrying Value	**% of Total**	**Carrying Value**	**% of Total**
Limited Partnerships:				
Leveraged buyout	$ 4,200	47.7 %	$ 3,906	41.2 %
Real estate	1,058	12.0	893	9.4
Hedge funds	322	3.7	509	5.4
Mezzanine	562	6.4	551	5.8
Low income housing tax credit funds	293	3.3	351	3.7
Wind energy	184	2.1	235	2.5
Power plants	59	0.7	78	0.8
Other	427	4.8	352	3.7
Subtotal	**7,105**	**80.7 %**	**6,875**	**72.5 %**
Other invested assets:				
Loans to affiliates	119	1.3	727	7.7
Affiliated non-insurance subsidiaries	1,484	16.8	1,741	18.3
Other	102	1.2	143	1.5
Subtotal	**1,705**	**19.3 %**	**2,611**	**27.5 %**
Total	**$ 8,810**	**100.0 %**	**$ 9,486**	**100.0 %**

Limited partnerships and limited liability companies primarily consist of limited partnership interests in leveraged buyout funds, real estate, and other equity investments. The limited partnership portfolio is well seasoned and diversified. New York Life evaluates its limited partnerships and limited liability companies for OTTI. An investment is considered other-than-temporarily impaired if it is probable, based on facts and circumstances, that New York Life will be unable to recover the cost of the investment. If an investment is deemed to be other-than-temporarily impaired, the cost basis of the investment is written down to fair value and the corresponding unrealized loss in surplus is realized in net income. During 2016 and 2015, New York Life recognized $251 million and $267 million, respectively, in impairment write-downs on its investments in limited partnerships and limited liability companies.

Affiliated non-insurance subsidiaries consists of New York Life's LLC investments in NYL Investments, NYL Investors, MCF, NYLE and NYLIFE LLC. New York Life records its share of gains or losses from investments as unrealized gains or losses. New York Life recorded net unrealized losses of $264 million and $131 million during 2016 and 2015, respectively.

Loans to affiliates includes amounts loaned from New York Life to Cordius CIG, a Société d'Investissement à Capital Variable (a "**SICAV**"), under a term loan agreement whereby New York Life loaned to Cordius an amount of €100 million. A SICAV is an open-ended collective investment product common in Western Europe and is similar to an open-ended mutual fund in the U.S. Cordius paid down €50 million on the loan during 2016 . During 2016 and 2015, New York Life recorded interest income on the loan totaling $1 million and less than $1 million, which were included in net investment income.

Loans to affiliates also include amounts loaned from New York Life to NYL Investors, a wholly owned subsidiary of New York Life, under three separate term loan agreements whereby New York Life loaned NYL Investors principal amounts of $16 million, $40 million and $10 million, respectively. The $40 million and $10 million loans were issued in 2016. During 2016 and 2015, New York Life recorded interest income on the loans totaling $1 million and $2 million, respectively, which were included in net investment income.

See "—Bonds" above for a discussion on the affiliated loan from New York Life to NYL Investments.

Derivative Instruments

New York Life uses derivative instruments to manage interest rate and currency risk. These derivative financial instruments include foreign exchange forwards, interest rate options, interest rate futures, and interest rate, inflation, and currency swaps. New York Life does not engage in derivative financial instrument transactions for speculative purposes.

New York Life may enter into derivative instruments either on an exchange or over-the-counter ("**OTC**"). Exchange traded derivatives are executed through regulated exchanges and require initial and daily variation margin collateral postings. New York Life is exposed to credit risk resulting from default of the exchange.

OTC derivatives may either be cleared through a clearinghouse ("**OTC-cleared**") or transacted between New York Life and a counterparty under bilateral agreements ("**OTC-bilateral**"). Similar to exchange traded derivatives, OTC-cleared derivatives require initial and daily variation margin collateral postings. When transacting OTC-cleared derivatives, New York Life is exposed to credit risk resulting from default of the clearinghouse and/or default of the Futures Commission Merchant (e.g. clearinghouse agent).

When transacting OTC-bilateral derivatives, New York Life is exposed to the potential default of the OTC-bilateral counterparty. New York Life deals with a large number of highly rated OTC-bilateral counterparties thus limiting its exposure to any single counterparty. New York Life has controls in place to monitor credit exposures of OTC-bilateral counterparties by limiting transactions within specified dollar limits and continuously assessing the creditworthiness of its counterparties. New York Life uses master netting agreements and adjusts transaction levels, when appropriate, to minimize risk.

The fair value of derivative instruments was an asset of $278 million and $646 million as of December 31, 2016 and 2015, respectively. The decrease of $368 million in the fair value was mainly due to the unwind of the structured settlements interest rate swaps during 2016. The fair value of net asset derivative positions less collateral held (which represents New York Life's exposure in the event of default by our counterparty) totaled $25 million and $37 million at December 31, 2016 and 2015, respectively.

New York Life held the following positions in derivative instruments at December 31, 2016 and 2015 ($ in millions):

	2016			2015		
	Notional Amount	**% of Total**	**Fair Value**	**Notional Amount**	**% of Total**	**Fair Value**
Type of instrument:						
Interest rate options	$ 72,783	89.0 %	50	$ 85,247	87.2 %	$ 55
Foreign currency swaps	5,685	7.0	(17)	5,827	6.0	166
Interest rate swaps	2,480	3.0	263	5,580	5.7	476
Foreign currency forwards	347	0.4	30	642	0.7	31
Inflation swaps	476	0.6	(48)	366	0.4	(82)
Total	**$ 81,771**	**100.0 %**	**$ 278**	**$ 97,662**	**100.0 %**	**$ 646**

The notional amount of derivatives decreased by $16 billion from December 31, 2015 mainly due to expiration of interest rate options used to protect against a spike in interest rates.

Policy Loans

Loans on policies are permitted to the extent of such policies' contractual limits. Interest rates on loans can either be fixed or variable. The average variable rate was 5.39% at December 31, 2016 and 5.48% as of December 31, 2015. Fixed interest rates for both years ranged from 5.0% to 8.0%. See "—Liquidity Sources and Requirements—Liquidity Uses."

Separate Accounts

New York Life has established both non-guaranteed and guaranteed separate accounts with varying investment objectives which are segregated from New York Life's general account and are maintained for the benefit of separate account contractholders. Separate account assets are primarily invested in bonds, common stock, limited partnerships and hedge funds.

The investment results of separate account assets generally pass through directly to separate account policyholders and contractholders. On certain separate account products, New York Life does accept the risk that the investment results of the separate account assets may not meet the guarantees provided under these products. See "Risk Factors—Risk Factors Relating to New York Life—New York Life Is Exposed to Significant Financial and Capital Markets Risks Which May Adversely Affect Its Business, Results of Operations and Financial Condition."

At December 31, 2016, New York Life's guaranteed separate account assets totaled $10,210 million, an increase of $1,428 million, or 16.3%, from the $8,782 million reported at December 31, 2015. The increase was primarily due to net deposits of $1,325 million, reinvested income of $184 million, realized gains of $11 million, other assets of $10 million, and transfers from the general account of $2 million. These increases are partially offset by unsettled trades of $51million, borrowed funds of $30 million, unrealized losses of $18 million and fees paid to the general account of $5 million.

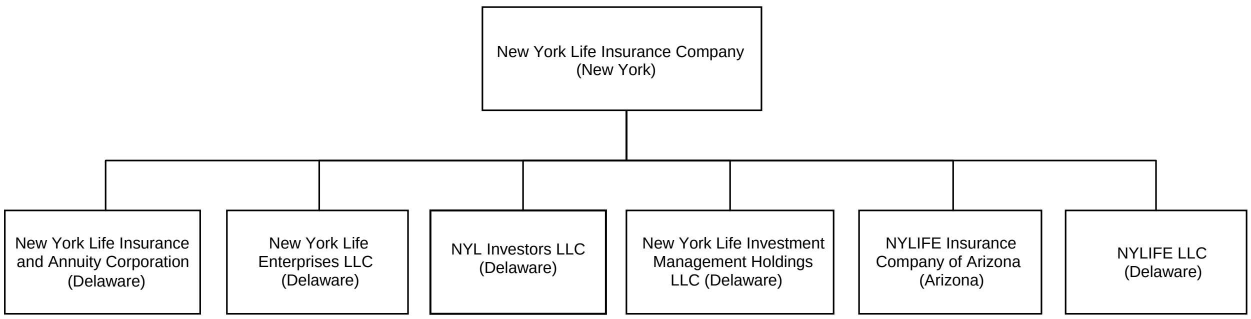
At December 31, 2016, New York Life's non-guaranteed separate account assets totaled $3,587 million, an increase of $43 million, or 1.2%, from the $3,544 million reported at December 31, 2015. The increase was primarily attributable to investment income of $118 million, realized gains of $103 million, unsettled trades of $32 million, and other assets of $1 million. These increases are partially offset by net withdrawals of $201 million, fees paid to the general account of $9 million, and market value depreciation of $2 million.

At December 31, 2015, New York Life's guaranteed separate account assets totaled $8,782 million, an increase of $799 million, or 10.0%, from the $7,983 million reported at December 31, 2014. The increase was primarily due to net deposits of $600 million, amounts due from brokers of $155 million, reinvested income of $147 million, other assets of $34 million and realized gains of $8 million. These increases are partially offset by a decrease in borrowed funds of $115 million, unrealized losses of $26 million and fees paid to the general account of $4 million.

At December 31, 2015, New York Life's non-guaranteed separate account assets totaled $3,544 million, a decrease of $281 million, or 7%, from the $3,825 million reported at December 31, 2014. This decrease was primarily attributable to net withdrawals of $375 million, unrealized losses of $109 million, fees paid to the general account of $11 million and amounts due from brokers of $2 million. These decreases are partially offset by investment income of $112 million and realized gains of $104 million.

DESCRIPTION OF THE BUSINESS OF THE COMPANY

The following chart shows the relationship between New York Life and certain of its subsidiaries.



Overview

Based on data compiled by SNL Financial LC, New York Life is one of the largest mutual life insurance companies in the United States in terms of both total assets, of which New York Life had $171 billion at December 31, 2016 and $164 billion at December 31, 2015, and total life insurance in force, of which New York Life had $1,166 billion at December 31, 2016 and $1,124 billion at December 31, 2015. The wide range of insurance and investment products and services offered through New York Life and its subsidiaries and affiliates includes life insurance, long-term care insurance, annuities (including GLI), pension products, mutual funds and other investment products and investment advisory services.

The Company believes it is well positioned to achieve its strategic goals of further strengthening its position as a leading life insurance company in the United States and continuing to grow its retirement income security and investment management businesses. The Company seeks to achieve these goals in the following fundamental ways:

- maintaining superior financial strength;
- remaining focused on the Company's core life insurance business, while leveraging the Company's customer base and asset management skills to grow its investment management operations;
- continuing to emphasize the growth of New York Life's high quality career agency force, while selectively developing alternative distribution channels; and
- remaining committed to operating as a mutual insurance company.

New York Life believes that its mutual structure distinguishes it from most of its competitors by allowing it to focus on New York Life's long-term financial strength and stability as well as the needs of its policyholders rather than on short-term earnings. This long-term focus has enabled New York Life to pay a cash dividend on participating policies for 163 consecutive years. New York Life believes that this approach offers a unique value proposition to its customers and provides it with the basis for continued growth, long-term financial strength and stability.

Life Insurance, Annuities and Long Term Care Insurance

The Company provides life insurance, annuities and LTC insurance, principally through its career agent sales force, to middle and upper income individuals, small-to-medium-size businesses and their owners, and professionals. These marketing efforts are supplemented by third-party distributors, including third-party banks, brokers and independent financial advisors, and alternative distribution channels, including the Company's Direct Operations and its group membership association (GMAD) operations.

Life Insurance. New York Life and its insurance subsidiaries market a broad line of life insurance products, offering an array of options and riders in connection with these policies to provide such benefits as: a waiver of premium, accidental death benefits, paid up additions, supplemental term insurance and accelerated benefits. The Company conducts a significant portion of its life insurance business through New York Life's wholly owned subsidiary, NYLIAC, which offers variable and universal life insurance products and products specially designed for the bank-owned and corporate-owned markets. In addition, the Company sells life insurance, health insurance and investment products in Mexico, through Seguros Monterrey, a wholly-owned subsidiary held through NYL Enterprises.

New York Life had premium income from individual life and term products of $7,275 million and $12,961 million for the years ended December 31, 2016 and 2015, respectively, with life insurance in force of $797,311 million and $763,044 million at December 31, 2016 and 2015, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations – For the Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015—Premium Income" for a discussion of the impact of the Closed Block Reinsurance on New York Life's premium income.

Long-Term Care. LTC coverage is designed to protect people from the extended costs of a chronic illness. New York Life's LTCSelect Plus and LTCSelect Premier insurance policies offer its clients a set of benefits and a variety of inflation protection options. New York Life had premium income from LTC insurance of $281 million and $266 million for the years ended December 31, 2016 and December 31, 2015, respectively.

Direct Operations. The Company sells life insurance (through New York Life) and fixed immediate and deferred annuities (through NYLIAC) to members of AARP through the Company's Direct Operations, a market leader in direct-to-consumer life insurance sales. The Company has had an exclusive endorsement from AARP to sell life insurance to its members since 1994, and has had an exclusive endorsement from AARP to sell fixed immediate and deferred annuities to its members since 2006. The Company's relationship with AARP has been agreed to remain in place through the year 2022 with respect to life insurance and the year 2019 with respect to fixed immediate and deferred annuities. For the years ended December 31, 2016 and 2015, the Direct Operations' premium income, which is derived from AARP, totaled $1,461 million and $1,389 million, respectively.

GMAD. The Company also administers group life, health and disability income programs for professional associations and other affinity groups through its GMAD operations. Serving the members of over 500 associations, New York Life is the leading provider of life insurance programs for this market. For the years ended December 31, 2016 and 2015, New York Life's premium income from its GMAD operations totaled $535 million and $526 million, respectively.

Retail Annuities. The Company's Retail Annuities business develops and markets to individuals immediate income annuities and deferred income annuities that are issued by New York Life and NYLIAC, and fixed and variable deferred annuities that are issued by NYLIAC. The Company issues a line of Guaranteed Income Annuities, including immediate fixed annuity products (Guaranteed Lifetime Income ("**GLI**") and Guaranteed Period Income ("**GPI**")) and flexible premium deferred annuity products (Guaranteed Future Income ("**GFI**")). The goal of this business is to deliver high-quality products which help consumers accumulate, preserve and protect their assets for retirement, and ultimately turn those assets into secure retirement income. While the Company issues annuities primarily through NYLIAC, New York Life had premium income from individual annuity products of $253 million and $71 million for the years ended December 31, 2016 and December 31, 2015, respectively.

Institutional Annuities. The Company's Institutional Annuities business includes the Company's Guaranteed Products and Stable Value businesses. Guaranteed Products is a global provider of institutional fixed income investment products (including GICs and funding agreements) issued by New York Life to investors seeking high quality, low volatility and stable returns. Clients include a number of Fortune® 100 companies and leading institutional investors worldwide. Investment management operations are conducted primarily through NYL Investors; however, assets and liabilities associated with certain guaranteed products are reflected on the balance sheet of New York Life. The Guaranteed Products business includes the global medium-term note program of New York Life Global Funding described in this Offering Memorandum.

The Company markets stable value investment products (including both general account and separate account products issued by New York Life) to retirement plan advisors and service providers for distribution on their platforms. In April 2015, the Company sold its business of providing administrative, recordkeeping and custody services to retirement plans.

New York Life had premium income from the Institutional Annuity business of $5,265 million and $4,833 million for the years ended December 31, 2016 and December 31, 2015, respectively.

Investment Management

The Company's delivers investment and asset management solutions through an array of products and services designed to solve the needs of institutional and retail clients. As of December 31, 2016 and 2015, the Company had $518 billion and $510 billion, respectively, of assets under management, of which $247 billion and $253 billion, respectively, represented third party assets. The Company's investment management business includes the following:

NYL Investors. Management of the investment portfolios for New York Life and NYLIAC (general and separate accounts) is primarily conducted through NYL Investors. The NYL Investors operation includes the Fixed Income Investors group, which has primary responsibility for managing New York Life's and NYLIAC's fixed income asset portfolios; the Real Estate Investors group, which manages investments in commercial mortgage loans, real estate equities and other real estate-related assets; and the Private Capital Investors group, a leader in the private placement market.

Asset Management Boutiques. Through NYL Investments' asset management boutiques, the Company manages investment portfolios, institutional accounts and funds (including private funds, mutual funds, exchange-traded funds ("**ETFs**"), and, in Europe, UCITS funds and AIFMD funds) for unaffiliated retirement plans, corporations, municipalities and other institutions, retail clients and high net worth individuals, as well as for New York Life and its affiliates. NYL Investments' U.S.-based boutiques include New York Life Investment Management LLC, MacKay Shields LLC, GoldPoint Partners LLC, Private Advisors LLC and IndexIQ Advisors LLC. NYL Investments operates in the European market primarily through Candriam Investors Group and in Australia through Ausbil Investment Management Limited, operations acquired on February 3, 2014.

Mutual Funds and ETFs (Retail Markets). The MainStay group of funds comprises a complex of 51 retail mutual funds distributed through both a captive agent channel and a third party distribution channel. In addition to the retail mutual funds, the MainStay VP Funds Trust ("**VP Funds**"), a complex of 31 additional mutual funds, are offered as investment options in NYLIAC's variable life insurance and annuity products. New York Life Investment Management LLC serves as the investment adviser for the MainStay Funds and has entered into sub-advisory agreements with various sub-advisors, both affiliated and unaffiliated, to manage the day-to-day operations of certain funds. In 2015, NYL Investments acquired IndexIQ Advisors LLC, including its suite of ETFs.

NYLIFE LLC

NYLIFE LLC is a wholly owned subsidiary of New York Life, and is a holding company for certain non-insurance subsidiaries. NYLIFE LLC, through its subsidiaries, offers securities brokerage, financial planning and investment advisory services, trust services and capital financing.

Methods of Distribution

New York Life and its U.S. insurance subsidiaries market individual and group life and LTC insurance, annuities, group pension products and investment products in all 50 states of the United States, certain of its territories and the District of Columbia. The Company distributes its U.S. life, LTC and annuity products primarily through its career agency force. As of December 31, 2016, the Company had more than 10,000 agents, over 2,000 of whom were members of the Million Dollar Round Table. The Company's agents also market certain non-proprietary disability insurance and other products through sponsored marketing agreements between the Company and other

insurers and product providers. The Company also distributes certain life insurance products through its Advanced Markets Network operation, which engages third party distributors to offer such products in the bank-owned, corporate-owned and corporate-sponsored markets. The Company distributes its life insurance and fixed annuity products to members of AARP through direct response channels and its group membership association life, health and disability income products through brokers that market through direct response channels. In addition, the Company distributes individual deferred and immediate annuities through banks and broker dealers nationwide.

The Company's career agency force generated $1,134 million and $1,126 million of life insurance sales, $3,850 million and $4,401 million of annuity sales (excluding GLI, GPI and GFI sales) and $1,719 million and $1,617 million of GLI, GPI and GFI sales, for the years ended December 31, 2016 and 2015, respectively. The Advanced Markets Network generated $529 million and $867 million of life insurance sales, and the third party channel (formerly supplemental channel, consisting of sales through brokers, banks and independent producers) generated $5,334 million and $4,566 million of annuity sales (excluding GLI, GPI and GFI sales) and $1,355 million and $954 million of GLI, GPI and GFI sales, for the years ended December 31, 2016 and 2015, respectively. New York Life's Direct Operations generated $236 million and $262 million of life insurance and $92 million and $109 million of fixed immediate annuity sales, for the years ended December 31, 2016 and 2015, respectively. For the years ended December 31, 2016 and 2015, New York Life's group membership association business generated, respectively, $37 million and $36 million of life, health and disability income sales, and its LTC business had sales of $19 million and $16 million, respectively. Life insurance sales include 100% of annualized premiums less reversals. Investment sales are equal to premiums or other consideration received. The Company also markets a variety of life insurance products in Mexico through Seguros Monterrey, primarily through agency distribution.

NYLIFE Securities LLC, a registered broker-dealer and indirect subsidiary of New York Life, offers securities brokerage services, proprietary and non-proprietary mutual funds, including MainStay Funds, and variable insurance products, non-proprietary municipal fund securities (interests in college savings plans established pursuant to Section 529 of the Code), and non-proprietary unit investment trusts.

Eagle Strategies LLC, a registered investment adviser and indirect subsidiary of New York Life, offers financial planning and other investment advisory services to its clients.

NYL Investments distributes MainStay Funds through NYLIFE Distributors LLC, a limited-purpose registered broker-dealer and indirect subsidiary of New York Life, as well as through unaffiliated financial intermediaries, including broker-dealers and banks.

Insurance Products Pricing

Insurance products are priced to produce a targeted internal rate of return on required capital over time which is expected to contribute to surplus. Factors considered in setting premiums for insurance products include, without limitation, assumptions as to future investment returns, expenses, persistency, mortality and morbidity (the incidence and duration of sickness or injury). New York Life's ability to adjust dividends on its participating life insurance policies, raise premiums on term insurance and adjust the interest crediting rates and charges relating to its non-guaranteed products mitigates the effects of deviations from these assumptions.

Reinsurance

New York Life reinsures portions of the risk it assumes for its life insurance products. As of December 31, 2016, New York Life's maximum retention level on a single life was $40 million. For second-to-die contracts, New York Life's maximum retention level was $50 million. New York Life reinsures amounts that exceed its retention limits. In order to control its exposure to mortality losses, stabilize earnings, and increase the competitiveness of its products, New York Life also reinsures a portion of the mortality risk on many of its blocks of term and universal life insurance business with highly-rated reinsurers. To control its exposure to reinsurers, New York Life limits cessions, coordinates overall exposure to reinsurers (e.g., taking into account any corporate bond exposure), conducts due diligence and monitors public announcements.

Effective January 1, 2000, New York Life reinsured its entire block of individual disability income business on a modified coinsurance basis.

Under the terms of New York Life's reinsurance agreements, the reinsurer agrees to reimburse New York Life for the ceded amount in the event a claim is incurred. This reinsurance does not discharge New York Life's legal obligation to pay claims on reinsured contracts. As a result, New York Life enters into agreements with only highly-rated reinsurers and takes other precautionary measures, as described above. Nevertheless, there is no guaranty that all of New York Life's reinsurers will continue to be able to pay their portion of the claims on reinsured business in the future.

Ratings

New York Life believes that financial strength/claims paying ability ratings, from the leading rating agencies are important indicators of an insurance company's claims paying ability, financial condition and stability, and are important factors in the selection by many potential customers of a life insurance or annuity provider. Ratings are an important factor in establishing the competitive position of life insurance companies. New York Life competes with other life insurance companies and financial institutions on the basis of a number of factors, including the ratings assigned by NRSROs.

Rating agencies assign New York Life financial strength/claims paying ability ratings based on their respective opinions of New York Life's ability to meet its financial obligations. These ratings indicate a rating agency's view of an insurance company's ability to meet its obligations to its insureds. These ratings are of interest to policyholders and holders of an insurer's debt securities, but are not ratings of the Notes offered hereby and do not reflect an evaluation of the safety and security of the Notes.

New York Life's insurance financial strength/claims paying ability are set forth in the chart below:

Rating Agency	Rating
A.M. Best	A++ (Superior)
Fitch	AAA (Exceptionally Strong)
Moody's	Aaa (Exceptional)
S & P	AA+ (Very Strong)

All four of the above NRSROs reported a stable outlook for New York Life's insurance financial strength rating as of March 15, 2017.

The foregoing ratings reflect the applicable rating agency's opinion of New York Life's financial strength, operating performance and ability to meet its obligations to policyholders and are not evaluations directed toward the protection of investors. Therefore, such ratings should not be relied upon when making any investment decision and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agencies.

Employees

As of December 31, 2016, New York Life had approximately 9,000 employees in the United States. None of its employees is subject to collective bargaining agreements governing employment with New York Life. New York Life believes that its employee relations are satisfactory.

Legal Proceedings

New York Life and its subsidiaries are defendants in individual and alleged class action suits arising from their agency sales force, insurance (including variable contracts registered under the federal securities laws), investment, retail securities, employment and other operations, including actions involving retail sales practices. Some of the actions seek substantial or unspecified compensatory and punitive damages. New York Life and its

subsidiaries are also from time to time involved in various governmental, administrative, and investigative proceedings and inquiries.

Notwithstanding the uncertain nature of litigation and regulatory inquiries, the outcome of which cannot be predicted, New York Life believes that the ultimate liability that could result from litigation and proceedings would not have a material adverse effect on its financial position; however, it is possible that settlements or adverse determinations in one or more actions or other proceedings in the future could have a material adverse effect on New York Life's operating results for a given period. For more information on New York Life's legal proceedings, see Note 15 to the 2016 Statutory Financial Statements and "Risk Factors—Risk Factors Relating to New York Life—Litigation and Regulatory Investigations May Result in Significant Financial Losses and Harm to New York Life's Reputation."

Properties Used in New York Life's Business

New York Life's home office complex located in New York City comprises one building of approximately 1,400,000 square feet which it owns and of which it occupies approximately 75% and 415,000 square feet of leased space in an adjacent building. In 2016 New York Life completed the sale of a building containing approximately 383,000 square feet in Mount Pleasant, New York, and entered into an agreement to lease back a portion of the building through 2018. New York Life leases 115,000 square foot of office space in Jersey City, New Jersey, which serves as the headquarters for New York Life's mutual funds and guaranteed products operations.

In addition, New York Life owns and occupies a 325,000 square foot facility located on 140 acres in central New Jersey, which houses New York Life's main computer operations and its records divisions. New York Life owns and operates an approximately 130,000 square foot facility located on approximately 13 acres in Atlanta, Georgia, which operates as a data center similar to the New Jersey site.

New York Life is the lessee on all of the leases used for managerial and general and sales agency office operations. Such leases typically have terms of five to ten years with renewal options. At December 31, 2016, New York Life's annual rental expense under its 237 leases was $149 million.

New York Life believes that such properties are suitable and adequate for its current business operations.

REGULATION AND SUPERVISION

New York Life's businesses are subject to extensive regulation at both the state and federal level, including regulation under state insurance and federal and state securities laws. New York Life cannot predict the impact of future state, federal or foreign laws or regulations on its business. Future laws and regulations, or the interpretation thereof, may materially adversely affect its results of operations and financial condition.

Insurance Regulation

General. New York Life is licensed to transact insurance business in, and is subject to regulation and supervision by, all 50 states, the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands and Canada. Each of its insurance subsidiaries is licensed and regulated in all U.S. and international jurisdictions where it conducts insurance business. The extent of such regulation varies, but most jurisdictions have laws and regulations governing the financial aspects of insurers, including standards of solvency, reserves, reinsurance, capital adequacy, and the business conduct of insurers. In addition, statutes and regulations usually require the licensing of insurers and their agents, the approval of policy forms and related materials and, for certain lines of insurance, the approval of rates. Such statutes and regulations also prescribe the permitted types and concentration of investments. The primary purpose of this insurance industry regulation is to protect policyholders, not holders of any securities.

The New York Insurance Law limits the sales commissions and certain other marketing expenses that may be incurred in connection with the sale of certain life insurance policies and annuity contracts. New York Life and its U.S. insurance subsidiaries are each required to file reports, generally including detailed annual financial statements, with insurance regulatory authorities in each of the jurisdictions in which they do business, and their operations and accounts are subject to periodic examination by such authorities. New York Life and its U.S. insurance subsidiaries must also file, and in many jurisdictions and in some lines of insurance obtain regulatory approval for, rules, rates and forms relating to the insurance written in the jurisdictions in which they operate.

The NAIC has established a program of accrediting state insurance departments. NAIC accreditation contemplates that accredited states will conduct periodic examinations of insurers domiciled in such states. NAIC-accredited states will not accept reports of examination of insurers from unaccredited states, except under limited circumstances. As a direct result, insurers domiciled in unaccredited states may be subject to financial examination by the insurance regulatory authority of the accredited states in which they are licensed, in addition to any examinations conducted by their domiciliary states. The NYSDFS became accredited by the NAIC in 2009.

State and federal securities regulatory authorities, state insurance regulatory authorities, other state law enforcement agencies and attorneys general, foreign regulatory authorities and self-regulatory organizations from time to time make inquiries of New York Life and its subsidiaries regarding their compliance with insurance, securities and other laws and regulations. New York Life endeavors to respond to such inquiries in an appropriate way and to take corrective action if warranted. For more information, see "Description of the Business of the Company—Legal Proceedings."

Holding Company Regulation. New York Life and its U.S. insurance subsidiaries are subject to regulation under the insurance holding company laws of various jurisdictions. The insurance holding company laws and regulations vary from jurisdiction to jurisdiction, but generally require each controlled insurance company to register with state regulatory authorities and to file with those authorities certain reports, including information concerning their capital structure, ownership, financial condition, certain intercompany transactions, general business operations and, where adopted, reports on the enterprise risk management function of the insurer's ultimate controlling person.

State insurance statutes also typically place restrictions on the amount of dividends or other distributions payable by insurance company subsidiaries to their parent companies, as well as on transactions between an insurer and its affiliates. For example, Delaware, the state of domicile of New York Life's largest insurance subsidiary, NYLIAC, prohibits the payment of any dividend, the amount of which, together with all dividends made in the preceding twelve months, exceeds the greater of (i) 10% of NYLIAC's statutory surplus as of the end of the prior calendar year or (ii) NYLIAC's statutory net gains from operations for the prior calendar year, without prior approval from the Delaware Insurance Department. New York Life is not dependent on dividends from its insurance company subsidiaries. However, in the event the insurance regulatory authorities of any such states were

to prohibit the payment of dividends to New York Life, such dividends would not be available for the payment of New York Life's obligations under the Funding Agreements. In addition, Delaware prohibits NYLIAC from paying a dividend from any source other than earned surplus without the prior approval of the Delaware Insurance Department. "Earned surplus" is defined to mean an amount equal to NYLIAC's unassigned funds as set forth in its most recent annual statement submitted to the Delaware Department of Insurance including all or part of its surplus arising from unrealized capital gains or revaluation of assets. Under this restriction, the maximum dividend permitted to be paid by NYLIAC without prior regulatory approval in 2017 is $890 million.

The New York Insurance Law and the regulations thereunder also restrict the aggregate amount of investments New York Life may make in non-life insurance subsidiaries and provide for periodic reporting on subsidiaries.

Risk Management and ORSA. In September 2012, the NAIC adopted the Risk Management and Own Risk and Solvency Assessment Model Act, or the "ORSA Model Act." The ORSA Model Act requires reinsurers and insurers that exceed specified premium thresholds to maintain a framework for managing the risks associated with their entire holding company group, including non-insurance companies. In addition, at least annually, the reinsurer or insurer must prepare a summary report, or the "ORSA Report," regarding its internal assessment of risk management and capital adequacy for the entire holding company group. ORSA Reports are filed on a confidential basis with the insurance holding company group's lead regulator and made available to other domiciliary regulators within the holding company group. As of February, 2017, the ORSA Model Act or a related statute has been adopted in approximately 41 states, including New York, and legislation was pending or under consideration in several other states. Because the provisions of the ORSA Model Act will need to be adopted by the states in order for them to maintain their NAIC accreditation beginning in 2018, the ORSA Model Act is expected to be adopted in full or substantial part by all or most of the states over the next several years.

Unclaimed Property Laws. New York Life is subject to the laws and regulations of states and other jurisdictions concerning the identification, reporting and escheatment of unclaimed or abandoned funds, and is subject to audit and examination for compliance with these requirements.

Guaranty Associations and Similar Arrangements. Most of the jurisdictions in which New York Life and its U.S. insurance subsidiaries are admitted to transact insurance business require life insurers doing business within the jurisdiction to participate in guaranty associations, which are organized to pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed life insurers. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written in such state by member insurers in the lines of business in which the impaired, insolvent or failed insurer is engaged. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets. In none of the past three years have the aggregate assessments levied against New York Life or any of its U.S. insurance subsidiaries been material to the financial condition of New York Life.

Statutory Examinations. As part of their routine regulatory oversight process, state insurance departments conduct periodic detailed examinations of the books, records and accounts of insurers domiciled in their states. These examinations are generally conducted in cooperation with the departments of two or three other states under guidelines promulgated by the NAIC. Various state insurance departments also periodically examine non-domestic insurance companies conducting business in their states, including New York Life and its U.S. insurance subsidiaries. The purpose of these periodic examinations is to evaluate the companies' compliance with state insurance laws and regulations and to determine if operations are consistent with the public interest of the policyholders resident in the state conducting the examination.

NAIC Ratios. On the basis of statutory financial statements filed with state insurance regulators, the NAIC calculates annually 12 financial ratios to assist state regulators in monitoring the financial condition of insurers. State insurance regulators review this statistical report, which is available to the public, together with an analytical report, prepared by and available only to state insurance regulators, to identify insurance companies that appear to require immediate regulatory attention. A "usual range" of results for each ratio is used as a benchmark. In general, departure from the "usual range" on four or more of the ratios can lead to inquiries from individual state insurance departments. New York Life had two ratios outside the "usual range" in 2016. New York Life had two ratios outside the "usual range" in 2015. New York Life had no ratios outside the "usual range" in 2014.

Policy and Contract Reserve Sufficiency Analysis. Under the New York Insurance Law, New York Life is required to conduct annually an analysis of the sufficiency of all life insurance and annuity statutory reserves. A qualified actuary must submit an opinion which states that the statutory reserves, when considered in light of the assets held with respect to such reserves, make good and sufficient provision for the associated contractual obligations and related expenses of the insurer. If such an opinion cannot be provided, the insurer must set up additional reserves by moving funds from surplus. Since the inception of this requirement, a qualified actuary has provided this opinion as to New York Life without any qualifications.

Risk-Based Capital. RBC is a method developed by the NAIC to measure the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. Section 1322 of the New York Insurance Law requires that New York-domiciled life insurers submit to the NYSDFS on or before March 15 of each year a report of their RBC levels as of the end of the preceding calendar year based on a formula calculated by applying factors to various asset, premium and reserve items. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk and general business risk. The NYSDFS uses the formula to identify possibly inadequately capitalized insurers for purposes of initiating regulatory action, and not as a means to rank insurers generally. Section 1322 imposes broad confidentiality requirements on those engaged in the insurance business (including insurers, agents, brokers and others) and on the NYSDFS as to the use and publication of RBC data.

The adequacy of an insurer's actual capital is measured by the RBC results, as determined by the formula. Section 1322 gives the NYSDFS explicit regulatory authority to require various actions by, or take various actions against, insurers whose total adjusted capital does not exceed certain RBC levels.

As of December 31, 2016, New York Life's total adjusted capital was substantially in excess of each of the levels that would prompt regulatory action under the New York Insurance Law.

Each U.S. insurance subsidiary of New York Life is also subject to RBC requirements. As of December 31, 2016, the total adjusted capital of each of these insurance subsidiaries was in excess of each of the RBC levels that would prompt regulatory action under applicable law.

Regulation of Investments. New York Life and each of its U.S. insurance subsidiaries is subject to state laws and regulations that require diversification of its investment portfolios and limit the amount of investments in certain asset categories, such as below investment-grade fixed income securities, equity real estate, mortgages, other equity investments, foreign investments and derivatives. Failure to comply with these laws and regulations would cause investments exceeding regulatory limitations to be treated as nonadmitted assets for purposes of measuring surplus and, in most instances, would require divestiture of such non-qualifying investments. New York Life believes that the investments made by New York Life and each of its U.S. insurance subsidiaries complied with such laws and regulations at December 31, 2016.

Federal Insurance Initiatives and Legislation. Federal initiatives often have an impact on New York Life's life insurance business. Dodd-Frank is significantly changing financial regulation in the United States and may subject New York Life to additional federal regulation. Among other things, Dodd-Frank establishes a process for the designation of nonbank financial companies by FSOC. Companies that are designated by FSOC as "systemically important financial institutions" will be subject to heightened prudential standards and supervision by the Federal Reserve Board. Since FSOC made its first SIFI designations in 2013, New York Life has not been, and does not believe that it will be, designated by FSOC as an SIFI and therefore does not expect to be subject to heightened prudential standards and supervision by the Federal Reserve Board.

Other aspects of Dodd-Frank that affect or could affect New York Life include new conditions on the writing and trading of derivatives and the maintenance of information with respect to such instruments, and the possible adoption of new regulations that could affect the sale and distribution of variable annuity and variable life insurance products. Dodd-Frank also establishes the FIO, which has the authority to develop federal policy on prudential international insurance matters, including by participating in the negotiation of international insurance agreements with foreign regulators for the U.S. The FIO is also authorized to collect information about the insurance industry and identify gaps in regulation that could contribute to a systemic crisis in the industry or broader financial system. While not having a general supervisory or regulatory authority over the business of insurance, the

director of the FIO performs various functions with respect to insurance, including serving as a non-voting member of FSOC and making recommendations to FSOC regarding insurers to be designated systemically important and therefore subject to heightened prudential standards and oversight by the Federal Reserve Board.

Given the large number of provisions that must be implemented through regulatory action, New York Life cannot predict what impact Dodd-Frank could have on its business, results of operations and financial condition. New York Life also cannot predict how President Trump's February 2017 executive order outlining his administration's core principles for regulation of the financial system, or future legislation, will impact New York Life.

See "Risk Factors—Risk Factors Relating to New York Life—Regulatory Developments, Including the Implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Could Adversely Affect New York Life's Business" and "Risk Factors—Risk Factors Relating to New York Life—The Amount of Statutory Capital that New York Life Must Hold is Sensitive to a Number of Factors Outside of its Control, Including Equity Market and Credit Market Conditions."

USA PATRIOT Act. Title III of the USA PATRIOT Act of 2001 (the "**PATRIOT Act**") amends the Money Laundering Control Act of 1986 and the Bank Secrecy Act of 1970 to expand anti-money laundering and financial transparency laws applicable to financial services companies, including some categories of insurance companies. The PATRIOT Act, among other things, seeks to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism, money laundering or other illegal activities. To the extent required by applicable laws and regulations, New York Life and certain of its subsidiaries that are deemed "financial institutions" under the PATRIOT Act have adopted anti-money laundering programs that include policies, procedures and controls to detect and prevent money laundering, designate a compliance officer to oversee their respective programs, provide for on-going employee training, and ensure periodic independent testing of the program. New York Life's anti-money laundering programs also establish and enforce customer identification programs and provide for the monitoring and the reporting to the Treasury Department of certain suspicious transactions.

Securities Regulation

Certain insurance policies and annuity contracts issued by NYLIAC, and all mutual funds, unit investment trusts and municipal fund securities (interests in college savings plans established pursuant to Section 529 of the Code), offered by New York Life's broker-dealer subsidiaries, are subject to various forms of regulation under the federal securities laws administered by the SEC, state securities laws and the rules of FINRA and the Municipal Securities Rulemaking Board ("**MSRB**"). Certain subsidiaries of New York Life are investment advisers registered under the Investment Advisers Act of 1940, as amended, while certain other subsidiaries are registered as broker-dealers under the Exchange Act as well as being members of FINRA.

Certain of New York Life's investment advisor subsidiaries are also subject to regulation by the regulatory authorities in the non-U.S. jurisdictions in which they operate, related both to branches or offices in such jurisdictions and cross-border activity. Candriam Investors Group, which operates in various jurisdictions in the EU and elsewhere, is subject to regulation related to its investment management activities by both the EU and by the EU Member State in which it operates, including Luxembourg, France, and Belgium, as well as jurisdictions outside the EU where it has operations.

Certain subsidiaries of New York Life that manage certain pooled investment vehicles are registered with the National Futures Association as commodity pool operators or commodity trading advisors. New York Life and certain of its subsidiaries, certain New York Life affiliated mutual funds and exchange-traded funds, and certain separate accounts of New York Life and NYLIAC operate under an exemption from such registration provided by the rules of the Commodity Futures Trading Commission ("**CFTC**").

Certain separate accounts of NYLIAC and mutual funds and exchange-traded funds managed by NYL Investments are registered under the Investment Company Act of 1940, as amended (the "**Investment Company Act**"). In addition, certain variable annuity contracts and variable life insurance policies issued by NYLIAC and

mutual funds managed by NYL Investments are registered under the Securities Act. Most of the funds of Candriam Investors Group are regulated in the EU under the Undertakings for Collective Investment in Transferable Securities ("**UCITS**") Directive or the Alternative Investment Fund Managers Directive ("**AIFMD**"). Certain funds of Ausbil Investment Management Limited are regulated under the Australian Corporations Act 2001.

Certain of New York Life's investment adviser subsidiaries also manage certain pooled investment vehicles that are exempt from registration under the Securities Act and the Investment Company Act, but the distribution of which may be subject to the antifraud and certain other provisions of state and federal securities laws, as well as FINRA rules.

Federal and state securities regulatory authorities, state attorneys general and FINRA from time to time make inquiries regarding compliance by New York Life and its subsidiaries with securities and other laws and regulations regarding the conduct of their securities businesses. New York Life endeavors to respond to such inquiries in an appropriate way and to take corrective action if warranted.

Federal and state securities laws and regulations and FINRA and MSRB rules are primarily intended to protect investors in the securities markets and generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the conduct of business for failure to comply with such laws and regulations. Certain subsidiaries of New York Life may also be subject to similar laws and regulations in the foreign countries in which they offer securities products, provide investment advisory services or conduct other securities-related activities.

Tax Legislation

The U.S. as well as state, local and foreign jurisdictions in which New York Life operates consider from time to time legislation that could increase or change the manner of taxing the products New York Life sells and of calculating the amount of taxes paid by life insurance companies or other corporations, including New York Life. To the extent that any such legislation is enacted in the future, New York Life could be adversely affected. In June 2016, the Republican members of the congressional House Ways & Means Committee proposed the Blueprint for tax reform. The proposals contained in the Blueprint would fundamentally reform the tax system, including the system that applies to corporations and foreign business activity. Certain of these proposals involve reducing corporate tax rates but expanding the income base to which these lower rates apply by reducing or eliminating deductions or other tax benefits that determine the income base. While these proposals lack sufficient detail to assess their potential impact, if enacted, they could affect the amount and timing of U.S. federal income taxes that New York Life pays in connection with its operations, including its foreign operations, as well as the attractiveness of certain of its products to its customers. New York Life cannot predict whether, or in what form, legislation implementing these or any other potential changes or other legislation that could affect the taxes that New York Life pays or the tax treatment of its products, will ultimately be enacted or what the impact of any such legislation would be on its business or results from operations.

The attractiveness to New York Life's customers of many of its products is due, in part, to favorable tax treatment. Current federal income tax laws generally permit the tax-deferred accumulation of earnings on the premiums paid by the holders of annuities and life insurance products. Taxes, if any, are payable generally on income attributable to a distribution under the contract for the year in which the distribution is made. Death benefits under life insurance contracts may be received free of federal income tax. Congress from time to time considers legislation that could have the effect of reducing or eliminating the relative benefit of the deferral of taxation for New York Life's insurance, annuity and investment products. As a result, demand for certain of New York Life's products that offer income tax deferral could be negatively impacted. In addition, Congress has from time to time considered other legislation that would reduce or eliminate the benefits to policyholders of the deferral of taxation on the accretion of value within certain insurance products or otherwise affect the taxation of insurance products and insurance companies. To the extent that legislation is enacted in the future to reduce the tax deferred status of insurance or annuity products, limit the exclusion of death benefits from income, or to reduce the taxation of competing products, all life insurance companies, including New York Life, could be adversely affected.

Congress has from time to time also considered material changes to the estate tax. The 2017 federal estate tax exemption amount is $5,490,000 (adjusted annually for inflation) and the current estate and gift tax rates are: (i)

37% for taxable amounts over $500,000 but not over $750,000; (ii) 39% for taxable amounts over $750,000 but not over $1,000,000; and (iii) 40% for taxable amounts over $1,000,000. Many of New York Life's products are sold in order to help customers meet their estate tax planning needs. One of the potential changes being considered under the Blueprint is the repeal of the estate tax. To the extent that legislation is enacted that would repeal or materially decrease the estate tax, sales of New York Life's products could be adversely affected.

In those jurisdictions in which New York Life does business, its taxes could increase as a result of changes in regulations or in the interpretation of applicable tax laws and regulations. Also, changes in corporate tax rates in these jurisdictions could affect the value of deferred tax assets and deferred tax liabilities. Furthermore, the value of deferred tax assets could be impacted by its future earnings levels.

See "Risk Factors—Risk Factors Relating to New York Life—Changes in Tax Laws and the Interpretation Thereof Could Adversely Affect New York Life's Business."

Environmental

As an owner and operator of real property, New York Life is subject to extensive federal, state and local environmental laws and regulations. Inherent in such ownership and operation is the risk that there may be environmental liabilities and costs incurred in connection with any required investigation or remediation of any current or former properties. In addition, New York Life holds interests in companies that are subject to environmental liabilities and costs. There is a possibility that environmental liabilities or costs will arise. However, based on information currently available to management, New York Life believes that any environmental costs or liabilities associated with compliance with environmental laws and regulations or any investigation or remediation of any current or former properties will not have a material adverse effect on its results of operations or financial condition.

ERISA

Certain of New York Life's products and services provided to employee benefit plans or IRAs are subject to the requirements of ERISA or the Code. In April 2016 the DOL issued a final regulation accompanied by new class exemptions and amendments to long-standing exemptions from the prohibited transaction provisions under ERISA (collectively, the "**Rule**"), with applicability beginning on April 10, 2017, and additional compliance with certain other provisions required by January 1, 2018. The Rule redefines who will be considered a "fiduciary" for purposes of providing advice and sales of products to, and other transactions with, ERISA plans, ERISA plan fiduciaries and participants, and IRAs. The Rule generally provides that covered investment advice to an ERISA plan fiduciary or participant, or an IRA owner will be treated as a fiduciary activity. New York Life has analyzed the Rule's impact, and is implementing the adjustments that New York Life believes are necessary to comply with the Rule as of the anticipated applicability date of April 10, 2017.

On February 3, 2017, a Presidential memorandum directed the DOL to examine the Rule to determine whether it may adversely affect access to retirement information and advice, and if so, to issue a proposed rule rescinding or revising the Rule. On March 2, 2017, the DOL published a notice proposing a 60-day extension of the Rule's anticipated applicability date from April 10, 2017 to June 9, 2017 (the "**Notice**"), and requesting comments on the Rule, as called for in the February 3, 2017 Presidential memorandum to DOL. The Notice also provides that upon completion of its examination, the DOL may allow the Rule to become applicable, issue a further extension of the applicability date, propose to withdraw the rule, or propose amendments to the Rule. New York Life cannot predict what impact the Notice or the DOL's examination will have on the Rule, or how any potential amendments to the Rule may affect New York Life's business.

If the Rule becomes applicable in its current form on April 10, 2017, the Rule would broaden the circumstances under which New York Life and its sales personnel in providing investment advice to ERISA plans and IRAs could be deemed fiduciaries under ERISA or the Code, and increase fiduciary liability and prohibited transaction exposure in connection with providing advice and sales of products to, and other transactions with, ERISA plans and IRAs.

In addition, ERISA provides insurers protection from potential exposure prompted by the 1993 U.S. Supreme Court decision in *John Hancock Mutual Life Insurance Company v. Harris Trust & Savings Bank.* In this decision, the Court held that, to the extent insurance contracts issued to employee benefit plans provide for a return that is not guaranteed, but instead varies with the performance of the insurer's general account, then the insurer's general account can become subject to ERISA and the insurer can become subject to the fiduciary requirements of ERISA.

The pertinent ERISA provisions and regulations issued by the DOL provide that insurers are protected from liability for breaches of fiduciary duties under ERISA for past actions with respect to such general account contracts. However, insurers remain subject to federal criminal law and liable for actions brought by the U.S. Secretary of Labor alleging breaches of fiduciary duties that also constitute a violation of federal or state criminal law. ERISA also generally provides that contracts issued from an insurer's general account on or before December 31, 1998, and that are not guaranteed benefit policies, will not be subject to ERISA's fiduciary requirements if they meet the requirements of the regulations issued by the DOL. In addition, ERISA provides that contracts issued from an insurer's general account after December 31, 1998, and that are not guaranteed benefit policies, will be subject to ERISA.

Regulations issued by the DOL provide that where an employee benefit plan acquired an insurance policy (other than a guaranteed benefit policy) issued on or before December 31, 1998 (a "**Transition Policy**") and supported by the assets of the insurer's general account, the employee benefit plan's assets for purposes of ERISA will not be deemed to include any of the assets of the insurer's general account, provided that the requirements of the regulation are met. Accordingly, if those requirements are met, the insurer is not subject to the fiduciary obligations of ERISA in connection with such a Transition Policy. New York Life has taken steps to comply with these requirements to secure the relief provided by the regulations from the fiduciary obligations of ERISA with respect to a Transition Policy.

MANAGEMENT OF NEW YORK LIFE

Directors

Set forth below is information regarding the directors of New York Life as of March 15, 2017

Name	Age
Theodore A. Mathas†	49
Betty C. Alewine	68
Michele G. Buck	55
Robert B. Carter	57
Ralph de la Vega	65
Mark L. Feidler	60
Christina A. Gold	69
S. Thomas Moser	69
Thomas C. Schievelbein	63
Edward D. Shirley	60
Gerald B. Smith	66
William G. Walter	71

† Mr. Theodore A. Mathas became Chairman of the Board of Directors on June 1, 2009.

Principal Executive Officers

Set forth below is information regarding the principal executive officers of New York Life as of March 15, 2017:

Name	Position with New York Life	Age
Theodore A. Mathas*	Chairman and Chief Executive Officer	49
John Y. Kim*	President	56
Christopher O. Blunt*	Executive Vice President	54
Sheila K. Davidson*	Executive Vice President, Chief Legal Officer and General Counsel	55
John T. Fleurant*	Executive Vice President and Chief Financial Officer	54
George Nichols III*	Executive Vice President in charge of the Office of Governmental Affairs	56
Patricia L. Barbari	Senior Vice President and General Auditor	55
Craig L. DeSanto*	Senior Vice President	44
Matthew M. Grove*	Senior Vice President	41
Thomas A. Hendry	Senior Vice President and Treasurer	52
Yie-Hsin Hung*	Senior Vice President	54

Name	Position with New York Life	Age
Mark J. Madgett	Senior Vice President and Head of Agency	55
Anthony R. Malloy*	Senior Vice President and Chief Investment Officer	53
Amy Miller	Senior Vice President, Deputy General Counsel, and Secretary	39
Katherine R. O'Brien*	Senior Vice President and Chief Human Resources Officer	63
Joel M. Steinberg*	Senior Vice President, Chief Risk Officer and Chief Actuary	55
Robert M. Gardner	Vice President and Controller	48

* Denotes membership on New York Life's Executive Management Committee, a committee responsible for establishing management policies in all areas of New York Life's business.

Biographical Information

Theodore A. Mathas has been New York Life's Chairman of the Board of Directors since June 2009 and Chief Executive Officer since July 2008. Mr. Mathas was President from July 2007 to May 2015, Chief Operating Officer from July 2006 to June 2008 and was Vice Chairman of the Board from July 2006 through June 2007. Prior thereto, Mr. Mathas held various senior operations management positions of increasing responsibility in the domestic life insurance and annuity businesses. Mr. Mathas joined New York Life in 1995. He is a member of the Federal Advisory Committee on Insurance and also serves on the boards of The Financial Services Roundtable, the American Council of Life Insurers, the American Museum of Natural History and the Partnership for New York City. Mr. Mathas has been a member of the Board of Directors since July 2006. His current term expires in 2019.

John Y. Kim became President of New York Life in May 2015. He served as Chief Investment Officer of New York Life from January 2011 to December 2016. Mr. Kim was Vice Chairman from January 2014 to May 2015 and was President of the Investments Group of New York Life from February 2012 to January 2014. Mr. Kim has been the Chairman of New York Life Investment Management LLC since April 2008. He was Executive Vice President of New York Life and Chief Executive Officer of New York Life Investment Management LLC from April 2008 to January 2014. Prior to joining New York Life in April 2008, Mr. Kim was president of Prudential Retirement and its predecessor organization CIGNA Retirement and Investments from 2002 to 2007, where he led their defined benefit, defined contribution and guaranteed products businesses. Mr. Kim spent 17 years of his career with Aetna Life & Casualty where he rose to the position of chief executive officer and chief investment officer of Aeltus Investment Management, its wholly-owned investment subsidiary. He also once served as managing director and head of Fixed Income at Mitchell Hutchins Institutional Investors, a then subsidiary of Paine Webber.

Christopher O. Blunt has been Executive Vice President of New York Life since March 2009 and he was President of New York Life's Investments Group from May 2015 to January 2017. Mr. Blunt was Co-President of New York Life's Insurance and Agency Group from January 2014 to May 2015 and President of the Insurance Group for New York Life from February 2012 to January 2014. He was Executive Vice President in charge of Retirement Income Security from March 2009 to February 2012 and was Senior Vice President in charge of Retirement Income Security from November 2008 to March 2009. From March 2007 to November 2008, he was Senior Vice President and Chief Operating Officer of Life and Annuity. Mr. Blunt joined the Company in 2004 as Executive Vice President of New York Life Investment Management LLC and was responsible for setting and executing New York Life Investment Management LLC's Retail Investments strategy. Prior to joining New York Life Investment Management LLC, Mr. Blunt was chairman and chief executive officer of GivingCapital, Inc., a wealth management solutions provider serving the financial institutions marketplace and before that, spent 14 years in a variety of senior marketing and distribution roles in the investment management industry. Mr. Blunt was the Chief Marketing Officer – Americas, for Merrill Lynch Investment Managers, and president of Mercury Funds

Distributors. Before working with Merrill Lynch, he was a managing director with Goldman, Sachs & Co. and the national sales manager for Goldman Sachs Funds.

Sheila K. Davidson has been Executive Vice President of New York Life since March 2005, Chief Legal Officer since September 2007 and General Counsel from May 2000 to March 2005 and again from September 2007 to present. She was Senior Vice President from May 2000 to March 2005. Ms. Davidson was Senior Vice President in charge of the Corporate Compliance Department from January 1998 to May 2000. From June 1997 to January 1998, she was Vice President-Corporate Compliance. She was Vice President and Associate General Counsel from March 1995 to June 1997. She joined New York Life in 1991.

John Fleurant has been Executive Vice President and Chief Financial Officer of New York Life since July 2013. Mr. Fleurant was Senior Vice President, Deputy Chief Financial Officer and Controller of New York Life from April 2013 to July 2013. From April 2012 to April 2013, he was Senior Vice President, Controller and Treasurer of New York Life. Mr. Fleurant joined New York Life in November 2010, as Senior Vice President, Finance and Controller. Prior to joining New York Life, he served as controller and chief financial officer for domestic businesses at Prudential Financial from 1995 to 2010. Before joining Prudential Financial, he was a senior manager for Deloitte & Touche from 1985 to 1995.

George Nichols III has been Executive Vice President of New York Life since March 2017, and has been in charge of the Office of Governmental Affairs for New York Life since January 2007. He joined New York Life in January 2001 as Senior Vice President and Assistant to the Chairman. From October 2001 to April 2003, Mr. Nichols was a Senior Vice President in the Agency Department. From April 2003 until he joined the Office of Governmental Affairs in June 2006, Mr. Nichols was Senior Vice President in charge of the AARP Life Insurance Program in Tampa. Prior to joining New York Life, from April 1996 to December 2000, Mr. Nichols was Commissioner of the Kentucky Department of Insurance. In 2000, Mr. Nichols served as President of the National Association of Insurance Commissioners (NAIC).

Patricia L. Barbari has been Senior Vice President and General Auditor of New York Life since April 2012. From October 2010 to April 2012, she was Senior Vice President, Associate General Auditor and was Senior Vice President, Individual Policy Services from 2007 to October 2010. Ms. Barbari was First Vice President in charge of Individual Policy Services General Office operations from 2005 to 2007. She was elected Vice President in 2001 and served as Chief of Staff to the senior vice president in charge of Individual Policy Services from 2001 to 2005. Ms. Barbari was Corporate Vice President, Individual Policy Services from 1995 to 2001, Assistant General Auditor from 1991 to 1995 and Director Corporate Quality from 1989 to 1991. She joined New York Life in 1989.

Craig L. DeSanto has been Senior Vice President of New York Life since July 2012. He is currently the Head of Strategic Insurance Businesses of New York Life, responsible for overseeing New York Life Direct, the Company's Group Membership Association and Worksite businesses, the Advanced Markets Network including the institutional insurance business, Long-Term Care Insurance and the Institutional Annuities business. He joined New York Life in 1997 as an actuarial summer intern and has since assumed numerous roles of increasing responsibility. Prior to his current role, Mr. DeSanto was responsible for overseeing New York Life's Individual Life insurance business and was responsible for heading the Affluent Market growth initiative and Eagle Strategies, managing the Company's institutional insurance business and holding numerous product development and financial management roles across the Individual Life and Annuities businesses. He is a board member of LIMRA/LOMA.

Matthew M. Grove has been a Senior Vice President in New York Life's Insurance and Agency Group since March 2013 and is responsible for the oversight of the life insurance, retail annuity and marketing functions of New York Life's core business. He joined New York Life in 2009 and has held positions of increasing responsibility. Prior to his current role, Mr. Grove was Chief Administrative Officer of the Insurance and Agency Group, responsible for strategy, advanced analytics, internal consulting, new business, underwriting and various other functions. Prior to joining New York Life, Mr. Grove was the Chief Marketing Officer of Jefferson National, an insurance company focused on serving the needs of the Registered Investment Advisor (RIA) market. Before Jefferson National, he was the President and Founder of Diginexus, a technology consulting firm focused on building enterprise software for financial services firms. Mr. Grove began his career as an investment banker at Donaldson, Lufkin & Jenrette.

Thomas A. Hendry has been Senior Vice President and Treasurer of New York Life since joining the Company in June 2012 and is responsible for overseeing New York Life's Treasury functions and its Financial Planning & Analysis Department. Prior to joining New York Life, Mr. Hendry served in various positions at Prudential Financial from 1998 to 2012, most recently as treasurer for Prudential's U.S. life insurance business.

Yie-Hsin Hung has been Senior Vice President of New York Life since November 2011. She also serves as Chief Executive Officer of New York Life Investment Management LLC (NYLIM). Prior to her current role, she was Co-President of NYLIM and Chairman of NYLIM International, where she broadened the firm's fixed income, equity and alternative capabilities and global boutique presence organically and through acquisition. She also led the firm's successful expansion into Europe, Asia and Australia. Ms. Hung joined New York Life in 2010 with more than 25 years of industry experience, most recently from Bridgewater Associates. Prior to that she was with Morgan Stanley Investment Management where she began her career in investment banking.

Mark J. Madgett became Head of Agency of New York Life in February 2016 and has been Senior Vice President of New York Life since September 2015. He assumed leadership of the Agency Department in January 2016. Mr. Madgett served as Managing Partner for the Seattle General Office from 1998 to 2014. During this time, he also served as Chair of the Managing Partners Advisory Council, representing field sales management on key projects and pilot programs. He was a Senior Partner from 1995 to 1998 and Sales Manager from 1992 to 1995. Mr. Madgett joined New York Life as an Agent in 1986. Mr. Madgett is a lifetime member of the Partner's Round Table and previously served on the board of the Moyer Foundation, a nonprofit organization that supports children and teens who are grieving a loss.

Anthony R. Malloy has been Senior Vice President of New York Life since March 2006 and Chief Investment Officer of New York Life since January 2017. In his current role, he is responsible for management of the Company's assets. Mr. Malloy also serves as the Chief Executive Officer of NYL Investors LLC, the firm's wholly-owned insurance asset management subsidiary. He joined New York Life in 1999 and has since held various positions of increasing responsibility in New York Life, including Senior Managing Director and Head of Fixed Income. He has also served as Managing Director and Head of Leveraged Finance. Prior to joining New York Life, Mr. Malloy achieved positions of increasing responsibility in lending, risk management and debt capital markets with J.P. Morgan, Toronto-Dominion and First Chicago. Mr. Malloy serves on the board of trustees of Good Shepherd Services.

Amy Miller has been Senior Vice President, Deputy General Counsel and Secretary of New York Life since September 2016. Prior to her current role, she served as Senior Vice President, Deputy General Counsel and Chief Corporate Counsel from September 2014 to September 2016 where she managed litigation, employment, ERISA, corporate transactions, technology and subsidiary corporate governance. From January 2014 to September 2014, Ms. Miller led the Corporate Practice Team, which includes employment law, mergers & acquisitions, litigation, contracts and intellectual property, as Vice President and Deputy General Counsel. Prior to joining New York Life in March 2006, Ms. Miller worked as Associate-Hedge Funds and Trading Markets Group at Davis Polk & Wardwell from 2003 to 2006.

Katherine R. O'Brien has been Senior Vice President and Chief Human Resources Officer of New York Life since January 2014. Ms. O'Brien joined New York Life in 1995 and has served in multiple positions of increasing responsibility with New York Life in the Office of the General Counsel from 1995 to 2003 and the Human Resources Department from 2004 to 2006. She served as Chief Diversity Officer from 2006 to 2008, during which time she created the Company's first Office of Diversity. From 2008 to 2013, she served in multiple leadership roles in the Office of the General Counsel, including as Senior Vice President, Deputy General Counsel & Chief Corporate Counsel from 2010 to 2013. Prior to joining New York Life, Ms. O'Brien was with the law firm of Christy & Viener where she worked from 1989 to 1995, after several years of litigation experience in multiple private law firms.

Joel M. Steinberg has been Senior Vice President and Chief Actuary of New York Life since November 2008 and has served as New York Life's Chief Risk Officer since March 2013. From April 2006 to November 2008, he was Senior Vice President and Chief Financial Officer in New York Life's Financial Management Department. From 2001 to 2006, he served as Chief Actuary, and from 1998 to 2001 Mr. Steinberg was Vice President and Actuary in the Individual Life Department. He joined New York Life in 1983 as an actuarial student.

Robert M. Gardner has been Vice President and Controller of New York Life since July 2013. Mr. Gardner was Vice President and Controller in the Insurance Group Finance Department from March 2012 to July 2013. From 2008 to 2012 he was Vice President in New York Life's Controller's Department, responsible for Financial Reporting and Investment Accounting. Prior to 2008, Mr. Gardner held various positions in New York Life's Controller's Department after joining New York Life in 1990.

Betty C. *Alewine* was President and Chief Executive Officer of COMSAT Corporation, a global provider of satellite and digital networking services and technology, from 1996 until the merger of COMSAT and Lockheed Martin Corporation in 2000. She was President of COMSAT International Company from 1994 to 1996, having joined COMSAT in 1986. Mrs. Alewine serves on the boards of directors of Rockwell Automation, Inc. and the Prevent Cancer Foundation. Mrs. Alewine has been a member of the New York Life Board of Directors since 1998. She is Chair of the Governance Committee and a member of the Compensation Committee. Her current term expires in 2018.

Michele G. Buck is Director, President and Chief Executive Officer of the Hershey Company, a leading North American manufacturer of quality chocolate and non-chocolate confectionery and chocolate-related grocery products. Mrs. Buck joined Hershey in April 2005 as Senior Vice President, Division President, U.S. Snacks Group. Prior to joining Hershey, Ms. Buck was Executive Vice President and General Manager of Kraft Foods Confections. She began her career with Kraft in 1988 as a Senior Associate Brand Manager where she held roles of increasing responsibility until being named Executive Vice President in 2001. Ms. Buck serves on the Enactus United States National Advisory Board and is the Benefit Co-Chair of the Children's Brain Tumor Foundation. Ms. Buck was elected as a director of New York Life in 2013. She is Chair of the Insurance & Operations Committee and is a member of the Audit Committee. Her current term expires in 2019.

Robert B. Carter is Executive Vice President of FedEx Information Services, Chief Information Officer of FedEx Corporation, and Co-Chief Executive Officer of FedEx Services. He is responsible for setting the technology direction of the FedEx applications, infrastructure, networks and data centers. Mr. Carter joined FedEx in 1993 and has over 36 years of systems development and implementation experience. Prior to joining FedEx, Mr. Carter spent 13 years with GTE Corporation in positions of increasing responsibility. Mr. Carter serves as a board member of Pilot Flying J and Church Health Center and chairs the Advisory Board of New Leaders - Memphis. Mr. Carter was elected a director of New York Life in January 2016 and is a member of the Insurance & Operations and Investment Committees. His current term expires in 2018.

Ralph de la Vega was Vice Chairman of AT&T Inc. and CEO of Business Solutions & International, where he was responsible for the company's integrated business solutions group and wireless business operations in Mexico and DIRECTV in Latin America. Prior to this position, Mr. de la Vega served as President of AT&T and CEO of AT&T Mobility and Business Solutions from 2014 to 2016 and President and CEO of AT&T Mobility from 2007 to 2014. During his career, he held numerous executive positions, including Chief Operating Officer of Cingular Wireless and President of Bell South Latin America. Mr. de la Vega serves on the boards of American Express Company, Junior Achievement Worldwide, Boy Scouts of America and Morehouse College. Mr. de la Vega has been a member of the New York Life Board of Directors since 2009. He is Chair of the Audit Committee and is a member of the Governance and Insurance & Operations Committees. His current term expires in 2018.

Mark L. Feidler is a founding partner of MSouth Equity Partners, a private equity firm. Previously, he was President and Chief Operating Officer (and a Director) of BellSouth Corporation, from 2005 through December 2006, and served as Chief Staff Officer of BellSouth in 2004. During his career, Mr. Feidler held numerous executive positions, including Chief Operating Officer of Cingular Wireless, a Principal in The Breckenridge Group, and Vice President of The Robinson-Humphrey Company. Mr. Feidler serves on the board of directors of Equifax Inc. Mr. Feidler has been a member of the New York Life Board of Directors since 2006 and currently is Lead Director. He is also a member of the Compensation, Governance and Investment Committees. His current term expires in 2019.

Christina A. Gold was President, Chief Executive Officer and a director of The Western Union Company, a global money transfer company, from September 2006 until she retired in 2010. In her prior roles, she was President of Western Union Financial Services, Inc., and Senior Executive Vice President of Western Union's then parent company, First Data Corporation. During her career she has held numerous executive positions, including

President and Chief Executive Officer of Excel Communications, Inc. and The Beaconsfield Group. Mrs. Gold serves on the boards of directors of ITT Corporation, International Flavors and Fragrances, Inc. and Korn Ferry International. Mrs. Gold has been a member of the New York Life Board of Directors since 2001. She is a member of the Compensation and Governance Committees. Her current term expires in 2017.

S. Thomas Moser was a Vice Chairman of KPMG LLP, the U.S. member firm of KPMG International. He joined KPMG in 1970 and retired in 2008. He was an Audit Partner, served on the firm's management committee and board of directors, and held various leadership positions, including responsibility for the firm's specialized industry practices. Mr. Moser serves on the Enactus United States national advisory board and the advisory panel of Charity Navigator. Mr. Moser has been a member of the New York Life Board of Directors since 2008. He is a member of the Audit and Investment Committees. His current term expires in 2019.

Thomas C. *Schievelbein* was Chairman, President and Chief Executive Officer of The Brink's Company, a global secure logistics company. He was formerly president of Northrop Grumman Newport News, a designer and builder of nuclear-powered aircraft carriers and submarines. Mr. Schievelbein began his career with Newport News in 1987, and held various positions there until being named President in 2001. He served in that capacity until 2004 and was a business consultant from 2004 to 2011. Mr. Schievelbein also serves on the board of Huntington Ingalls Industries, Inc. and the Schievelbein Family Foundation. He has been a member of the New York Life Board of Directors since 2006. He is Chair of the Compensation Committee and a member of the Governance and Investment Committees. His current term expires in 2017.

Edward D. Shirley is the former President and Chief Executive Officer of Barcardi Limited, a privately held and family-owned premium spirits maker, from 2012 to 2014. Prior to joining Bacardi Limited, he held executive positions at The Procter & Gamble Company from 2005 to 2011, including Vice Chairman for the Global Beauty & Grooming business. Until acquired by Procter & Gamble in 2005, Mr. Shirley held positions of increasing responsibility at The Gillette Company, from 1978 to 2005. He serves as a director of Sysco Corporation. Mr. Shirley was elected a director of New York Life in November 2015. He is a member of the Audit and Insurance & Operations Committees. His current term expires in 2017.

Gerald B. Smith is the Chairman and Chief Executive Officer of Smith, Graham & Co. Investments Advisors, L.P., an independent employee-owned investment advisory firm that specializes in providing fixed income and equity portfolio strategies to institutional clients. Prior to launching Smith, Graham in 1990, he served as Senior Vice President and Director of Fixed Income for Underwood Neuhaus & Company. Mr. Smith serves as a member of the Board of Trustees and Chair of the Investment Oversight Committee for The Charles Schwab Family of Funds. He also serves on the board of directors of Eaton Corporation, plc., the First Tee of Greater Houston, and the Texas Southern University Foundation. He is also a member of the Federal Reserve Bank of Dallas Board of Directors, Houston Branch. Mr. Smith has been a member of the New York Life Board of Directors since 2012. He is Chair of the Investment Committee and a member of the Audit and Compensation Committees. His current term expires in 2017.

William G. Walter was Chairman of FMC Corporation, a leading manufacturer of agricultural, specialty and industrial chemicals from August 2001 to September 2010. From August 2001 through December 2009 he was President and Chief Executive Officer of FMC. He joined FMC in 1974 and held positions of increasing responsibility until being named President and Chief Executive Officer and elected Chairman of the Board of Directors in 2001. Mr. Walter serves on the board of directors of International Paper Company. He has been a member of the New York Life Board of Directors since 2009 and is a member of the Insurance & Operations and Investment Committees. His current term expires in 2018.

The business address of each director and principal executive officer of New York Life is 51 Madison Avenue New York, New York 10010.

To the knowledge of New York Life, there are no potential conflicts of interests between any duties of New York Life's directors or executive management to New York Life or in connection with the offer of the notes by New York Life Global Funding arising from their private interests or other duties.

DESCRIPTION OF THE NOTES

*This section provides an overview of the material provisions of the Notes, the Indenture, and the form of an indenture to be entered into between the Issuer and the Indenture Trustee in connection with each issuance of Notes under the Program (each, a "**Series Indenture**"). It does not purport to be complete and is subject to the applicable Final Terms and to the detailed provisions of the Notes, the Indenture and each applicable Series Indenture, copies of which will be available as provided under "Documents Available." Capitalized terms used and not otherwise defined herein have the same meanings as those used in the Indenture. The terms and conditions of the Notes described in this section will apply to the Notes of each Series, except that the Issuer will add the specific terms of the Notes of a Series in each applicable Final Terms. Prospective purchasers should consider the information contained in this Offering Memorandum, the Indenture, the applicable Series Indenture and each applicable Final Terms in making their investment decision.*

General

Series of Notes

The Notes will be issued in one or more series. The Issuer may only issue a Series of Notes if New York Life has issued or will simultaneously issue a Funding Agreement to the Issuer, which will constitute an asset of the applicable Series of the Issuer and will become a part of the applicable Series Collateral. The Notes of a Series will all be subject to identical terms.

Indenture and Series Indenture

Each Series of Notes will be issued under, subject to and entitled to the benefits of the Indenture and a separate Series Indenture by and between the Issuer and the Indenture Trustee. Each Series Indenture will incorporate the Indenture which shall provide the terms that govern each separate Series Indenture thereunder, unless any such Series Indenture specifies otherwise. The Notes issued under a Series Indenture will constitute a single Series, together with any Notes issued in the future under such Series Indenture that are designated by the Issuer as being part of such Series. The aggregate principal amount of Notes that may be authenticated and delivered under the Indenture is unlimited.

Security; Limited Recourse

The obligations of the Issuer under each Series of Notes will be secured by a first priority perfected security interest in favor of the Indenture Trustee in the "**Series Collateral**" which will consist of:

- the Funding Agreement related to the applicable Series;
- all proceeds of the Funding Agreement related to the applicable Series;
- all books and records of the Issuer pertaining to the foregoing; and
- all benefits, rights, privileges and options of the Issuer pertaining to the foregoing.

The Issuer is organized in series, as permitted by Sections 3804(a) and 3806(b)(2) of the Trust Act. In connection with the issuance of each Series of Notes, the Issuer will create a separate Series of the Issuer. The applicable Series of Notes and the related liabilities, obligations and expenses will be incurred, contracted for or otherwise existing with respect to such Series of the Issuer, and will be enforceable only against the assets of such Series of the Issuer and not against the assets of the Issuer generally or the assets of any other Series of the Issuer. The individual Series of the Issuer are not separate legal entities.

The obligations of the Issuer evidenced by the Notes will not be obligations of, and will not be guaranteed by, any other person, including, but not limited to, New York Life or any of its subsidiaries or affiliates.

Ranking

The Notes of a Series will be direct, unconditional, secured and unsubordinated non-recourse obligations incurred by the Issuer with respect to the relevant Series of the Issuer and will rank equally among themselves without any preference.

Since New York Life will be the sole obligor under the Funding Agreements, the ability of the Issuer to meet its obligations, and the ability of the holders of Notes to receive payments from the Issuer, with respect to a particular Series of Notes, will be principally dependent upon New York Life's ability to perform its obligations under the applicable Funding Agreement securing the Notes of the relevant Series. Despite this, holders of Notes will have no direct contractual rights against New York Life under any such Funding Agreement. Pursuant to the terms of each Funding Agreement, recourse rights to New York Life will belong to the Issuer, its successors and its permitted assignees (which will include the Indenture Trustee to the extent of its first priority perfected security interest in the Series Collateral), but only with respect to the relevant Series of the Issuer. In connection with the offering and sale of a Series of Notes, the Issuer will pledge, collaterally assign and grant a security interest in the Series Collateral for such Series of Notes to the Indenture Trustee on behalf of the holders of Notes and any other person for whose benefit the Indenture Trustee is or will be holding the applicable Series Collateral. Accordingly, recourse to New York Life under each such Funding Agreement will be enforceable only by the Indenture Trustee as a secured party for the benefit of the holders of such Series of Notes and any other person for whose benefit the Indenture Trustee is or will be holding the applicable Series Collateral.

The obligations of New York Life under the Funding Agreements will not be obligations of, and will not be guaranteed by, any other person.

Final Terms

The specific terms of each Series of Notes will be set forth in the applicable Final Terms.

Pricing Options

Notes that bear interest will either be Fixed Rate Notes or Floating Rate Notes, as specified in the applicable Final Terms. The Issuer may also issue Discount Notes and Amortizing Notes (each as defined below).

Interest rates offered on the Notes may differ depending upon, among other factors, the aggregate principal amount of Notes purchased in any single transaction as well as market conditions. The Issuer may change interest rates or formulas and other terms of Notes from time to time, but no change of terms will affect any Note the Issuer has previously issued or as to which it has accepted an offer to purchase.

Maturities

The Notes of each Series will mature on a day 90 days or more from its date of issue (the "**Stated Maturity Date**"), as specified in the applicable Final Terms, unless their principal (or, any installment of its principal) becomes due and payable prior to the Stated Maturity Date, whether, as applicable, by the declaration of acceleration of maturity, notice of redemption at the Issuer's option, notice of the holder's option to elect repayment or otherwise. The Stated Maturity Date or any date prior to the Stated Maturity Date on which the Notes of a particular Series become due and payable, as the case may be, is referred to herein as the "**Maturity Date**" with respect to the principal of the Notes of such Series repayable on that date.

Denominations

Subject to the provisions of the applicable Final Terms or as otherwise provided below, the Notes of a Series will be issued, with respect to U.S. dollar-denominated Notes, in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof. Any Notes listed on the Irish Stock Exchange or on any other regulated market, or offered to the public in any Member States of the European Economic Area, in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive will be issued in

minimum denominations of €100,000 (or the equivalent thereof in another currency at the time of issue); however, for so long as any Series of Notes is in global form and Euroclear and Clearstream, Luxembourg so permit, the Final Terms may provide that such Series of Notes in global form shall be tradeable in minimum denominations of €100,000 and integral multiples of €1,000 thereafter. Any Notes in respect of which the issue proceeds are received by the Issuer in the United Kingdom or the activity of issuing such Notes is carried on from an establishment maintained by the Issuer in the United Kingdom and which have a maturity of less than one year must (i) (a) have a minimum denomination of £100,000 (or its equivalent in other currencies), and (b) be issued only to persons (1) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or (2) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances that do not constitute a contravention of Section 19 of the FSMA by the Issuer.

Listing

Application will be made to the Irish Stock Exchange for Notes issued under the Program during the period of 12 months from the date of this Offering Memorandum to be admitted to the Official List and trading on the regulated market of the Irish Stock Exchange, and copies of documents in relation to such Notes will be filed with the Central Bank and are expected to be approved for the purpose of the Prospectus Directive. However, Notes may also be (i) listed on any other regulated market, (ii) listed on a securities exchange which is not a regulated market, or (iii) not listed on any regulated market or any other securities exchange. Any Notes admitted to the Official List or trading on the regulated market of the Irish Stock Exchange or on any other regulated market will be issued in minimum denominations of €100,000 or greater (or the equivalent thereof in another currency at the time of issue). Notes with a maturity of less than 12 months will not be listed.

Currency

Subject to the provisions of the applicable Final Terms, the Notes of a Series will be denominated in, and payments of principal of, any premium and interest on, and Additional Amounts with respect to, the Notes of such Series will be made in, U.S. dollars. The Notes of each Series also may be denominated in, and payments of principal of, any premium and interest on, and Additional Amounts with respect to, the Notes of such Series may be made in, euro or one or more other currencies. The currency in which the Notes of a particular Series are denominated (or, if such currency is no longer legal tender for the payment of public and private debts in the country issuing such currency or, in the case of euro, in the member states of the EU that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on EU (the "**Treaty**"), such currency which is then such legal tender) is herein referred to as the "**Specified Currency**" with respect to such Series of Notes. References herein to "**United States dollars**", "**U.S. dollars**" or "**$**" are to the lawful currency of the United States, and references herein to "**euro**" or "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to such Treaty, as amended.

Business Day; London Banking Day; Principal Financial Center

"**Business Day**" means, subject to the provisions of the applicable Final Terms, any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close in the City of New York, *provided* that (i) with respect to Notes denominated in a Specified Currency other than euro, such day is also a day on which commercial banks and foreign exchange markets settle payments in the Principal Financial Center (as defined below) of the country issuing the Specified Currency and (ii) for the purpose of Interest Determination Dates (as defined herein) with respect to Notes denominated in euro or as to which EURIBOR is an applicable Interest Rate Basis, such day is also a day on which the Trans-European Automated Real Time Gross Settlement Express Transfer ("**TARGET**") System is open (a "**TARGET Settlement Date**"). As used herein, "**London Banking Day**" means a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets settle payments in the LIBOR Currency in London.

"**Principal Financial Center**" means (i) the capital city of the country issuing the Specified Currency or (ii) the capital city of the country to which the LIBOR Currency relates; *provided, however*, that with respect to U.S. dollars, Australian dollars, Canadian dollars, euro, South African rands and Swiss francs, the "Principal Financial

Center" shall be the City of New York, Sydney, Toronto, London (solely in the case of the LIBOR Currency), Johannesburg and Zurich, respectively.

Day Count Fraction

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time ("**Calculation Period**"), one of the following day count fractions, which will be specified in the Final Terms:

(i) "Actual/365" or "Actual/Actual (Historical)": the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (a) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (b) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) "Actual/365 (Fixed)": the actual number of days in the Calculation Period divided by 365;

(iii) "Actual/360": the actual number of days in the Calculation Period divided by 360;

(iv) "30/360": the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"Dl" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case Dl will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and Dl is greater than 29, in which case D2 will be 30;

(v) "30E/360" or "Eurobond Basis": the number of days in the Calculation Period or Compounding Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Yl" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"Dl" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period , unless such number would be 31, in which case D2 will be 30; and

(vi) "Actual/Actual (Bond)" if the Interest Payment Dates all fall at regular intervals between the Issue Date and the Maturity Date: the number of days in the Calculation Period divided by the product of (a) the number of days in the Interest Period in which the Calculation Period falls and (b) the number of Interest Periods in any period of one year.

Form of Notes and Clearance

The Issuer and the Purchasing Agent(s) will agree on the form of Notes to be issued in respect of any Series of Notes. The form of Notes to be issued in relation to any Series of Notes will be specified in the applicable Final Terms.

Registered Notes

The Notes may be offered and sold in the United States only, outside the United States only or in and outside the United States simultaneously as part of a global offering. Except as described below under "Bearer Notes," Notes will be issued in fully registered form ("**Registered Notes**").

Notes sold pursuant to an offering made in the United States only will initially be represented by one or more global certificates representing one or more Registered Notes ("**Global Registered Notes**") deposited with Citibank, N.A. as custodian (in such capacity, the "**Custodian**") for, and registered in the name of a nominee of, DTC as depositary (each Global Registered Note so deposited and registered being referred to herein as a "**DTC Global Note**").

Except as described below under "Bearer Notes," Notes sold outside of the United States in accordance with Regulation S will initially be represented by one or more temporary Global Registered Notes (each, a "**Temporary Global Registered Note**"). Upon the expiration of the applicable Distribution Compliance Period, beneficial interests in a Temporary Global Registered Note will be exchangeable for equivalent beneficial interests in one or more permanent Global Registered Notes (each a "**Permanent Global Registered Note**"), as and to the extent provided in the applicable Temporary Global Registered Note.

Except as described below under "Bearer Notes," Notes sold pursuant to an offering made outside the United States only will initially be represented by one or more Temporary Global Registered Notes, as described above, and upon exchange therefor will be represented by one or more Permanent Global Registered Notes deposited with a common depositary (the "**Depositary**") for, and (i) in the case of U.S. dollar denominated Notes, registered in the name of a nominee of, DTC and (ii) in the case of non-U.S. dollar denominated Notes, registered in the name of a nominee of, Euroclear and/or Clearstream, Luxembourg, as applicable.

References to Euroclear and/or Clearstream, Luxembourg in this Offering Memorandum shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing systems as may be specified in any applicable Final Terms.

Subject to the Notes sold outside of the United States in accordance with Regulation S initially being represented by one or more Temporary Global Registered Notes and the subsequent exchange of beneficial interests in each such Temporary Global Registered Note for beneficial interests in one or more Permanent Global Registered Notes, as described above, Notes sold pursuant to an offering made in and outside the United States simultaneously as part of a global offering may be represented (i) solely by one or more DTC Global Notes (a "**Single Global Note**

Issue") or, (ii) alternatively, (a) by one or more DTC Global Notes in respect of Notes sold in the United States and (b) by one or more separate Global Registered Notes deposited with the Depositary as common depositary for, and (1) in the case of U.S. dollar denominated Notes, registered in the name of a nominee of, DTC and (2) in the case of non-U.S. dollar denominated Notes, registered in the name of a nominee of, Euroclear and/or Clearstream, Luxembourg, as applicable, in respect of Notes sold outside the United States (a "**Dual Global Note Issue**").

Except as described below, owners of beneficial interests (each, a "**Beneficial Note Owner**") in a Global Registered Note will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive form (each, a "**Definitive Registered Note**") and will not be considered the owners or holders thereof under the Indenture. Beneficial interests in Global Registered Notes will be represented, and transfers thereof will be effected, only through book-entry accounts of financial institutions acting on behalf of the Beneficial Note Owners, as direct or indirect participants in the relevant clearing system.

Investors in a global offering may elect to hold beneficial interests in a Global Registered Note through any of DTC or Euroclear or Clearstream, Luxembourg if they are participants in such systems, or indirectly through organizations that are participants in such systems. If the Notes sold pursuant to a global offering are part of a Single Global Note Issue, Euroclear and Clearstream, Luxembourg will hold beneficial interests on behalf of their participants through customers' securities accounts in Euroclear's and Clearstream, Luxembourg's names on the books of the Depositary, which in turn will hold such beneficial interests in customers' securities accounts in the Depositary's name on the books of DTC.

Citibank, N.A. will serve initially as registrar (in such capacity, and together with any successor registrar, the "**Registrar**") for the Registered Notes. In such capacity, with respect to the Registered Notes of each Series, Citibank, N.A. will cause to be kept at its Corporate Trust Office a register (each, a "**Note Register**"), in which, subject to such reasonable regulations as it may prescribe, Citibank, N.A. will provide for the registration of the Registered Notes of such Series and of transfers thereof.

Subject to applicable law and the terms of the Indenture, the applicable Series Indenture and the Notes of a Series, the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee may deem and treat the Registered Holder or Registered Holders of any Registered Note of such Series as the absolute owner or owners of such Registered Note (whether or not such Registered Note shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of or on account of the principal of, any premium on, and, subject to the provisions of the Indenture and the applicable Series Indenture, any interest on, and any Additional Amounts with respect to, such Registered Note and for all other purposes, and neither the Issuer nor the Indenture Trustee nor any agent of the Issuer or the Indenture Trustee shall be affected by any notice to the contrary. All such payments so made to, or to the order of, such Registered Holder or Registered Holders will be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for funds payable upon any such Registered Note. So long as DTC, its nominee, a nominee of Euroclear and/or Clearstream, Luxembourg or a successor of such clearing system or any such nominee is the Registered Holder of a Global Registered Note, such clearing system, such nominee or such successor of such clearing system or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Registered Note for all purposes under the Indenture. Accordingly, any Beneficial Note Owner must rely on the procedures of DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, and, if such person is not a participant in any such clearing system, on the procedures of the participant therein through which such person owns its beneficial interest, to exercise any rights of a holder of Notes. The Issuer understands that, under existing industry practices, in the event that the Issuer requests any action of holders or that Beneficial Note Owners desire to give or take any action which a holder is entitled to give or take under the Indenture, DTC, its nominee or a successor of DTC or its nominee, as the holder of the DTC Global Note, would authorize the participants through which the relevant beneficial interests are held (or persons holding beneficial interests in the Notes through participants) to give or take such action, and such participants would authorize Beneficial Note Owners owning through such participants (or such persons holding beneficial interests in the Notes through participants) to give or take such action and would otherwise act upon the instructions given to such participants (or such persons) by such Beneficial Note Owners.

DTC may grant proxies or otherwise authorize its participants (or persons holding beneficial interests in the Notes through its participants) to exercise any rights of a holder of Notes or take any other actions which a holder is entitled to take under the Indenture or in respect of the Notes. Euroclear or Clearstream, Luxembourg, as the case

may be, will take any action permitted to be taken by a holder under the Indenture or the Notes on behalf of a Euroclear participant or a Clearstream, Luxembourg participant only in accordance with its relevant rules and procedures and, with respect to beneficial interests in a DTC Global Note, subject to the Depositary's ability to effect such actions on its behalf through DTC. Because DTC can act only on behalf of its participants, who in turn act on behalf of indirect participants, the ability of a Beneficial Note Owner to pledge its interest in the Notes to persons or entities that do not participate in the DTC system or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate of such interest. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a DTC Global Note.

Ownership positions within each clearing system will be determined in accordance with the normal conventions observed by such system. The Indenture Trustee will initially act as the Issuer's paying agent for the Registered Notes pursuant to the Indenture. Payments with respect to a Global Registered Note will be made to DTC, its nominee or a nominee of Euroclear and/or Clearstream, Luxembourg, as the case may be (or to any successor to such clearing system or any such nominee) as the Registered Holder of the Notes represented by such Global Registered Note. Neither the Issuer nor the Indenture Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Registered Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Upon receipt of any payment of principal of, any premium and interest on, and any Additional Amounts with respect to, a DTC Global Note, DTC will credit its participants' accounts with payment in amounts proportionate to their respective beneficial interests in the principal amount of such DTC Global Note as shown on the records of DTC. Payments by such participants to owners of beneficial interests in the DTC Global Note held through such participants will be the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name." Distributions with respect to Notes held through Euroclear and/or Clearstream, Luxembourg will be credited to the cash accounts of Euroclear participants and/or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures to the extent received by the Depositary.

Interests in a Global Registered Note will be exchangeable in whole, but not in part, for Definitive Registered Notes only if such exchange is permitted by applicable law (including, without limitation, Regulation S) and (i) any clearing corporation with which any Global Registered Note is deposited and which is or whose nominee is the holder of such Global Registered Note shall have notified the Issuer that it or its nominee is unwilling or unable to continue as the depositary and Registered Holder of such Global Registered Note and a successor clearing corporation or nominee, as applicable, is not appointed within 90 days; (ii) an Event of Default shall have occurred and the maturity of the Notes of such Series shall have been accelerated in accordance with the terms of the Indenture, the applicable Series Indenture and the Notes of such Series; or (iii) the Issuer shall have decided in its sole discretion that the Notes of such Series should no longer be evidenced solely by one or more Global Registered Notes. An exchange for a Definitive Registered Note will be made at no charge to the holders of the beneficial interests in the Global Registered Note being exchanged. The Definitive Registered Notes issued in exchange for beneficial interests in any such Global Registered Note shall be of like tenor and of an equal aggregate principal amount, in authorized denominations. Such Definitive Registered Notes shall be registered in the name or names of such person or persons as the relevant clearing system shall instruct the Registrar. It is expected that such instructions may be based upon directions received by DTC from DTC participants with respect to ownership of beneficial interests in the DTC Global Notes. Except as provided above, owners of beneficial interests in a Global Registered Note will not be entitled to receive physical delivery of Definitive Registered Notes and will not be considered the registered holders of such Notes for any purpose.

Upon surrender of a Note Certificate for registration of transfer of any Registered Notes represented thereby, together with the form of transfer endorsed thereon duly completed and executed, at the designated office of the Registrar or of any applicable transfer agent, each as provided in an applicable Note Certificate or Series Indenture, the Issuer shall execute, and the Indenture Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Note Certificates representing an aggregate principal amount of Registered Notes equal to the aggregate principal amount of the Registered Notes represented by such Note Certificate surrendered for registration of transfer.

Subject to the provisions of the applicable Final Terms, payments of principal of, and any premium on, Definitive Registered Notes shall be made as provided in or pursuant to the Indenture against presentation and surrender of the applicable Note Certificate or Note Certificates at the designated office of the Registrar or of any applicable transfer agent, each as provided in the applicable Final Terms. Subject to the provisions of the applicable Final Terms, payments of interest on, and any Additional Amounts with respect to, Definitive Registered Notes shall be paid to the person shown on the applicable Note Register at the close of business on the applicable Regular Interest Record Date (as defined in the Indenture) or Special Interest Record Date (as defined in the Indenture) set as provided in or pursuant to the Indenture and the applicable Series Indenture before the due date for payment thereof. Payments of interest on, and any Additional Amounts with respect to, each Definitive Registered Note shall be made in the currency in which such payments are due by check drawn on a bank in the Principal Financial Center of the country of the currency concerned and mailed to the holder (or the first named of joint holders) of such Definitive Registered Note at its address appearing in the applicable Note Register. Upon application by the holder of a Definitive Registered Note or Notes with an outstanding principal balance of not less than $10 million (or its equivalent in the Specified Currency other than U.S. dollars) to the specified office of the Registrar or any transfer agent before the applicable Regular Interest Record Date or Special Interest Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in the Principal Financial Center of the country of that currency or, in the case of Definitive Registered Notes denominated in euro, in a city in which banks have access to the TARGET System.

Bearer Notes

In certain circumstances, the Issuer may agree to issue Notes sold pursuant to an offering made outside the United States to non-U.S. persons in bearer form ("**Bearer Notes**"). Bearer Notes will initially be represented by one or more Temporary Global Bearer Notes, which will be deposited outside the United States on the original issue date thereof with a common depositary for Euroclear and Clearstream, Luxembourg.

The provisions of the applicable Final Terms may provide that so long as the Bearer Notes are represented by a Temporary Global Bearer Note or Permanent Global Bearer Note and the relevant clearing system(s) so permit, such Notes shall be tradeable only in principal amounts of at least the authorized denomination (or if more than one authorized denomination, the lowest authorized denomination) provided hereon and integral multiples of the tradeable amount in excess thereof provided in the relevant Final Terms.

Bearer Notes (other than Temporary Global Bearer Notes) and any coupons or talons appertaining thereto will not be delivered in definitive form, nor may interest be paid on any Temporary Global Bearer Note, unless the Issuer has received a signed certificate in writing stating that on the date of such certificate such Bearer Note is not held by or on behalf of a U.S. person (as defined in Rule 902(k) of Regulation S under the Securities Act). If a Bearer Note is issued with a maturity date in excess of 183 days, the Bearer Note will be in "registered form" for U.S. federal income tax purposes.

Upon the expiration of the applicable Distribution Compliance Period, beneficial interests in a Temporary Global Bearer Note will be exchangeable for equivalent beneficial interests in one or more Permanent Global Bearer Notes as and to the extent provided in the applicable Temporary Global Bearer Note; *provided* that the required certification of beneficial ownership has been received. Beneficial interests in a Permanent Global Bearer Note will be exchangeable in whole but not in part for Definitive Bearer Notes only if such exchange is permitted by applicable law (including, without limitation, Regulation S) and (i) any clearing corporation with which any Permanent Global Bearer Note is deposited and which is or whose nominee is the bearer of such Permanent Global Bearer Note shall have notified the Issuer that it or its nominee is terminating and a successor clearing corporation or nominee, as applicable, is not appointed within 90 days; (ii) an Event of Default shall have occurred and the maturity of the Notes of such Series shall have been accelerated in accordance with the terms of the Indenture, the applicable Series Indenture and the Notes of such Series; or (iii) the issuance of a Definitive Bearer Note is at the Issuer's request upon a change in tax law that would be adverse to the Issuer but for the issuance of Definitive Bearer Notes. No Definitive Bearer Note delivered in exchange for a beneficial interest in a Permanent Global Bearer Note will be mailed or otherwise delivered to any location in the United States or its possessions in connection with such exchange. An exchange for a Definitive Bearer Note will be made at no charge to the holders of the beneficial interests in the Permanent Global Bearer Note being exchanged. Notwithstanding the foregoing, from and after such time as a Definitive Bearer Note is issued in exchange for a beneficial interest in a Permanent

Global Bearer Note, any remaining beneficial interest in the Temporary Global Bearer Note will be exchangeable only for Definitive Bearer Notes. After the occurrence of an event permitting the issuance of a Definitive Bearer Note, such that a holder has a right to obtain a Definitive Bearer Note, the Bearer Note will no longer be in registered form for U.S. federal income tax purposes, regardless of whether any option to obtain a Definitive Bearer Note has actually been exercised.

Subject to restrictions set forth in the Indenture and each applicable Note Certificate or Series Indenture, upon 60 days' written notice expiring at least 30 days after the Exchange Date from the holder of a Definitive Bearer Note or from Euroclear and/or Clearstream, Luxembourg, as the case may be, acting on instructions from any owner of a beneficial interest in a Permanent Global Bearer Note, such Definitive Bearer Note or beneficial interest in a Permanent Global Bearer Note may be exchanged for a beneficial interest in a Global Registered Note of such Series containing identical terms, denominated as authorized in or pursuant to the Indenture or an applicable Note Certificate or Series Indenture and in the same aggregate principal amount. An exchange for a beneficial interest in a Global Registered Note will be made at no charge to the holder of the Definitive Bearer Note or the owner of the beneficial interest in the Permanent Global Bearer Note, as the case may be, being exchanged. Notwithstanding anything to the contrary, Registered Notes will not be exchangeable for Bearer Notes.

Subject to applicable laws and the terms of the Indenture, the applicable Series Indenture and the Notes of a Series, and except as provided in the immediately following paragraph, the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee may treat the bearer of any Note Certificate representing a Bearer Note of such Series, or the bearer of any coupon or talon, as the absolute owner of such Bearer Note, coupon or talon for the purpose of receiving payment thereof or on account thereof and for all other purposes whatsoever, whether or not any payment with respect to such Bearer Note or coupon shall be overdue, and neither the Issuer, the Indenture Trustee nor any agent of the Issuer or the Indenture Trustee shall be affected by notice to the contrary.

For so long as any of the Bearer Notes are represented by a Temporary Global Bearer Note or a Permanent Global Bearer Note, each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the owner of a particular principal amount of Bearer Notes (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg as to such principal amount of such Bearer Notes standing to the account of any person shall be, except in the case of manifest error, conclusive and binding for all purposes) shall be treated by the Issuer, the Indenture Trustee and any of their agents as the holder of such principal amount of such Bearer Notes for all purposes other than with respect to the payment of principal of, any premium and interest on, and any Additional Amounts with respect to, such Bearer Notes, the right to which shall be vested, as against the Issuer, the Indenture Trustee and any of their agents, solely in the bearer of the relevant Temporary Global Bearer Note or Permanent Global Bearer Note in accordance with and subject to its terms. Bearer Notes which are represented by a Temporary Global Bearer Note or a Permanent Global Bearer Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg, as the case may be. Temporary Global Bearer Notes and Permanent Global Bearer Notes will be "effectively immobilized" as required to be in "registered form" under U.S. federal income tax law requirements. A Global Bearer Note is considered to be "effectively immobilized" for U.S. federal income tax purposes if there are arrangements that prohibit the transfer of the Global Bearer Note except to a successor clearing organization subject to the same terms.

Any principal of, any premium or interest on, and any Additional Amounts with respect to, any Bearer Note shall be payable only upon presentation and surrender of the applicable Note Certificate or the coupons or talons appertaining thereto at an office or agency of the Issuer outside the United States and its possessions for such beneficial interest as they severally mature, as the case may be.

Prior to the expiration of the applicable Distribution Compliance Period, payments with respect to a Temporary Global Bearer Note shall be made to Euroclear and/or Clearstream, Luxembourg or a nominee of Euroclear and/or Clearstream, Luxembourg as the bearer of such Temporary Global Bearer Note or the coupons or talons appertaining thereto; *provided* that the required certification of beneficial ownership has been received. No payments will be made on a Temporary Global Bearer Note after the expiration of the applicable Distribution Compliance Period.

Payments with respect to a Permanent Global Bearer Note shall be made to Euroclear and/or Clearstream, Luxembourg or a nominee of Euroclear and/ or Clearstream, Luxembourg as the bearer of such Permanent Global Bearer Note or the coupons or talons appertaining thereto against presentation or surrender (as the case may be) of the Permanent Global Bearer Note or the coupons or talons appertaining thereto without any requirement for further certification.

Neither the Issuer nor the Indenture Trustee will have any responsibility or liability for any aspect of the records relating to, or payments made on account of beneficial ownership interests in, a Global Bearer Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Subject to the immediately following paragraph, payments of principal of, any premium and interest on, and any Additional Amounts with respect to, Definitive Bearer Notes shall be made against presentation and surrender of the relevant Definitive Bearer Notes, coupons or talons, as the case may be, at the specified office of any Paying Agent outside the United States by a check payable in the currency in which such payment is due drawn on, or at the option of the holder of a Definitive Bearer Note or Notes with an outstanding principal balance of not less than $10 million (or its equivalent in the Specified Currency other than U.S. dollars), by transfer to an account denominated in that currency with a bank in the Principal Financial Center for that currency or, in the case of Definitive Bearer Notes denominated in euro in a city in which banks have access to the TARGET System.

Except as otherwise provided in or pursuant to the Indenture or the applicable Note Certificate or Series Indenture, no payment of principal of, any premium or interest on, or any Additional Amounts with respect to, Bearer Notes shall be made at any office or agency of the Issuer in the United States or its possessions or by check mailed to any address in the United States or its possessions or by transfer to an account maintained with a bank located in the United States or its possessions; *provided, however,* that if amounts owing with respect to any Bearer Notes shall be payable in U.S. dollars, payment of principal of, any premium or interest on, or any Additional Amounts with respect to, any such Bearer Note may be made at the office of the Indenture Trustee in the United States or its possessions or any office or agency designated by the Issuer in the United States or its possessions, if (but only if) payment of the full amount of such principal, any premium or interest, or any Additional Amounts, at all offices outside the United States or its possessions maintained for such purposes by the Issuer in accordance with the Indenture and the applicable Series Indenture is illegal or effectively precluded by exchange controls or other similar restrictions.

Global Clearance and Settlement

General

Notes issued pursuant to the Program may be held through one or more international and domestic clearing systems, principally the book-entry systems operated by DTC in the United States, and Euroclear and Clearstream, Luxembourg in Europe. Electronic securities and payment transfer, processing, depositary and custodial links have been established among these systems and others, either directly or through custodians and depositaries, which enable Notes to be issued, held and transferred among the clearing systems through these links. Each Paying Agent will have direct electronic links with DTC, Euroclear and Clearstream, Luxembourg. Special procedures have been established among these clearing systems and the Indenture Trustee to facilitate clearance and settlement of certain Notes traded across borders in the secondary market. Cross-market transfers of Notes in respect of which payments will be made in U.S. dollars and which will be issued in global form may be cleared and settled using these procedures on a delivery against payment basis. Cross-market transfers of Notes in other than global form may be cleared and settled in accordance with other procedures established among the Indenture Trustee and the clearing systems concerned for this purpose.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the procedures described below in order to facilitate transfers of Notes among participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time. Neither the Issuer nor the Indenture Trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of the respective obligations under the rules and procedures governing their operations.

The Clearing Systems

The clearing systems have advised the Issuer as follows:

DTC. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section l7A of the Exchange Act. DTC holds securities that DTC participants deposit with DTC. DTC also facilitates the settlement among DTC participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in DTC participants' accounts, thereby eliminating the need for physical movement of securities certificates. DTC participants who maintain accounts directly with DTC include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("**direct participants**"). DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc. and the Financial Industry Regulatory Authority, Inc. Access to DTC's system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to DTC and DTC participants are on file with the SEC.

Euroclear. Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions between its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to others that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Notes clearance accounts and cash accounts with Euroclear are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "**Euroclear Terms and Conditions**"). The Euroclear Terms and Conditions govern transfers of securities and cash with Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. Euroclear acts under the Euroclear Terms and Conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding-through Euroclear participants.

Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear Terms and Conditions, to the extent received by the Depositary.

Clearstream, Luxembourg. Clearstream, Luxembourg is a company with limited liability under Luxembourg law (a société anonyme).

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of 36 currencies, including U.S. dollars. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in over 30 countries through established depository and custodial relationships. Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, which supervises Luxembourg banks. Clearstream, Luxembourg's customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Clearstream, Luxembourg's U.S. customers are limited to securities brokers and dealers, and banks. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship

with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear to facilitate settlement of trades between Clearstream, Luxembourg and Euroclear.

Distributions with respect to Notes held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg participants in accordance with its rules and procedures, to the extent received by the Depositary.

Other Clearing Systems. Any other clearing system which the Issuer, the Indenture Trustee, the relevant Paying Agents and each relevant Purchasing Agent agree shall be available for a particular issuance of Notes, including the clearance and settlement procedures for such clearing system, will be described in the applicable Final Terms.

Primary Distribution

Notes will be distributed through one or more of the clearing systems described above or any other clearing system specified in the applicable Final Terms. Payment for Notes will be made on a delivery versus payment or free delivery basis, as more fully described in the applicable Final Terms.

Registered Notes. The Issuer and each relevant Purchasing Agent shall agree that either global clearance and settlement procedures or specific clearance and settlement procedures should be available for the Notes of any Series, as specified in the applicable Final Terms. Clearance and settlement procedures may vary from one Series of Notes to another according to the Specified Currency of the Notes of such Series. Customary clearance and settlement procedures are described under the specific clearance and settlement procedures below. Application will be made to the relevant clearing system(s) for the Notes of the relevant Series to be accepted for clearing and settlement and the applicable security identification numbers will be specified in the applicable Final Terms.

Clearance and Settlement Procedures—DTC. DTC participants holding Registered Notes through DTC on behalf of investors will follow the settlement practices applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System. Registered Notes will be credited to the securities custody accounts of such DTC participants against payment in same-day funds on the settlement date.

Clearance and Settlement Procedures—Euroclear and Clearstream, Luxembourg. Investors holding their Notes through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Notes will be credited to the securities custody accounts of Euroclear and Clearstream, Luxembourg participants on the business day following the settlement date against payment for value on the settlement date.

Bearer Notes. Customary clearance and settlement procedures for Euroclear and Clearstream, Luxembourg applicable to bearer Eurobonds in the Specified Currency will be followed.

Secondary Market Trading

Trading between DTC participants. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC's rules and will be settled using procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System in same-day funds, if payment is made in U.S. dollars, or free of payment if payment is made in a currency other than U.S. dollars. In the latter case, separate payment arrangements outside of the DTC system are required to be made between DTC participants.

Trading between Euroclear and/or Clearstream, Luxembourg participants. Secondary market trading between Euroclear and/or Clearstream, Luxembourg participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using procedures applicable to conventional Eurobonds in registered form.

Trading between DTC seller and Euroclear or Clearstream, Luxembourg purchaser

Single Global Note Issues. When Notes represented by a DTC Global Note are to be transferred from the account of a DTC participant (other than the Depositary) to the account of a Euroclear participant or Clearstream, Luxembourg participant, the purchaser must send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to settlement. Euroclear or Clearstream, Luxembourg, as the case may be, will instruct the Depositary to receive the Notes against payment or free of payment, as the case may be. After settlement has been completed, the Notes will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the account of the relevant Euroclear or Clearstream, Luxembourg participant. Credit for the Notes will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Notes will accrue from, the value date (which would be the preceding day, when settlement occurs in New York). If settlement is not completed on the intended value date (*i.e.*, the trade fails), the Euroclear or Clearstream, Luxembourg cash debit will be valued instead as of the actual settlement date.

Euroclear participants or Clearstream, Luxembourg participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream, Luxembourg. Under this approach, participants may take on credit exposure to Euroclear or Clearstream, Luxembourg until the Notes are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream, Luxembourg has extended a line of credit to them, participants can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear participants or Clearstream, Luxembourg participants purchasing Notes would incur overdraft charges for one day, assuming they cleared the overdraft when the Notes were credited to their accounts. However, interest on the Notes would accrue from the value date. Therefore, in many cases, the investment income on Notes earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's particular cost of funds.

Because the settlement will take place during New York business hours, DTC participants can employ their usual procedures for delivering Notes to the Depositary for the benefit of Euroclear participants or Clearstream, Luxembourg participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participants, a cross-market transaction will settle no differently than a trade between two DTC participants.

Dual Global Note Issues. When Notes are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream, Luxembourg participant, the DTC participant will deliver the Notes free of payment to the appropriate account of the Custodian at DTC by 11:00 A.M. (New York time) on the settlement date together with instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg participant. Separate payment arrangements are required to be made between the Euroclear or Clearstream, Luxembourg participant and the DTC participant. The Custodian will instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of DTC and represented by the DTC Global Note and (ii) increase the amount of Notes registered in the name of the nominee of Euroclear or Clearstream, Luxembourg and represented by the Global Registered Note. The Depositary will deliver such Notes free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant participant in such clearing system on the business day following the settlement date.

Trading between a Euroclear or Clearstream, Luxembourg seller and a DTC purchaser

Single Global Note Issues. Due to time zone differences in their favor, Euroclear participants or Clearstream, Luxembourg participants may employ their customary procedures for transactions in which Notes represented by a DTC Global Note are to be transferred by the respective clearing system through the Depositary to another DTC participant. The seller must send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to settlement. In these cases, Euroclear or Clearstream, Luxembourg will instruct the Depositary to credit the Notes to the DTC participant's account against payment. The payment will then be reflected in the account of the Euroclear participant or Clearstream, Luxembourg participant the following day, and receipt of the cash proceeds in the Euroclear or Clearstream, Luxembourg participant's account will be back-

valued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear participant or Clearstream, Luxembourg participant has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset overdraft charges incurred over the one-day period. If settlement is not completed on the intended value date (*i.e.*, the trade fails), receipt of the cash proceeds in the Euroclear or Clearstream, Luxembourg participant's account would instead be valued as of the actual settlement date.

As is the case with sales of Notes represented by a DTC Global Note by a DTC participant to a Euroclear or Clearstream, Luxembourg participant, participants in Euroclear and Clearstream, Luxembourg will have their accounts credited the day after their settlement date.

Dual Global Note Issues. When Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg participant to the account of a DTC participant, the relevant Euroclear or Clearstream, Luxembourg participant must provide settlement instructions for delivery of the Notes free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, by 7:45 P.M. (Brussels or Luxembourg time) one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn provide appropriate settlement instructions to the Depositary for delivery to the DTC participant. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the Custodian will deliver the Notes free of payment to the appropriate DTC account of the DTC participant and will instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee for Euroclear and Clearstream, Luxembourg and represented by the Global Registered Note and (ii) increase the amount of Notes registered in the name of the nominee of DTC and represented by the DTC Global Note.

Payments

Principal

The principal amount of the Notes of any Series will be payable at par on their Maturity Dates, subject to the provisions of the applicable Final Terms.

Interest

Subject to the provisions of the applicable Final Terms, each Series of interest-bearing Notes will bear interest from its date of issue at the rate per annum, in the case of a Fixed Rate Note, or pursuant to the interest rate formula, in the case of a Floating Rate Note, in each case as specified in the applicable Final Terms, until the principal thereof is paid or duly made available for payment. See also "—Pricing Options—Discount Notes" and "—Pricing Options—Amortizing Notes." Accrued but unpaid interest, if any, on the principal amount of the Notes of any Series will be payable on the Maturity Dates, subject to the provisions of the applicable Final Terms.

Interest Periods

Subject to the provisions of the applicable Final Terms, interest payable with respect to a Series of interest-bearing Notes on each Interest Payment Date (as defined therein) will be the interest accrued from and including the later of (i) the issue date and (ii) the immediately preceding Interest Payment Date with respect to which interest on such Series of Notes has been fully paid or duly provided for, to but excluding such Interest Payment Date ("**Interest Period**"). For any Series of Floating Rate Notes listed on the Irish Stock Exchange, at a time no later than the commencement of each Interest Period, the relevant Paying Agent shall provide a notice to the Irish Stock Exchange stating the rate of interest, the amount of interest payable for a specific denomination and the Interest Period, if applicable.

Payment Procedures

Subject to the provisions of the applicable Final Terms, the Issuer will discharge each of its payment obligations under such Series of Notes and the Indenture by causing the payment amount to be tendered to the

Registered Holder or Registered Holders, in the case of Notes in registered form, or the Bearer or Bearers, in the case of Notes in bearer form, of such Series of Notes. All amounts payable to any Registered Holder of any Note issued in registered form or to any bearer of any Note issued in bearer form will be paid to such account at such bank or other financial institution as the Registered Holder of such Note in registered form or bearer of such Note issued in bearer form shall notify in accordance with the terms of the Indenture. Payments in respect of Bearer Notes will be made only outside the United States as required by applicable Treasury Department Regulations.

Unavailability of Specified Currency

If the principal of, any premium or interest on, and any Additional Amounts with respect to, any Note is payable in a Specified Currency other than U.S. dollars which is not available due to the imposition of exchange controls or other circumstances beyond the control of the Issuer, the Issuer will be entitled to satisfy its obligations to holders of the Notes by making such payment in U.S. dollars on the basis of the most recently available bid quotation determined on the applicable determination date related to such payment from a leading foreign exchange bank in London or New York City selected by the applicable Paying Agent, for the purchase of U.S. dollars with the Specified Currency for settlement on such payment date of the aggregate amount of the Specified Currency payable to all holders of Notes denominated other than in U.S. dollars scheduled to receive U.S. dollar payments. Any payment made under such circumstances in U.S. dollars where the required payment is other than in U.S. dollars will not constitute an Event of Default under the Notes.

Redemption and Repurchase of Notes

Subject to the provisions of the applicable Final Terms, and except as provided with respect to a tax redemption under "—Tax Redemption", the Notes of a Series will not be redeemable, except at the applicable Maturity Date, when all Notes of such Series will be redeemed.

Optional Redemption by the Issuer

The applicable Final Terms may provide that the Notes of a Series may be redeemed by the Issuer and the terms of such redemption. If so specified, the Issuer will give a notice of redemption to each holder of the Notes to be redeemed not less than 30 days nor more than 75 days prior to the date fixed for redemption, subject to the provisions of the applicable Final Terms. Such notice of redemption shall also be published in a leading daily newspaper having general circulation in Ireland (which is expected to be the *Irish Times*).

Repayment at Option of Noteholder

Subject to the provisions of the applicable Final Terms, the Notes will not provide any holder with the option to have the Issuer repay the Note on a date or dates specified prior to its Maturity Date. See "—Events of Default."

Repurchase of Notes

The Issuer may purchase some or all Notes of any Series in the open market or otherwise at any time, and from time to time, with the prior written consent of New York Life as to both the making of such purchase and the purchase price to be paid for such Notes; *provided* that all unmatured coupons or talons appertaining thereto are purchased therewith. If New York Life, in its sole discretion, consents to such purchase of Notes by the Issuer, then the Issuer and the Indenture Trustee agree to take such actions as may be necessary or desirable to effect the prepayment of such portion, or the entirety, of the current balance of the Funding Account under each applicable Funding Agreement as may be necessary to provide for the payment of the purchase price for such Notes. Upon such payment, the balance of the Funding Account shall be reduced (i) with respect to any purchase of Fixed Rate Notes or Floating Rate Notes, by an amount equal to the aggregate principal amount of the Notes as purchased (or the portion thereof applicable to such Funding Agreement) and (ii) with respect to any purchase of Notes other than Fixed Rate Notes or Floating Rate Notes, by an amount to be agreed between the Issuer and New York Life to reflect such prepayment under the Funding Agreement.

Replacement of Notes

At the expense of the applicable holder or holders, the Issuer will replace any Note Certificate, or coupon or talon appertaining thereto, that becomes mutilated, destroyed, lost or stolen or is apparently destroyed, lost or stolen. Each mutilated Note Certificate, coupon and talon must be surrendered to the Indenture Trustee or the Issuer, or the Indenture Trustee and the Issuer must receive evidence to their satisfaction of the destruction, loss or theft of each applicable Note Certificate, coupon or talon and there must be delivered to the Issuer and the Indenture Trustee such security or indemnity as may be required by them to save each of them harmless and the Issuer or the Indenture Trustee must not have received notice that such Note Certificate, coupon or talon has been acquired by a protected purchaser (as defined in the UCC as currently in effect).

Prescription

Any funds deposited with or paid to the Indenture Trustee or any Paying Agent for the payment of the principal of, any premium or interest on, or any Additional Amounts or any other amounts payable with respect to, any Note of any Series and not applied but remaining unclaimed for three years after the date upon which such principal, premium, interest, Additional Amount or any other amount shall have become due and payable, shall, upon the written request of the Issuer and unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property law, be repaid to the Issuer by the Indenture Trustee or such Paying Agent, and the holder of any such Note of such Series shall, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property laws, thereafter look only to the Issuer for any payment which such holder may be entitled to collect, and all liability of the Indenture Trustee or any Paying Agent with respect to such funds shall thereupon cease.

Withholding Tax and Payments of Additional Amounts

All payments in respect of the Notes will be made without any withholding or deduction for or on account of any present or future taxes, duties, levies, assessments or other governmental charges of whatever nature imposed or levied on behalf of any governmental authority in the United States having the power to tax, unless such withholding or deduction is required by law.

The Issuer will, subject to the exceptions and limitations set forth below, pay to the holder or holders of any Note, Additional Amounts to compensate for any withholding or deduction for or on account of any present or future taxes, duties, levies, assessments or other governmental charges of whatever nature imposed or levied on payments in respect of such Note, on behalf of any governmental authority in the United States having the power to tax, so that the net amount received by the holder or holders under that Note, after giving effect to such withholding or deduction under the Notes will equal the amount that would have been received under the Notes had no such deduction or withholding been required; *provided* that no such Additional Amounts shall be required for or on account of:

(i) any tax, duty, levy, assessment or other governmental charge imposed which would not have been imposed but for the existence of (a) any present or former connection between the holder of Notes or beneficial owner of Notes and the United States, including, without limitation, being or having been a citizen or resident thereof, or having been present, having been incorporated in, having engaged in a trade or business therein, or having (or having had) a permanent establishment or principal office therein, (b) such holder or beneficial owner's status as a controlled foreign corporation for United States federal income tax purposes within the meaning of Section 957(a) of the Code related within the meaning of Section 864(d)(4) of the Code, to New York Life, (c) such holder or beneficial owner being a bank for United States federal income tax purposes whose receipt of interest under the Funding Agreement or Note is described in Section 881(c)(3) of the Code, (d) such holder or beneficial owner being or having been an actual or constructive "10-percent shareholder" of New York Life within the meaning of Section 871(h)(3) of the Code, or (e) such holder or beneficial owner being subject to income tax withholding or backup withholding as of the date of purchase by such holder or beneficial owner;

(ii) any tax, duty, levy, assessment or other governmental charge imposed which would not have been imposed but for the presentation of the Notes (where presentation is required) for payment on a date more than 30 days after the date on which such payment becomes due and payable or the date on which payment is duly provided for, whichever occurs later;

(iii) any tax, duty, levy, assessment or other governmental charge which is imposed or withheld solely by reasons of the failure of a holder of Notes or beneficial owner of Notes to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of a holder of Notes or beneficial owner of Notes, if compliance is required by statute, by regulation, judicial or administrative interpretation, other law or by an applicable income tax treaty to which the United States is a party as a condition to exemption from such tax, duty, levy, assessment or other governmental charge;

(iv) any inheritance, gift, estate, personal property, sales, or transfer tax;

(v) any tax, duty, levy, assessment or governmental charge that is payable otherwise than by withholding from payments in respect of the Notes;

(vi) any tax, duty, levy, assessment or governmental charge imposed by reason of payments on the Notes being treated as contingent interest described in section 871(h)(4) of the Code for United States federal income tax purposes, but only to the extent such treatment was disclosed in writing to the holder of Notes or beneficial owner of Notes, as the case may be, at the time such holder or beneficial owner became a holder of or beneficial owner of Notes, as the case may be;

(vii) any tax, duty, levy, assessment or governmental charge that would not have been imposed but for an election by a holder of Notes or beneficial owner of Notes, the effect of which is to make payment in respect of the Notes subject to United States federal income tax;

(viii) any tax, duty, levy, assessment or governmental charge imposed under any of Sections 1471 through 1474 of the Code, any applicable United States Treasury Regulations promulgated thereunder, or any judicial or administrative interpretation of any of the foregoing as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer not being entitled to receive payments free of any such tax, duty, levy, assessment or governmental charge imposed;

(ix) any tax, duty, levy, assessment or governmental charge imposed with respect to a Bearer Note issued after March 18, 2012 that is not treated as being in registered form for U.S. federal income tax purposes; or

(x) any combination of items (i), (ii), (iii), (iv), (v), (vi), (vii), (viii) or (ix).

In addition, the obligation to pay Additional Amounts shall not apply unless New York Life is similarly obligated to pay Additional Amounts under the Funding Agreement securing the applicable Notes. See “Description of Certain Terms and Conditions of the Funding Agreements—Payments of Additional Amounts.”

The Notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable thereto. Except as specifically provided under this heading “Description of the Notes—Withholding Tax and Payments of Additional Amounts”, the Issuer shall not be required to make any payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority thereof or therein.

Tax Redemption

If New York Life is obligated to withhold or deduct any taxes with respect to any payment under a Funding Agreement or pay any Additional Amounts, or if there is a material probability that New York Life will become obligated to withhold or deduct any such taxes or pay any Additional Amounts (in the opinion of independent

counsel selected by New York Life), in each case pursuant to any change in or amendment to United States tax laws (or any regulations or rulings thereunder) or any change in position of the U.S. Internal Revenue Service (the "**IRS**") regarding the application or interpretation thereof (including, but not limited to, New York Life's receipt of a written adjustment from the IRS in connection with an audit), then New York Life may terminate such Funding Agreement by giving not less than 30 and no more than 75 days prior written notice to the Holder of such Funding Agreement, *provided* that no such notice of termination may be given earlier than 90 days prior to the earliest day on which New York Life would become obligated to pay Additional Amounts, were a payment in respect of the Funding Agreement then due. The Issuer is required to redeem the Notes of a Series if New York Life exercises its right to terminate the Funding Agreement related to such Series.

Paying Agent and Listing Agent in Ireland

For so long as the Notes of any Series are admitted to the Official List and trading on the regulated market of the Irish Stock Exchange, and to the extent required by the guidelines of such exchange, the Issuer will maintain a paying agent and listing agent for the Notes in Ireland.

Pricing Options

Fixed Rate Notes

Interest Payment Dates. Subject to the provisions of the applicable Final Terms, interest on the Fixed Rate Notes of a Series will be payable semiannually each year on such date or dates as may be specified in the applicable Final Terms (each, an "**Interest Payment Date**" with respect to such Series of Fixed Rate Notes) and on the Maturity Date.

Payment Date Not a Business Day. Subject to the provisions of the applicable Final Terms, if the date on which any principal, premium, interest, Additional Amount or other payment obligation with respect to the Fixed Rate Notes of a Series is due, including any Interest Payment Date, falls on a day that is not a Business Day, the Issuer will have until the next succeeding Business Day to satisfy its payment obligation and any such payment shall be given the same force and effect as if made on the date on which such principal, premium, interest, Additional Amount or other payment obligation was due and no additional interest shall accrue as a result of payment on such succeeding Business Day.

Method of Calculating Interest. Subject to the provisions of the applicable Final Terms, interest on the Fixed Rate Notes of a Series will be computed on the basis of a 360-day year of twelve 30-day months and in the case of an incomplete month, the actual number of days elapsed.

Floating Rate Notes

Generally. Interest on a Series of Floating Rate Notes will be determined by reference to one or more of the CMT Rate, the Commercial Paper Rate, EURIBOR, the Federal Funds Rate, LIBOR, the Prime Rate, the Treasury Rate (each, an "**Interest Rate Basis**"), or such other Interest Rate Basis or interest rate formula as may be specified in the applicable Final Terms.

The applicable Final Terms will specify certain terms of a Series of Floating Rate Notes, including: whether such Series of Floating Rate Notes is a Series of "Regular Floating Rate Notes" or "Floating Rate/Fixed Rate Notes", the Fixed Rate Commencement Date, if applicable, Fixed Interest Rate, if applicable, Interest Rate Basis or Bases, Initial Interest Rate, if any, the first Interest Reset Date, Interest Reset Dates, Interest Payment Dates, Index Maturity, Maximum Interest Rate and/or Minimum Interest Rate, if any, and Spread and/or Spread Multiplier, if any, as such terms are defined below. If one or more of the Interest Rate Bases for any Series of Floating Rate Notes is LIBOR or the CMT Rate, the applicable Final Terms will also specify the LIBOR Currency and LIBOR Page or the CMT Maturity Index and CMT Reuters Page, respectively, as such terms are defined below.

The rate at which a Series of Floating Rate Notes will bear interest will be determined as follows:

Unless such Series of Floating Rate Notes is designated as a Series of "Floating Rate/Fixed Rate Notes" or a Series of "Inverse Floating Rate Notes", or as having an Addendum attached or having "Other/Additional Provisions" apply, in each case relating to a different interest rate formula, such Series of Floating Rate Notes will be designated as a Series of "**Regular Floating Rate Notes**" and, except as described below or in the applicable Final Terms, will bear interest at the rate determined by reference to the Interest Rate Basis or Bases for such Series (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any. Commencing on the first Interest Reset Date, the rate at which interest on such Regular Floating Rate Note shall be payable shall be reset as of each Interest Reset Date; *provided, however*, that the interest rate in effect for the period, if any, from the date of issue to the first Interest Reset Date will be the Initial Interest Rate.

If such Series of Floating Rate Notes is designated as a Series of "**Floating Rate/Fixed Rate Notes**", then, except as described below, such Series of Floating Rate Notes will bear interest at the rate determined by reference to the Interest Rate Basis or Bases for such Series (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any. Commencing on the first Interest Reset Date, the rate at which interest on such Series of Floating Rate/Fixed Rate Notes shall be payable shall be reset as of each Interest Reset Date; *provided, however*, that (a) the interest rate in effect for the period, if any, from the date of issue to the first Interest Reset Date will be the Initial Interest Rate and (b) the interest rate in effect (the "**Fixed Interest Rate**") for the period commencing on the date specified therefor in the applicable Final Terms (the "**Fixed Rate Commencement Date**") to the Stated Maturity Date shall be the interest rate so specified in such applicable Final Terms or, if no such rate is specified, the interest rate in effect thereon on the day immediately preceding the Fixed Rate Commencement Date. For the period during which the Fixed Interest Rate is in effect, interest shall be calculated and paid as specified above under "Fixed Rate Notes."

The "**Spread**" for a Series of Floating Rate Notes is the number of basis points to be added to or subtracted from the related Interest Rate Basis or Bases applicable to such Series of Floating Rate Notes. The "**Spread Multiplier**" is the percentage of the related Interest Rate Basis or Bases applicable to such Series of Floating Rate Notes by which such Interest Rate Basis or Bases will be multiplied to determine the applicable interest rate on such Series of Floating Rate Notes. The "**Index Maturity**" is the period to maturity of the instrument or obligation with respect to which the related Interest Rate Basis or Bases will be calculated.

Subject to the provisions of the applicable Final Terms, the interest rate with respect to each Interest Rate Basis for a Series of Floating Rate Notes will be determined in accordance with the applicable provisions below. Subject to the provisions of the applicable Final Terms and except as set forth above, the interest rate in effect on each day shall be (i) if such day is an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding such Interest Reset Date or (ii) if such day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding the most recent Interest Reset Date.

The applicable Final Terms will specify the dates on which the rate of interest on a Series of Floating Rate Notes will be reset daily, weekly, monthly, quarterly, semiannually or annually or on such other specified basis (each, an "**Interest Reset Period**") and the dates on which such rate of interest will be reset (each, an "**Interest Reset Date**"). Subject to the provisions of the applicable Final Terms, the Interest Reset Dates will be, in the case of a Series of Floating Rate Notes which reset:

- daily, each Business Day;
- weekly, the Wednesday of each week (with the exception of weekly reset Floating Rate Notes as to which the Treasury Rate is an applicable Interest Rate Basis, which will reset the Tuesday of each week);
- monthly, the third Wednesday of each month;
- quarterly, the third Wednesday of March, June, September and December of each year;
- semiannually the third Wednesday of the two months specified in the applicable Final Terms; and

- annually, the third Wednesday of the month specified in the applicable Final Terms;

provided, however, that, with respect to each Series of Floating Rate/Fixed Rate Notes, the rate of interest thereon will not reset after the applicable Fixed Rate Commencement Date. If any Interest Reset Date for any Series of Floating Rate Notes would otherwise be a day that is not a Business Day, such Interest Reset Date will be postponed to the next succeeding Business Day, except that in the case of a Series of Floating Rate Notes as to which LIBOR is an applicable Interest Rate Basis and such Business Day falls in the next succeeding calendar month, such Interest Reset Date will be the immediately preceding Business Day.

Interest Determination Date. The interest rate applicable to an Interest Reset Period commencing on the related Interest Reset Date will be the rate determined by the Calculation Agent (as hereinafter defined) as of the applicable Interest Determination Date and calculated on or prior to the Calculation Date (as hereinafter defined), except with respect to LIBOR, which will be calculated on such Interest Determination Date. The "Interest Determination Date" with respect to the Commercial Paper Rate, the Federal Funds Rate and the Prime Rate will be the Business Day immediately preceding the related Interest Reset Date; the "Interest Determination Date" with respect to the CMT Rate will be the second Business Day immediately preceding the applicable Interest Reset Date; the "Interest Determination Date" with respect to EURIBOR will be the second TARGET Settlement Date immediately preceding each Interest Reset Date and the "Interest Determination Date" with respect to LIBOR will be the second London Banking Day immediately preceding the applicable Interest Reset Date, unless the LIBOR Currency is British pounds sterling, in which case the "Interest Determination Date" will be the applicable Interest Reset Date. With respect to the Treasury Rate, the "Interest Determination Date" will be the day in the week in which the applicable Interest Reset Date falls on which day Treasury Bills (as hereinafter defined) are normally auctioned (Treasury Bills are normally sold at an auction held on Monday of each week, unless such Monday is a legal holiday, in which case the auction is normally held on the immediately succeeding Tuesday although such auction may be held on the preceding Friday); *provided, however*, that if an auction is held on the Friday of the week preceding the applicable Interest Reset Date, the "Interest Determination Date" will be such preceding Friday. The "Interest Determination Date" pertaining to any Series of Floating Rate Notes the interest rate of which is determined by reference to two or more Interest Rate Bases will be the most recent Business Day which is at least two Business Days prior to the applicable Interest Reset Date for such Series of Floating Rate Notes on which each Interest Rate Basis is determinable. Each Interest Rate Basis will be determined as of such date, and the applicable interest rate will take effect on the applicable Interest Reset Date.

Notwithstanding the foregoing, any Series of Floating Rate Notes may also have either or both of the following: (i) a Maximum Interest Rate, or ceiling, that may accrue during any Interest Period and (ii) a Minimum Interest Rate, or floor, that may accrue during any Interest Period. In addition to any Maximum Interest Rate that may apply to any Series of Floating Rate Notes, the interest rate on such Series of Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application.

Interest Payment Dates. Subject to the provisions of the applicable Final Terms and except as provided below, the date(s) on which interest on a Series of Floating Rate Notes is payable (each, an "**Interest Payment Date**" with respect to such Series of Floating Rate Notes) will be the Maturity Date and, in the case of a Series of Floating Rate Notes which reset:

- daily, weekly or monthly, the third Wednesday of each month or the third Wednesday of March, June, September and December of each year, as specified in the applicable Final Terms;
- quarterly, the third Wednesday of March, June, September and December of each year;
- semiannually, the third Wednesday of the two months of each year specified in the applicable Final Terms; and
- annually, the third Wednesday of the month of each year specified in the applicable Final Terms.

Payment Date not a Business Day. Subject to the provisions of the applicable Final Terms, if any Interest Payment Date other than the Maturity Date for a Series of Floating Rate Notes would otherwise be a day that is not a Business Day, such Interest Payment Date will be postponed to the next succeeding Business Day, except that in the case of a Series of Floating Rate Notes as to which LIBOR is an applicable Interest Rate Basis and such Business Day falls in the next succeeding calendar month, such Interest Payment Date will be the immediately preceding Business Day. If the Maturity Date of any Series of Floating Rate Notes falls on a day that is not a Business Day, the required payment of principal, any premium and interest, and any Additional Amounts, will be made on the next succeeding Business Day as if made on the date such payment was due, and no interest will accrue in respect of such payment made on that next succeeding Business Day.

Calculations. All percentages resulting from any calculation on any Series of Floating Rate Notes will be rounded to the nearest one hundred-thousandth of a percentage point, with five-one millionths of a percentage point rounded upwards (*e.g.*, 9.876545% (or 0.09876545) would be rounded to 9.87655% (or 0.0987655)), and all amounts used in or resulting from such calculation on such Series of Floating Rate Notes will be rounded, in the case of U.S. dollars, to the nearest cent or, in the case of euro or other currency, to the nearest unit (with one-half cent or unit being rounded upwards).

With respect to each Series of Floating Rate Notes, accrued interest is calculated by multiplying its principal amount by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day in the applicable Interest Period. Subject to the provisions of the applicable Final Terms, the interest factor for each such day will be computed by dividing the interest rate applicable to such day by 360, in the case of any Series of Floating Rate Notes for which an applicable Interest Rate Basis is the Commercial Paper Rate, the Federal Funds Rate, LIBOR or the Prime Rate, or by the actual number of days in the year in the case of any Series of Floating Rate Notes for which an applicable Interest Rate Basis is the CMT Rate or the Treasury Rate.

The applicable Final Terms will specify the "**Calculation Agent**" for a Series of Floating Rate Notes. Upon request of the Registered Holder of any Floating Rate Note in registered form or the bearer of any Floating Rate Note in bearer form, the Calculation Agent will disclose the interest rate then in effect and, if determined, the interest rate that will become effective as a result of a determination made for the next succeeding Interest Reset Date with respect to such Floating Rate Note. Subject to the provisions of the applicable Final Terms, the "**Calculation Date**", if applicable, pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if such day is not a Business Day, the next succeeding Business Day or (ii) the Business Day immediately preceding the applicable Interest Payment Date or the Maturity Date, as the case may be.

Subject to the provisions of the applicable Final Terms, with respect to each Series of Floating Rate Notes, the Calculation Agent shall determine each Interest Rate Basis in accordance with the following provisions:

"**H.15 Daily Update**" means the daily update of H.15, available through the internet site of the Board of Governors of the Federal Reserve System at http://www.federalreserve.gov/releases/h15/update/, or any successor site or publication.

"**H.15**" means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System.

CMT Rate. "**CMT Rate**" means:

(i) If CMT Reuters Page FRBCMT is specified in the applicable Final Terms:

(i) the percentage equal to the yield for United States Treasury securities at "constant maturity" having the Index Maturity specified in the applicable Final Terms as the yield is displayed on Reuters, Inc. (or any successor service) on page FRBCMT (or any other page as may replace the specified page on that service under the caption "Treasury

Constant Maturities") ("**Reuters Page FRBCMT**") for the particular Interest Determination Date, or

(ii) if the rate referred to in clause (a) does not so appear on Reuters Page FRBCMT, the percentage equal to the yield for United States Treasury securities at "constant maturity" having the particular Index Maturity and for the particular Interest Determination Date as published in H.15 under the caption "Treasury Constant Maturities", or

(iii) if the rate referred to in clause (b) does not so appear in H.15, the rate on the particular Interest Determination Date for the period of the particular Index Maturity as may then be published by either the Federal Reserve System Board of Governors or the Treasury Department that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15, or

(iv) if the rate referred to in clause (c) is not so published, the rate on the particular Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 P.M., New York City time, on that Interest Determination Date of three leading primary United States government securities dealers in the United States (which may include the Purchasing Agents or their affiliates) (each, a "**Reference Dealer**"), selected by the Calculation Agent from five Reference Dealers selected by the Calculation Agent and eliminating the highest quotation, or, in the event of equality, one of the highest, and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity equal to the particular Index Maturity, a remaining term to maturity no more than one year shorter than that Index Maturity and in a principal amount that is representative for a single transaction in the securities in that market at that time, or

(v) if fewer than five but more than two of the prices referred to in clause (d) are provided as requested, the rate on the particular Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations shall be eliminated, or

(vi) if fewer than three prices referred to in clause (d) are provided as requested, the rate on the particular Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 P.M., New York City time, on that Interest Determination Date of three Reference Dealers selected by the Calculation Agent from five Reference Dealers selected by the Calculation Agent and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity greater than the particular Index Maturity, a remaining term to maturity closest to that Index Maturity and in a principal amount that is representative for a single transaction in the securities in that market at that time, or

(vii) if fewer than five but more than two prices referred to in clause (f) are provided as requested, the rate on the particular Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations will be eliminated, or

(viii) if fewer than three prices referred to in clause (f) are provided as requested, the CMT Rate in effect on the particular Interest Determination Date.

(ii) If CMT Reuters Page FEDCMT is specified in the applicable Final Terms:

(i) the percentage equal to the one-week or one-month, as specified in the applicable Final Terms, average yield for United States Treasury securities at "constant maturity" having the Index Maturity specified in the applicable Final Terms as the yield is displayed on Reuters, Inc. (or any successor service) on Page FEDCMT (or any other page as may replace the specified page on that service) ("**Reuters Page FEDCMT**"), for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the particular Interest Determination Date falls, or

(ii) if the rate referred to in clause (a) does not so appear on Reuters Page FEDCMT, the percentage equal to the one-week or one-month, as specified in the applicable Final Terms, average yield for United States Treasury securities at "constant maturity" having the particular Index Maturity and for the week or month, as applicable, preceding the particular Interest Determination Date as published in H.15 opposite the caption "Treasury Constant Maturities", or

(iii) if the rate referred to in clause (b) does not so appear in H.15, the one-week or one-month, as specified in the applicable Final Terms, average yield for United States Treasury securities at "constant maturity" having the particular Index Maturity as otherwise announced by the Federal Reserve Bank of New York for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the particular Interest Determination Date falls, or

(iv) if the rate referred to in clause (c) is not so published, the rate on the particular Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 P.M., New York City time, on that Interest Determination Date of three Reference Dealers selected by the Calculation Agent from five Reference Dealers selected by the Calculation Agent and eliminating the highest quotation, or, in the event of equality, one of the highest, and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity equal to the particular Index Maturity, a remaining term to maturity no more than one year shorter than that Index Maturity and in a principal amount that is representative for a single transaction in the securities in that market at that time, or

(v) if fewer than five but more than two of the prices referred to in clause (d) are provided as requested, the rate on the particular Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations shall be eliminated, or

(vi) if fewer than three prices referred to in clause (d) are provided as requested, the rate on the particular Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 P.M., New York City time, on that Interest Determination Date of three Reference Dealers selected by the Calculation Agent from five Reference Dealers selected by the Calculation Agent and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity greater than the particular Index Maturity, a remaining term to maturity closest to that Index Maturity and in a principal amount that is representative for a single transaction in the securities in that market at the time, or

(vii) if fewer than five but more than two prices referred to in clause (f) are provided as requested, the rate on the particular Interest Determination Date calculated by the

Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest or the lowest of the quotations will be eliminated, or

(viii) if fewer than three prices referred to in clause (f) are provided as requested, the CMT Rate in effect on that Interest Determination Date.

If two United States Treasury securities with an original maturity greater than the Index Maturity specified in the applicable Final Terms have remaining terms to maturity equally close to the particular Index Maturity, the quotes for the United States Treasury security with the shorter original remaining term to maturity will be used.

Commercial Paper Rate. "**Commercial Paper Rate**" means, with respect to any Interest Determination Date relating to a Series of Floating Rate Notes for which the interest rate is determined with reference to the Commercial Paper Rate (a "**Commercial Paper Rate Interest Determination Date**"), the Money Market Yield (as hereinafter defined) on such date of the rate for commercial paper having the Index Maturity specified in the applicable Final Terms as published in H.15 under the caption "Commercial Paper-Nonfinancial" or, if not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such Commercial Paper Rate Interest Determination Date for commercial paper having the Index Maturity specified in the applicable Final Terms as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Commercial Paper-Nonfinancial." If such rate is not yet published in H.15, H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the Commercial Paper Rate on such Commercial Paper Rate Interest Determination Date will be calculated by the Calculation Agent and will be the Money Market Yield of the arithmetic mean of the offered rates at approximately 11:00 A.M., New York City time, on such Commercial Paper Rate Interest Determination Date of three leading dealers of United States dollar commercial paper in the United States (which may include the Purchasing Agents or their affiliates) selected by the Calculation Agent for commercial paper having the Index Maturity specified in the applicable Final Terms placed for industrial issuers whose bond rating is "Aa", or the equivalent, from a nationally recognized statistical rating organization; *provided, however*, that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate determined as of such Commercial Paper Rate Interest Determination Date will be the Commercial Paper Rate in effect on such Commercial Paper Rate Interest Determination Date.

"**Money Market Yield**" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the applicable Interest Reset Period.

EURIBOR. EURIBOR Notes will bear interest at the rates (calculated with reference to the European inter-bank offered rate for deposits in euro, or "EURIBOR", and the Spread and/or Spread Multiplier, if any) specified in such EURIBOR Note and any applicable Final Terms.

"**EURIBOR**" means, with respect to any Interest Determination Date relating to a Series of EURIBOR Notes or a Series of Floating Rate Notes for which the interest rate is determined with reference to EURIBOR (a "**EURIBOR Interest Determination Date**"), the rate for deposits in euros as sponsored, calculated and published jointly by the European Banking Federation and ACI—The Financial Market Association, or any company established by the joint sponsors for purposes of compiling and publishing those rates, having the Index Maturity specified in the applicable Final Terms, commencing on the applicable Interest Reset Date, as that rate appears on Reuters, Inc., or any successor service, on page EURIBOR01 (or any other page as may replace that specified page on that service) ("**Reuters Page EURIBOR01**") as of 11:00 A.M., Brussels time, on the applicable EURIBOR Interest Determination Date. If such rate does not appear on Reuters Page EURIBOR01, or is not so published by 11:00 A.M., Brussels time, on the applicable EURIBOR Interest Determination Date, such rate will be calculated by the Calculation Agent and will be the arithmetic mean of at least two quotations obtained by the Calculation Agent

after requesting the principal Euro-zone (as defined below) offices of four major banks in the Euro-zone interbank market to provide the Calculation Agent with its offered quotation for deposits in euros for the period of the Index Maturity specified in the applicable Final Terms, commencing on the applicable Interest Reset Date, to prime banks in the Euro-zone interbank market at approximately 11:00 A.M., Brussels time, on the applicable EURIBOR Interest Determination Date and in a principal amount not less than the equivalent of $1 million in euros that is representative for a single transaction in euro in that market at that time. If fewer than two such quotations are so provided, the rate on the applicable EURIBOR Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., Brussels time, on such EURIBOR Interest Determination Date by four major banks in the Euro-zone for loans in euro to leading European banks, having the Index Maturity specified in the applicable Final Terms commencing on the applicable Interest Reset Date and in a principal amount not less than the equivalent of $1 million in euros that is representative for a single transaction in euros in that market at that time. If the banks so selected by the Calculation Agent are not quoting as mentioned above, EURIBOR will be EURIBOR in effect on the applicable EURIBOR Interest Determination Date.

"**Euro-zone**" means the region comprised of member states of the EU that have adopted the single currency in accordance with the treaty establishing the European Community, as amended by the treaty on EU.

Federal Funds Rate. "**Federal Funds Rate**" means, with respect to any Interest Determination Date relating to a Series of Floating Rate Notes for which the interest rate is determined with reference to the Federal Funds Rate (a "**Federal Funds Rate Interest Determination Date**"), the rate on such date for United States dollar Federal funds as published in H.15 under the heading "Federal Funds (Effective)", as such rate is displayed on Reuters, Inc. (or any successor service) on page FEDFUND 01 (or any other page as may replace such page on such service) ("**Reuters Page FEDFUND 01**"), or, if such rate does not appear on Reuters Page FEDFUND 01 or is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such Federal Funds Rate Interest Determination Date for United States dollar Federal funds as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Federal Funds (Effective)." If such rate does not appear on Reuters Page FEDFUND 01 or is not yet published in H.15, H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the Federal Funds Rate on such Federal Funds Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar Federal funds arranged by three leading brokers of United States dollar Federal funds transactions in The City of New York (which may include the Purchasing Agents or their affiliates) selected by the Calculation Agent prior to 9:00 A.M., New York City time, on such Federal Funds Rate Interest Determination Date; *provided, however*, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date.

LIBOR. "**LIBOR**" means the rate determined in accordance with the following provisions:

(i) With respect to any Interest Determination Date relating to a Series of Floating Rate Notes for which the interest rate is determined with reference to LIBOR (a "**LIBOR Interest Determination Date**"), LIBOR will be the rate for deposits in the LIBOR Currency (as defined below) having the Index Maturity specified in such applicable Final Terms, commencing on such Interest Reset Date, that appears on the LIBOR Page (as defined below) as of 11:00 A.M., London time, on such LIBOR Interest Determination Date. If fewer than two such offered rates so appear, or if no such rate so appears, as the case may be, LIBOR on such LIBOR Interest Determination Date will be determined in accordance with the provisions described in clause (ii) below.

(ii) With respect to a LIBOR Interest Determination Date on which fewer than two offered rates appear, or no rate appears, as the case may be, on the LIBOR Page as specified in clause (i) above, the Calculation Agent will request the principal London offices of each of four major reference banks (which may include affiliates of the Purchasing Agents) in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in the LIBOR Currency for the period of the Index Maturity specified in the applicable Final Terms, commencing on the applicable Interest Reset Date, to prime banks in the London

interbank market at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in the LIBOR Currency in such market at such time. If at least two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., in the applicable Principal Financial Center, on such LIBOR Interest Determination Date by three major banks (which may include affiliates of the Purchasing Agents) in such Principal Financial Center selected by the Calculation Agent for loans in the LIBOR Currency to leading European banks, having the Index Maturity specified in the applicable Final Terms and in a principal amount that is representative for a single transaction in the LIBOR Currency in such market at such time; *provided, however*, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of such LIBOR Interest Determination Date will be LIBOR in effect on such LIBOR Interest Determination Date.

"**LIBOR Currency**" means, with respect to a Series of Floating Rate Notes as to which LIBOR shall be calculated, the currency specified in the applicable Final Terms or, if no such currency is specified in the applicable Final Terms, United States dollars.

"**LIBOR Page**" means, with respect to a Series of Floating Rate Notes as to which LIBOR shall be calculated, the display on Reuters (or any successor service) on the page specified in such applicable Final Terms (or any other page as may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for the LIBOR Currency.

Prime Rate. "**Prime Rate**" means, with respect to any Interest Determination Date relating to a Series of Floating Rate Notes for which the interest rate is determined with reference to the Prime Rate (a "**Prime Rate Interest Determination Date**"), the rate on such date as such rate is published in H.15 under the caption "Bank Prime Loan" or, if not published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such Prime Rate Interest Determination Date as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Bank Prime Loan." If such rate is not yet published in H.15, H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the Prime Rate shall be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen US PRIME 1 Page (as hereinafter defined) as such bank's prime rate or base lending rate as of 11:00 A.M., New York City time, on such Prime Rate Interest Determination Date. If fewer than four such rates so appear on the Reuters Screen US PRIME 1 Page for such Prime Rate Interest Determination Date, then the Prime Rate shall be the arithmetic mean of the prime rates or base lending rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such Prime Rate Interest Determination Date by three major banks (which may include affiliates of the Purchasing Agents) in The City of New York selected by the Calculation Agent; *provided, however,* that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Prime Rate determined as of such Prime Rate Interest Determination Date will be the Prime Rate in effect on such Prime Rate Interest Determination Date.

"**Reuters Screen US PRIME 1 Page**" means the display on the Reuter Money 3000 Service (or any successor service) on the "US PRIME 1" page (or such other page as may replace the US PRIME 1 page on such service) for the purpose of displaying prime rates or base lending rates of major United States banks.

Treasury Rate. "**Treasury Rate**" means, with respect to any Interest Determination Date relating to a Series of Floating Rate Notes for which the interest rate is determined by reference to the Treasury Rate (a "**Treasury Rate Interest Determination Date**"), the rate from the auction held on such Treasury Rate Interest Determination Date (the "**Auction**") of direct obligations of the United States ("**Treasury Bills**") having the Index Maturity specified in the applicable Final Terms under the caption "INVESTMENT RATE" on the display on Reuters (or any successor service) on page USAUCTION 10 (or any other page as may replace such page on such service) or page USAUCTION 11 (or any other page as may replace such page on such service) or, if not so published by 3:00 P.M., New York City time, on the related Calculation Date, the Bond Equivalent Yield (as hereinafter defined) of the rate for such Treasury Bills as published in H.15 Daily Update, or such other recognized

electronic source used for the purpose of displaying such rate, under the caption "U.S Government Securities/Treasury Bills/Auction High" or, if not so published by 3:00 P.M., New York City time, on the related Calculation Date, the Bond Equivalent Yield of the auction rate of such Treasury Bills as announced by the Treasury Department. In the event that the auction rate of Treasury Bills having the Index Maturity specified in the applicable Final Terms is not so announced by the Treasury Department, or if no such Auction is held, then the Treasury Rate will be the Bond Equivalent Yield of the rate on such Treasury Rate Interest Determination Date of Treasury Bills having the Index Maturity specified in the applicable Final Terms as published in H.15 under the caption "U.S. Government Securities/Treasury Bills/Secondary Market" or, if not yet published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such Treasury Rate Interest Determination Date of such Treasury Bills as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "U.S. Government Securities/Treasury Bills/Secondary Market." If such rate is not yet published in H.15, H.15 Daily Update or another recognized electronic source, then the Treasury Rate will be calculated by the Calculation Agent and will be the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Treasury Rate Interest Determination Date, of three primary United States government securities dealers (which may include the Purchasing Agents or their affiliates) selected by the Calculation Agent, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified in the applicable Final Terms; *provided, however,* that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate determined as of such Treasury Rate Interest Determination Date will be the Treasury Rate in effect on such Treasury Rate Interest Determination Date.

"**Bond Equivalent Yield**" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis, "N" refers to 365 or 366, as the case may be, and "M" refers to the actual number of days in the applicable Interest Reset Period.

Discount Notes

The Issuer may issue one or more Series of Notes that have an Issue Price (as specified in the applicable Final Terms) that is less than 100% of the principal amount thereof (*i.e.* par) by more than a percentage equal to the product of 0.25% and the number of full years to the Stated Maturity Date ("**Discount Notes**"). A Series of Discount Notes may not bear any interest currently or may bear interest at a rate that is below market rates at the time of issuance. The difference between the Issue Price of a Series of Discount Notes and par is referred to as the "**Discount**." In the event of redemption, repayment or acceleration of maturity of a Series of Discount Notes, the amount payable to the holders of such Discount Notes will be equal to the sum of:

- the Issue Price (increased by any accruals of Discount) and, in the event of any redemption of such Series of Discount Notes, if applicable, multiplied by the Initial Redemption Percentage (as adjusted by the Annual Redemption Percentage Reduction, if applicable); and
- any unpaid interest accrued on such Series of Discount Notes to the date of the redemption, repayment or acceleration of maturity, as the case may be.

For purposes of any Series of Discount Notes, "**Initial Redemption Percentage**" and "**Annual Redemption Percentage Reduction**" shall have the meaning as described in the applicable Final Terms.

For purposes of determining the amount of Discount that has accrued as of any date on which a redemption, repayment or acceleration of maturity occurs for a Series of Discount Notes, a Discount will be accrued using a constant yield method. The constant yield will be calculated using a 30-day month, 360-day year convention, a compounding period that, except for the Initial Period (as defined below), corresponds to the shortest period between Interest Payment Dates for the applicable Series of Discount Notes (with ratable accruals within a

compounding period), a coupon rate equal to the initial coupon rate applicable to the applicable Series of Discount Notes and an assumption that the maturity of such Series of Discount Notes will not be accelerated. If the period from the date of issue to the first Interest Payment Date for a Series of Discount Notes (the "**Initial Period**") is shorter than the compounding period for such Series of Discount Notes, a proportionate amount of the yield for an entire compounding period will be accrued. If the Initial Period is longer than the compounding period, then the period will be divided into a regular compounding period and a short period with the short period being treated as provided in the preceding sentence. The accrual of the applicable Discount may differ from the accrual of original issue discount for purposes of the Code, certain Series of Discount Notes may not be treated as having original issue discount within the meaning of the Code, and certain Series of Notes other than Discount Notes may be treated as issued with original issue discount for federal income tax purposes. See "Certain Tax Considerations."

Amortizing Notes

The Issuer may issue one or more Series of Notes with the amount of principal thereof and interest thereon payable in installments over their terms ("**Amortizing Notes**"). Subject to the provisions of the applicable Final Terms, interest on each Series of Amortizing Notes will be computed on the basis of a 360-day year of twelve 30-day months. Payments with respect to a Series of Amortizing Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof.

Covenants

Under the Indenture, the Issuer has made certain covenants regarding payment of principal, any premium and interest and any Additional Amounts, maintenance of offices or agencies, holding of trust money for Note payments, protection of the Series Collateral and delivery of an annual statement as to compliance with conditions, performance of obligations and adherence to covenants under the Indenture. Among other covenants, the Issuer has agreed that it will not, so long as any Notes of a Series are Outstanding (as defined in the Indenture):

- sell, transfer, exchange, assign, lease, convey or otherwise dispose of any of its assets generally or assets of the relevant Series of the Issuer (whenever acquired), including, without limitation, any portion of the Series Collateral securing its obligations with respect to the Notes of such Series, except as otherwise permitted by the Indenture, the relevant Series Indenture, the Trust Agreement or the relevant Series Trust Agreement;

- engage in any business or activity other than in connection with, or relating to the execution and delivery of, and the performance of its obligations under, the Trust Agreement, any Series Trust Agreement, the Indenture, any Series Indenture, the Purchase Agreement, any Terms Agreement, the Support Agreement and any Funding Agreement; the issuance and sale of any Notes pursuant to the Indenture and any Series Indenture; holding the Contribution (as defined in the Trust Agreement); and the transactions contemplated by, and the activities necessary or incidental to, any of the foregoing, except as otherwise permitted by the Indenture, any Series Indenture, the Trust Agreement, any Series Trust Agreement or any Funding Agreement;

- incur or otherwise become liable for, directly or indirectly, any debt except for the Notes or as otherwise contemplated under the Indenture, any Series Indenture, the Trust Agreement or any Series Trust Agreement;

- permit the validity or effectiveness of the Indenture, the relevant Series Indenture, or the security interest in or assignment for collateral purposes of the applicable Series Collateral to be impaired, or permit such security interest to be amended, hypothecated, subordinated, terminated or discharged; permit any person to be released from any covenants or obligations under any relevant Funding Agreement securing the Notes of any Series, except as expressly permitted by the Indenture, the relevant Series Indenture, the Trust Agreement, the relevant Series Trust Agreement or any relevant Funding Agreement; create, incur, assume, or permit any lien or other encumbrance (other than a lien with respect to the Series Collateral securing the Notes of any Series) on any of its properties or assets owned on the date of the relevant Series Indenture or thereafter acquired, or any interest therein or the

proceeds thereof; or permit a lien with respect to the applicable Series Collateral not to constitute a valid first priority perfected security interest in the Series Collateral securing the Notes of such Series;

- amend, modify or fail to comply with any material provision of the Trust Agreement or the relevant Series Trust Agreement except for any amendment or modification of the Trust Agreement or the relevant Series Trust Agreement permitted thereunder or under the Indenture, or the relevant Series Indenture;

- own any subsidiary or lend or advance any funds to, or make any investment in, any person, except for the investment of any of its funds held by the Indenture Trustee, a Paying Agent or the Administrative Trustee as provided in the Indenture, any Series Indenture, the Trust Agreement or any Series Trust Agreement;

- directly or indirectly declare or pay a distribution or make any distribution or other payment to the Trust Beneficial Owner or the Series Beneficial Owner, or redeem or otherwise acquire or retire for value any debt other than the Notes; *provided* that the Issuer may:

  - declare or pay a distribution or make any distribution or other payment to the Trust Beneficial Owner or the Series Beneficial Owner in compliance with the Trust Agreement or any Series Trust Agreement if the Issuer has paid or made provision for the payment of all amounts due to be paid on the Notes of such Series prior to the next scheduled payment under the relevant Funding Agreement; and

  - pay all of its debt, liabilities, obligations and expenses, the payment of which is provided for under the Support Agreement;

- become required to register as an "investment company" under, and as such term is defined in, the Investment Company Act;

- enter into any transaction of merger or consolidation, or liquidate or dissolve itself (or, to the fullest extent permitted by law, suffer any liquidation or dissolution), or acquire by purchase or otherwise all or substantially all the business or assets of, or any stock or other evidence of beneficial ownership of, any other person, except as otherwise permitted by the Indenture, any Series Indenture, the Trust Agreement, or any Series Trust Agreement;

- take any action that would cause the Issuer, or the relevant Series of the Issuer not to be either ignored or treated as a grantor trust for United States federal income tax purposes;

- issue any Notes unless:

  - the Issuer has purchased or will simultaneously purchase a Funding Agreement from New York Life;

  - New York Life has affirmed in writing to the Issuer that it has made, or will simultaneously make, changes to its books and records to reflect the grant by the Issuer of a security interest in, and an assignment for collateral purposes by the Issuer of, the relevant Funding Agreement by the Issuer to the Indenture Trustee in accordance with the terms of such Funding Agreement; and

  - the Issuer has taken or will simultaneously take such other steps as may be necessary to cause the Indenture Trustee's security interest in, or assignment to the Indenture Trustee for collateral purposes of, the relevant Series Collateral to be perfected for purposes of the UCC (as defined below), subject to no prior lien, encumbrance or claim or effective against the Issuer's creditors and subsequent purchasers of such Series Collateral pursuant to insurance or other state laws;

- make any deduction or withholding from the principal of, or any premium or interest on, the Notes of any Series (other than amounts that may be required to be withheld or deducted from such payments under the Code or any other applicable tax law, including without limitation by reason of the treatment of the Notes for U.S. income tax purposes as representing an interest in the Issuer) by reason of the payment of any taxes levied or assessed upon any portion of any relevant Series Collateral except to the extent specified in the Indenture, the applicable Series Indenture or the applicable Final Terms;

- have any employees or agents other than the Administrative Trustee or any other persons necessary to conduct its business and enter into transactions contemplated under the Indenture, any Series Indenture, the Trust Agreement, any Series Trust Agreement, the Purchase Agreement, any Terms Agreement, the Support Agreement or any Funding Agreement;

- have an interest in any bank account other than:

    - the accounts required under or permitted by the Indenture, any Series Indenture, the Trust Agreement, any Series Trust Agreement, the Purchase Agreement, any Terms Agreement or any Funding Agreement; and

    - other accounts expressly permitted by the Indenture Trustee; provided that any such further accounts or such interest of the Series of the Issuer therein shall be charged or otherwise secured in favor of the Indenture Trustee on terms acceptable to the Indenture Trustee;

- permit any affiliate, employee or officer of New York Life or any Purchasing Agent to be a trustee of the Issuer; or

- commingle the assets of any Series of the Issuer with its assets generally, any assets of any other Series of the Issuer or any assets of any of the Issuer's affiliates, or guarantee any obligation of any of the Issuer's affiliates.

"**UCC**" means, with respect to any applicable jurisdiction, the Uniform Commercial Code as in effect from time to time in the applicable jurisdiction.

Events of Default

Each of the following events which shall have occurred and be continuing will be an "**Event of Default**" under the Notes of a particular Series (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- default in the payment when due and payable of the principal of, or any premium on, any Note of such Series and continuance of such default for a period of three Business Days;

- default in the payment when due and payable of any interest on, or any Additional Amounts with respect to, any Note of such Series and continuance of such default for a period of five Business Days;

- any "Event of Default," as such term is defined in any Funding Agreement securing the Notes of such Series, by New York Life under such Funding Agreement;

- failure by the Issuer to observe or perform any covenant contained in the Notes of such Series, in the Indenture or in the applicable Series Indenture (other than a covenant, default in performance, or a breach, of which is specifically addressed elsewhere in this section) for a period of 30 days (or such other time period as specifically set forth in the Indenture or an applicable Note Certificate or Series Indenture) after the date on which written notice specifying such failure, stating that such notice is a "Notice of Default" thereunder and demanding that the Issuer remedy the same, shall have been given by registered or certified mail, return receipt requested, to the Issuer by the Indenture Trustee, or to the

Issuer and the Indenture Trustee by the holder or holders of at least 25% of the aggregate principal amount of the Notes of all Series affected thereby at the time Outstanding;

- the Indenture or the applicable Series Indenture for any reason shall cease to be in full force and effect or shall be declared null and void, or the Indenture Trustee shall fail to have or maintain a validly created and first priority perfected security interest (or the equivalent thereof) in the Series Collateral required to secure the Notes of such Series, except as expressly permitted by the Indenture or the applicable Series Indenture; or any person shall successfully claim, as finally determined by a court of competent jurisdiction, that any lien for the benefit of the holder or holders of the Notes of such Series and any other person for whose benefit the Indenture Trustee is or will be holding the applicable Series Collateral is void, junior to any other lien or that the enforcement thereof is materially limited because of any preference, fraudulent transfer, conveyance or similar law;

- an involuntary case or other proceeding shall be commenced against the Issuer seeking liquidation, reorganization or other relief with respect to the Issuer or its debts under any bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Issuer or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Issuer under the federal bankruptcy laws as now or hereafter in effect;

- the Issuer shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, shall admit in writing any of the foregoing, or shall take any trust action to authorize any of the foregoing; or

- any other Event of Default provided in any supplemental indenture or the applicable Series Indenture.

Without limiting the foregoing, neither the adoption of a plan of reorganization nor the implementation of such a plan pursuant to Article 73 of the New York Insurance Law (or any successor provision) by New York Life shall constitute an Event of Default.

If one or more Events of Default shall have occurred and be continuing with respect to the Notes of such Series, then, and in every such event, unless the principal of all of the Notes of such Series shall have already become due and payable, either the Indenture Trustee or the holder or holders of not less than 25% of the aggregate principal amount of the Notes of such Series then Outstanding (each such Series voting as a separate class) by notice in writing to the Issuer (and to the Indenture Trustee if given by such holder or holders), may declare the entire principal and premium (if any) of all the Notes of such Series and any interest accrued thereon and any Additional Amounts due and owing, and any other amounts payable with respect thereto, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable; *provided* that, if any Event of Default specified in the sixth or seventh bullets above occurs with respect to the Issuer, or if any Event of Default specified in the third bullet above that would cause any Funding Agreement securing the Notes of a Series to become automatically and immediately due and payable occurs with respect to New York Life, then without any notice to the Issuer (or the Indenture Trustee) or any other act by the Indenture Trustee or any holder of any Notes of such Series, the entire principal and premium (if any) of all the Notes of such Series and any interest accrued thereon and any Additional Amounts due and owing, and any other amounts payable with respect thereto, shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are waived by the Issuer under the Indenture; and *provided further* that, if any Event of Default specified in the third or fifth bullets above shall have occurred and be continuing with respect to all Series of Notes then Outstanding, either the Indenture Trustee or the holder or holders of not less than 25% of the aggregate principal amount of the Notes of all Series then Outstanding (treated as a single class) by notice in writing to the Issuer (and to the Indenture Trustee

if given by such holder or holders), may declare the entire principal and premium (if any) of all the Notes of all Series, any interest accrued thereon and any Additional Amounts due and owing, and any other amounts payable with respect thereto to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable.

Notwithstanding the preceding paragraph, if at any time after the principal and premium (if any) of the Notes of such Series, any interest accrued and any Additional Amounts due and owing and any other amounts payable with respect thereto (or all the Notes of all Series if the second proviso of the preceding paragraph is applicable) shall have been so declared due and payable and before any judgment or decree for the payment of the funds due shall have been obtained or entered as hereinafter provided, the Issuer shall pay or shall deposit with the Indenture Trustee a sum sufficient to pay all due and payable interest on, any Additional Amounts due and owing, and any other amounts payable with respect thereto, on all the Notes of such Series (or all the Notes of all Series if the second proviso of the preceding paragraph is applicable) and the principal and premium (if any) of any and all Notes of such Series (or all the Notes of all Series if the second proviso of the preceding paragraph is applicable) which shall have become due and payable otherwise than by acceleration pursuant to the preceding paragraph (with interest on such principal and, to the extent that payment of such interest is enforceable under applicable law, on any overdue interest and any other amounts payable on the Notes, at the same rate as the rate of interest specified in the Note Certificates representing the Notes of such Series (or all the Notes of all Series if the second proviso of the preceding paragraph is applicable) to the date of such payment or deposit) and such amount as shall be sufficient to cover reasonable compensation to the Indenture Trustee and each predecessor Indenture Trustee, their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee except as a result of negligence or bad faith, and if any and all Events of Default under the Indenture or any applicable Series Indenture, other than the non-payment of the principal of, and any premium on, the Notes of such Series (or all the Notes of all Series if the second proviso of the preceding paragraph is applicable) which shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided herein, then and in every such case the holder or holders of a majority of the aggregate principal amount of the Notes of such Series then Outstanding (or all the Notes of all Series, all voting as a single class, if the second proviso of the preceding paragraph is applicable) by written notice to the Issuer and to the Indenture Trustee, may waive all defaults and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

Any funds collected by the Indenture Trustee following an Event of Default, and any funds that may then be held or thereafter received by the Indenture Trustee as security with respect to the Notes of any Series will be applied first to the payment of Priority Payments before any payment of the amounts then due and unpaid on the Notes of such Series. See "Risk Factors—Risk Factors Relating to the Notes—Following an Event of Default Under the Relevant Series of Notes, Payment of Certain Expenses Will Precede Payments Under the Relevant Series of Notes."

Certain Rights of Holders

Except as otherwise described below, the holder or holders of a majority of the aggregate principal amount of the Notes of any Series at the time Outstanding (with each Series voting as a separate class) shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred on the Indenture Trustee by the Indenture or the applicable Series Indenture, *provided* that:

- such direction shall not be otherwise than in accordance with applicable law and the provisions of the Indenture or the applicable Series Indenture; and

- subject to the applicable provisions of the Indenture, the Indenture Trustee shall have the right to decline to follow any such direction if the Indenture Trustee, being advised by counsel, shall determine that the action or proceeding so directed may not lawfully be taken or if the Indenture Trustee in good faith by its board of directors, the executive committee, or a trust committee of directors or responsible officers of the Indenture Trustee shall determine that the action or proceedings so directed would

involve the Indenture Trustee in personal liability or if the Indenture Trustee in good faith shall so determine that the actions or forbearances specified in or pursuant to such direction shall be unduly prejudicial to the interests of any holder of any Note of a Series so affected not joining in the giving of such direction, it being understood that subject to the applicable provisions of the Indenture, the Indenture Trustee shall have no duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such holder.

Nothing in the Indenture or any Series Indenture shall impair the right of the Indenture Trustee in its discretion to take any action deemed proper by the Indenture Trustee and which is not inconsistent with such direction by the holder or holders of Notes.

No holder of the Notes of a Series shall have any right by virtue or by availing of any provision of the Indenture or applicable Series Indenture, to institute any action or proceeding at law or equity or in bankruptcy or otherwise, upon or under or with respect to the Indenture, the applicable Series Indenture or any agreement or instrument included in the applicable Series Collateral or for the appointment of a trustee, receiver, liquidator, custodian or other similar official or for any other remedy under the Indenture, unless:

- such holder has previously given written notice to the Indenture Trustee of a continuing Event of Default with respect to such Series of Notes;
- the holder or holders of Notes representing not less than 25% of the aggregate principal amount of the Notes of such Series then Outstanding shall have made written request to the Indenture Trustee to institute proceedings in respect of such Event of Default in its own name as the Indenture Trustee;
- such holder or holders have offered to the Indenture Trustee indemnity or security satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;
- the Indenture Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- no direction inconsistent with such written request has been given to the Indenture Trustee during such 60-day period by the holder or holders of Notes representing at least 66⅔% of the aggregate principal amount of the Outstanding Notes of such Series;

it being understood and intended that no holder or holders of Notes of such Series shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture or the applicable Series Indenture to affect, disturb or prejudice the rights of any other holder of any Note of such Series or to obtain or to seek to obtain priority or preference over any other holder of the relevant Series to enforce any right under the Indenture or the applicable Series Indenture, except in the manner provided in the Indenture or the applicable Series Indenture and for the equal and ratable benefit of all the holders of the Notes of the relevant Series.

Application of Funds Collected Under the Indenture

Any funds collected by the Indenture Trustee upon the occurrence and during the continuation of an Event of Default under the Indenture and the applicable Series Indenture will be applied in the following order at the date or dates fixed by the Indenture Trustee and, in case of the distribution of such funds on account of principal, any premium and interest, and any Additional Amounts, upon presentation of the Note Certificate or Note Certificates representing the Notes of such Series or the applicable coupons and the notation thereon of the payment if only partially paid or upon the surrender thereof if fully paid:

- *first*: to the payment of costs and expenses, including reasonable compensation to the Indenture Trustee, each Agent and each predecessor Indenture Trustee and their respective agents and attorneys and of all expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee except those adjudicated in a court of competent jurisdiction to be the

result of any such Indenture Trustee's negligence or bad faith, in an aggregate amount of no more than $500,000 for all Series of Notes Outstanding;

- *second*: to the payment of principal, any premium and interest, any Additional Amounts and any other amounts then due and owing on the Notes of such Series, ratably, without preference or priority of any kind, according to the aggregate principal amounts due and payable on such Notes;

- *third*: to the payment of any other Obligations then due and owing with respect to such Series of Notes, ratably, without preference or priority of any kind; and

- *fourth*: to the payment of any remaining balance to the Issuer for distribution by the Administrative Trustee in accordance with the Trust Agreement and the applicable Series Trust Agreement.

If no Event of Default has occurred and is continuing, any funds collected by the Indenture Trustee under the Indenture and the applicable Series Indenture in respect of the Notes of a Series shall be applied in the following order at the date or dates fixed by the Indenture Trustee and, in case of the distribution of such funds on account of principal, any premium and interest, and any Additional Amounts, upon presentation of the Note Certificate or Note Certificates representing the Notes of such Series or the applicable coupons and the notation thereon of the payment if only partially paid or upon the surrender thereof if fully paid:

- *first*: to the payment of principal, any premium and interest, any Additional Amounts, and any other amounts then due and owing on the Notes of such Series, ratably, without preference or priority of any kind, according to the aggregate principal amounts due and payable on such Notes;

- *second*: to the payment of any other Obligations then due and owing with respect to such Series of Notes, ratably, without preference or priority of any kind; and

- *third*: to the payment of any remaining balance to the Issuer for distribution by the Administrative Trustee in accordance with the Trust Agreement and the applicable Series Trust Agreement.

The Indenture Trustee may make distributions in cash or in kind or, on a ratable basis, in any combination thereof.

Modifications and Amendments of the Indenture

Modifications and Amendments Without Consent of Holders

The Issuer and the Indenture Trustee may from time to time and at any time enter into an indenture or indentures supplemental to the Indenture, or the Indenture together with the applicable Series Indenture, for one or more of the following purposes without the consent of any holders:

- for the Issuer to convey, transfer, assign, mortgage or pledge to the Indenture Trustee as security for the Notes of one or more Series any property or assets;

- to add to covenants of the Issuer such further covenants, restrictions, conditions or provisions as the Issuer and the Indenture Trustee shall consider to be for the protection of each holder, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in the Indenture or the applicable Series Indenture; provided, that, in respect of any such additional covenant, restriction, condition or provision such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the remedies available to the Indenture Trustee upon such an Event of Default or may limit the right of the holder or holders of a majority of the aggregate principal amount of the Notes of such Series to waive such an Event of Default;

- to cure any ambiguity or to correct or supplement any provision contained in the Indenture, any supplemental indenture, any applicable Series Indenture or any Note Certificate which may be defective or inconsistent with any other provision contained in the Indenture, any supplemental indenture, any applicable Series Indenture or any Note Certificate; or to make such other provisions in regard to matters or questions arising under the Indenture, any supplemental indenture, any applicable Series Indenture or any Note Certificate as the Issuer and the Indenture Trustee may deem necessary or desirable and which shall not adversely affect the interests of the holders of the Notes in any material respect;

- to add additional Events of Default;

- to evidence and provide for the acceptance of appointment under the Indenture by a successor trustee with respect to the Notes of one or more Series and to add to or change any of the provisions of the Indenture and any Series Indenture as shall be necessary to provide for or facilitate the administration of the trusts under the Indenture and any Series Indenture by more than one trustee pursuant to the applicable requirements of the Indenture; or

- to change or eliminate any of the provisions of the Indenture; provided, however, that any such change or elimination shall become effective only when there is no Note Outstanding of any Series created prior to the execution of such supplemental indenture which is entitled to the benefit of or bound by such provisions.

Modifications and Amendments With Consent of Holders

With the consent of the holder or holders of not less than 66⅔% in aggregate principal amount of the Notes at the time Outstanding of all Series affected by such supplemental indenture (voting as a single class), the Issuer and the Indenture Trustee may, from time to time and at any time, enter into a supplemental indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture, any supplemental indenture, any Series Indenture or any Note Certificate or of modifying in any manner the rights of the holders of Notes of each such Series; *provided*, that no such supplemental indenture shall:

- change the applicable Stated Maturity Date or reduce the principal thereof, or reduce the rate or extend the time of payment of interest or any amount payable thereon, or impair or affect the right of any holder of Notes to institute suit for the payment thereof without the consent of the holder of each Note so affected or modify any redemption or repayment provisions applicable to such Series of Notes;

- reduce the aforesaid percentage of Notes of any Series, the consent of which is required for any such supplemental indenture, without the consent of the holder of each Note so affected;

- permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture or the applicable Series Indenture with respect to any part of the applicable Series Collateral or terminate the lien of the Indenture and the applicable Series Indenture on any of the applicable Series Collateral or deprive the holder of any Note of such Series of the applicable Security Interest; or

- modify or alter the provisions of the definition of the term "Outstanding."

Indenture Trustee

Under the Indenture and each Series Indenture, if an Event of Default with respect to any Series of Notes has occurred and is continuing, the Indenture Trustee is obligated to exercise such of the rights and powers vested in it by the Indenture and the applicable Series Indenture, and to use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

Except if an Event of Default with respect to the Notes of any Series has occurred and is continuing (and has not been cured or waived), the Indenture Trustee has undertaken to perform such duties and only such duties

with respect to such Series of Notes as are specifically set forth in the Indenture and the applicable Series Indenture. No implied covenants or obligations shall be read into the Indenture or the applicable Series Indenture against the Indenture Trustee.

No provision of the Indenture or any Series Indenture shall be construed to relieve the Indenture Trustee from liability for its own negligent action, its own negligent failure to act or its willful misconduct, except that:

- this paragraph shall not be construed to limit the effect of the immediately preceding paragraph;

- in the absence of bad faith on its part, the Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Indenture Trustee and conforming to the requirements of the Indenture and the applicable Series Indenture, but in the case of any such certificates or opinions which by any provision of the Indenture are specifically required to be furnished to the Indenture Trustee, the Indenture Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein);

- the Indenture Trustee shall not be liable for any error of judgment made in good faith by any responsible officer of the Indenture Trustee, unless it shall be proved that the Indenture Trustee was negligent in ascertaining the pertinent facts;

- the Indenture Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holder or holders of not less than a majority of the aggregate principal amount of the Outstanding Notes of any affected Series relating to the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred upon the Indenture Trustee, under the Indenture or the applicable Series Indenture with respect to the Notes of such Series;

- no provision of the Indenture or any Series Indenture shall require the Indenture Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such liability is not reasonably assured to it; and

- the Indenture Trustee shall not be liable for the acts or omissions of its delegates, custodians, nominees, agents or attorneys appointed by it without negligence and in good faith; provided, however, that the foregoing shall not be construed to relieve the Indenture Trustee from liability hereunder for its own actions or omissions in serving as an Agent, if and to the extent it shall also serve as an Agent.

The Indenture Trustee may resign at any time with respect to one or more or all Series of Notes by giving not less than 90 days' prior written notice (which may be given in a supplemental indenture) thereof to the Issuer and to the holders of such Notes as provided in the Indenture and each applicable Series Indenture. Upon receiving such notice of resignation, the Issuer shall promptly cause a successor indenture trustee with respect to the applicable Series to be appointed by written instrument in duplicate, executed by the Issuer, one copy of which instrument shall be delivered to the resigning Indenture Trustee and one copy to the successor indenture trustee of such Series. If no successor indenture trustee shall have been so appointed with respect to any Series and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Indenture Trustee may petition any court of competent jurisdiction for the appointment of a successor indenture trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor indenture trustee.

If at any time:

- the Indenture Trustee shall cease to be eligible to serve as Indenture Trustee under the requirements of the Indenture or the applicable Series Indenture and shall fail to resign with respect to the Notes of

each applicable Series pursuant to the applicable provisions of the Indenture or after written request by the Issuer or any holder of Notes, or

- the Indenture Trustee shall become incapable of acting with respect to the Notes of the applicable Series of Notes or shall be adjudged as bankrupt or insolvent, or a receiver or liquidator of the Indenture Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Indenture Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, except during the existence of an Event of Default, the Issuer may remove the Indenture Trustee with respect to the applicable Series and appoint a successor indenture trustee with respect to the applicable Series of Notes by written instrument, in duplicate, one copy of which instrument shall be delivered to the Indenture Trustee so removed and one copy to the successor indenture trustee. If an instrument of acceptance by a successor indenture trustee shall not have been delivered to the Indenture Trustee within 30 days after the giving of such notice of removal, the Indenture Trustee being removed may petition, at the expense of the Issuer, any court of competent jurisdiction for the appointment of a successor indenture trustee with respect to the Notes.

In addition to the right of petition given to the resigning Indenture Trustee and the right of removal given to the Issuer pursuant to the two preceding paragraphs, any holder who has been a holder of Notes for at least six months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor indenture trustee or the removal of the Indenture Trustee and the appointment of a successor indenture trustee, as the case may be. Such court may thereupon, after such notice, if any, as it may deem proper, appoint a successor indenture trustee or remove the Indenture Trustee and appoint a successor indenture trustee, as the case may be.

The holder or holders of a majority of the aggregate principal amount of the Notes of each Series at the time Outstanding may at any time remove the Indenture Trustee with respect to the Notes of such Series and appoint a successor indenture trustee with respect to the Notes of such Series by delivering to the Indenture Trustee so removed, to the successor indenture trustee so appointed and to the Issuer the evidence required for such action by the Indenture and the applicable Series Indenture.

Any resignation or removal of the Indenture Trustee with respect to any Series and any appointment of a successor indenture trustee with respect to such Series shall become effective upon acceptance of appointment by the successor indenture trustee all in accordance with the applicable provisions of the Indenture.

The Issuer shall advise all rating agencies that are then rating the program or the Notes of any Series of any change in the identity of the Indenture Trustee.

Meetings of Holders

A meeting of holders of Notes of any Series may be called at any time and from time to time pursuant to the Indenture and any applicable Note Certificate or Series Indenture to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Indenture or the applicable Series Indenture to be made, given or taken by such holders of Notes of such Series.

Unless otherwise provided in a Note Certificate representing the Notes of a particular Series or the applicable Series Indenture, the Indenture Trustee may at any time call a meeting of holders of Notes of any Series for any purpose specified in the preceding paragraph, to be held at such time and at such place in the City of New York or the city in which the Corporate Trust Office is located, or if Notes of such Series shall have been issued as Bearer Notes, in London or such other place outside the United States, as the Indenture Trustee shall determine. Notice of every meeting of such holders of Notes of any Series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, must be given not less than 21 nor more than 180 days prior to the date fixed for the meeting.

Any resolution passed or decision taken at any meeting of holders of Notes of a Series duly held in accordance with the Indenture and the applicable Series Indenture will be binding on all of the holders of Notes of such Series, and any coupons or talons appertaining thereto, whether or not such holders were present or represented at the meeting.

Non-Recourse Enforcement

Notwithstanding anything to the contrary contained in the Indenture, any supplemental indenture, any Series Indenture, any Final Terms or any Note Certificate, other than as described below, none of New York Life or any of its officers, directors, affiliates, employees or agents or any of the Administrative Trustee, the Trust Beneficial Owner, the Series Beneficial Owner or any Purchasing Agent, or any of their respective officers, directors, affiliates, employees or agents (the "**Non-Recourse Parties**"), will be personally liable for the payment of any principal, premium, interest, Additional Amounts, or any other amounts at any time owing under the terms of any Notes. If any Event of Default shall occur with respect to any Notes of any Series, the right of the holder or holders of Notes of such Series and the Indenture Trustee on behalf of such holder or holders, in connection with a claim on the Notes of such Series shall be limited solely to a proceeding against the relevant Series Collateral.

Neither such holder or holders nor the Indenture Trustee on behalf of such holder or holders will have the right to proceed against the Non-Recourse Parties or the assets of any other Series of the Issuer to enforce the Notes (except that to the extent they exercise their rights, if any, to seize the relevant Funding Agreement, they may enforce the relevant Funding Agreement against New York Life) or for any deficiency judgment remaining after foreclosure of any property included in the relevant Series Collateral.

Nothing contained in this section "—Non-Recourse Enforcement" shall in any manner or way constitute or be deemed a release of the debt or other obligations evidenced by the Notes of any Series or otherwise affect or impair the enforceability against the assets of the relevant Series of the Issuer of the liens, assignments, rights and Security Interests created by or pursuant to the Indenture, the applicable Series Indenture, the relevant Series Collateral or any other instrument or agreement evidencing, securing or relating to the indebtedness or the obligations evidenced by the Notes of a Series. Nothing in this section "—Non-Recourse Enforcement" shall preclude the holders from foreclosing upon any property included in the relevant Series Collateral or any other rights or remedies in law or in equity against the assets of the Issuer with respect to the relevant Series of the Issuer.

Holders may not seek to enforce rights with respect to any Notes (i) by commencing any recovery or enforcement proceedings against the Issuer generally or with respect to the relevant Series of the Issuer, (ii) by applying to wind up the Issuer, (iii) otherwise than through the Indenture Trustee in exercise of powers, appointing a receiver or administrative trustee to the Issuer or any of the assets of the Issuer generally or with respect to the relevant Series of the Issuer, (iv) by making any statutory demand upon the Issuer generally or with respect to the relevant Series of the Issuer under applicable law, or (v) in any other manner except as may be provided in the Indenture, and any applicable Note Certificate or Series Indenture.

Notices

All notices regarding Registered Notes of a Series will be mailed to the registered holders thereof as their names appear in the applicable Note Register maintained by the Registrar.

All notices shall be deemed to have been given upon (i) in the case of Registered Holders, the mailing by first class mail, postage prepaid, of such notices to each Registered Holder entitled thereto at such Registered Holder's registered address as recorded in the applicable Note Register and publication in a leading daily newspaper having general circulation in Ireland (which is expected to be the *Irish Times*), (ii) in the case of holders of Bearer Notes, publication in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*), and (iii)(a) so long as the Notes of a Series are admitted to the Official List and trading on the regulated market of the Irish Stock Exchange, publication of such notice to each holder of the Notes of such Series in the English language on the website of the Irish Stock Exchange at www.ise.ie via the Companies Announcement Service or (b) so long as the Notes of a Series are listed on a securities exchange other than the Irish Stock Exchange or if the publication required in (iii)(a) is not practicable, in one other leading English language daily newspaper

with general circulation in Europe and in the Principal Financial Center with the greatest nexus to such other securities exchange, if such Series is so listed.

Until such time as any Definitive Bearer Notes are issued, there may, so long as Temporary Global Bearer Notes or Permanent Global Bearer Notes are held in their entirety on behalf of the applicable clearing corporation, be substituted for such publication in such newspaper, the delivery of the relevant notice to the applicable clearing corporation for communication by it to the beneficial owners of interests in the Temporary Global Bearer Notes and Permanent Global Bearer Notes; *provided*, *however*, that, such publication will nevertheless be made as described in the immediately preceding paragraph in respect of Bearer Notes listed on the Irish Stock Exchange or other applicable securities exchange. Any such notice shall be deemed to have been given to the beneficial owners of interests in the Temporary Global Bearer Notes and Permanent Global Bearer Notes on the seventh day after the day on which said notice was given to the applicable clearing corporation.

Neither the failure to give notice, nor any defect in any notice given, to any particular holder of a Note will affect the sufficiency of any notice with respect to any other holder of any Note.

Any such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by holders of Notes of a Series shall be filed with the Indenture Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Governing Law; Submission to Jurisdiction

Pursuant to Section 5-1401 of the General Obligations Law of the State of New York, the Indenture, each Series Indenture and the Notes of each Series shall be governed by, and construed in accordance with, the laws of the State of New York, except as required by mandatory provisions of law and except to the extent that the validity or perfection of the ownership of, and the security interest in, each applicable Funding Agreement constituting an asset of the relevant Series of the Issuer or remedies under the Indenture or the applicable Series Indenture in respect thereof may be governed by the laws of a jurisdiction other than the State of New York.

All judicial proceedings brought against the Issuer or the Indenture Trustee arising out of or relating to the Indenture, any Series Indenture, any Note or any assets of the Issuer generally or the applicable Series of the Issuer may be brought in a United States Federal court located in the City of New York, the Borough of Manhattan; *provided* that the Final Terms for any Series of Notes may specify other jurisdictions as to which the Issuer and the Indenture Trustee may consent to the nonexclusive jurisdiction of its courts with respect to such Series of Notes. Under the terms of the Indenture and each relevant Series Indenture, the Issuer and the Indenture Trustee will each accept generally and unconditionally the nonexclusive jurisdiction of such court, waive any defense of *forum non conveniens* and irrevocably agree to be bound by any judgment rendered thereby in connection with the Indenture, the applicable relevant Series Indenture, any Note or any portion of the relevant Series Collateral.

DESCRIPTION OF CERTAIN TERMS AND CONDITIONS OF THE FUNDING AGREEMENTS

This section provides an overview of certain terms and conditions of the Funding Agreements. This overview is not complete and investors should read the detailed provisions of the Funding Agreements. Capitalized terms used in this overview have the same meanings as those used in the Funding Agreements unless the context otherwise requires.

General

Funding Agreements are unsecured obligations of New York Life. In connection with each Series of Notes, the Issuer will purchase from New York Life and will take delivery from New York Life, a Funding Agreement, as specified in each applicable Final Terms. In connection with the offering and sale of a Series of Notes, the Issuer will pledge, collaterally assign and grant a security interest in the applicable Series Collateral, including the applicable Funding Agreement, to the Indenture Trustee as collateral to secure the Issuer's obligations under the applicable Series of Notes.

Insolvency of New York Life

In the event of New York Life's insolvency, Funding Agreements will be subject to the provisions of the Liquidation Act, which establish the priority of distributions from the estate of an insolvent New York life insurance company. Willkie Farr & Gallagher LLP, special counsel for New York Life, has opined that in any rehabilitation, liquidation, conservation, dissolution or reorganization relating to New York Life, under New York law as in effect on the date of this Offering Memorandum, the claims under each Funding Agreement with respect to (i) payments of principal and interest would be accorded a priority equal to that of policyholders of New York Life (*i.e.* would rank *pari passu* with the claims of policyholders of New York Life) and superior to the claims of general creditors of New York Life and (ii) payments of Additional Amounts (as defined herein) would rank *pari passu* with the claims of general creditors of New York Life.

Such opinion of counsel is based upon certain facts, assumptions and qualifications (as set forth therein), is only an opinion and does not constitute a guarantee, and is not binding upon any court, including without limitation a court presiding over any rehabilitation, liquidation, conservation, dissolution or reorganization of New York Life under the Liquidation Act. The obligations of New York Life under the Funding Agreements are not guaranteed by any other persons, including, but not limited to, any of its subsidiaries or affiliates.

Payments

The terms of each Funding Agreement securing the obligations of the Issuer under a Series of Notes will be structured so that New York Life will be obligated to make payments at such times and in such amounts as shall permit the Issuer to meet its scheduled obligations with respect to payments of interest, premium, if any, principal and any other amounts due under the applicable Series of Notes.

Payments of Additional Amounts

Subject to the provisions of the applicable Final Terms, under each Funding Agreement, New York Life will agree to pay Additional Amounts to the Issuer to compensate for any withholding or deduction for or on account of any present or future taxes, duties, levies, assessments or other governmental charges of whatever nature imposed or levied on behalf of any governmental authority in the United States having the power to tax, unless such withholding or deduction is required by law. If any such withholding or deduction is required or if any such withholding or deduction is required under the related Notes, then New York Life will pay such Additional Amounts so that the net amount received by the Holder of the Funding Agreement or the holder of such Notes will equal the amount that would have been received under the Funding Agreement and the related Notes had no such deduction or withholding been required; *provided* that New York Life shall not be required to make any payment of any Additional Amount for or on account of:

(i) any tax, duty, levy, assessment or other governmental charge imposed which would not have been imposed but for the existence of (a) any present or former connection between the Holder of the Funding Agreement or the holder or beneficial owner of any Notes ("**Noteholder**") and the United States, including, without limitation, being or having been a citizen or resident thereof, or having been present, having been incorporated in, having engaged in a trade or business therein, or having (or having had) a permanent establishment or principal office therein, (b) such Holder's or Noteholder's status as a controlled foreign corporation for United States federal income tax purposes within the meaning of Section 957(a) of the Code related within the meaning of Section 864(d)(4) of the Code, to New York Life, (c) such Holder or Noteholder being a bank for United States federal income tax purposes whose receipt of interest under the Funding Agreement is described in Section 881(c)(3) of the Code, or (d) such Holder or Noteholder being subject to income tax withholding or backup withholding as of the date of purchase by such Holder or Noteholder;

(ii) any tax, duty, levy, assessment or other governmental charge imposed which would not have been imposed but for the presentation of the Funding Agreement or the related Notes (where presentation is required) for payment on a date more than 30 days after the date on which such payment becomes due and payable or the date on which payment is duly provided for, whichever occurs later;

(iii) any tax, duty, levy, assessment or other governmental charge which is imposed or withheld solely by reasons of the failure of the Holder of the Funding Agreement or Noteholder to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of a Holder or Noteholder, if compliance is required by statute, by regulation, judicial or administrative interpretation, other law or by an applicable income tax treaty to which the United States is a party as a condition to exemption from such tax, duty, levy, assessment or other governmental charge;

(iv) any inheritance, gift, estate, personal property, sales or transfer tax;

(v) any tax, duty, levy, assessment or other governmental charge that is payable otherwise than by withholding from payments in respect of the Funding Agreement or the related Notes;

(vi) any tax, duty, levy, assessment or governmental charge imposed by reason of payments on the Funding Agreement being treated as contingent interest described in section 871(h)(4) of the Code for United States federal income tax purposes, but only to the extent such treatment was disclosed in writing to the Holder of the Funding Agreement or Noteholder, as the case may be, at the time such Holder or Noteholder became a Holder of the Funding Agreement or a Noteholder, as the case may be;

(vii) any tax, duty, levy, assessment, or governmental charge that would not have been imposed but for an election by the Holder of the Funding Agreement or Noteholder, the effect of which is to make payment in respect of the Funding Agreement or the Notes subject to United States federal income tax;

(viii) any tax, duty, levy, assessment or governmental charge imposed under any of Sections 1471 through 1474 of the Code, any applicable United States Treasury Regulations promulgated thereunder, or any judicial or administrative interpretation of any of the foregoing as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer not being entitled to receive payments free of any such tax, duty, levy, assessment or governmental charge imposed;

(ix) any tax, duty, levy, assessment or governmental charge imposed with respect to a Bearer Note issued after March 18, 2012 that is not treated as being in registered form for U.S. federal income tax purposes; or

(x) any combination of items (i), (ii), (iii), (iv), (v), (vi), (vii), (viii) or (ix) above.

Tax Redemption

If New York Life is obligated to withhold or deduct any taxes with respect to any payment under a Funding Agreement or pay any Additional Amounts, or if there is a material probability that New York Life will become obligated to withhold or deduct any such taxes or pay any Additional Amounts (in the opinion of independent counsel selected by New York Life), in each case pursuant to any change in or amendment to United States tax laws (or any regulations or rulings thereunder) or any change in position of the IRS regarding the application or interpretation thereof (including, but not limited to, New York Life's receipt of a written adjustment from the IRS in connection with an audit), then New York Life may terminate such Funding Agreement by giving not less than 30 and no more than 75 days prior written notice to the Holder of such Funding Agreement, *provided* that no such notice of termination may be given earlier than 90 days prior to the earliest day on which New York Life would become obligated to pay Additional Amounts, were a payment in respect of the Funding Agreement then due. The Issuer is required to redeem the Notes of a Series if New York Life exercises its right to terminate the Funding Agreement related to such Series.

Events of Default

Each Funding Agreement will provide that an Event of Default (as used therein) will occur upon the occurrence of one or any combination of the following:

- if New York Life fails to make a payment of interest or an Additional Amount and such failure continues for a period of five Business Days (as defined in the relevant Funding Agreement);

- if New York Life fails to make a payment of principal in accordance with the relevant Funding Agreement and such failure continues for a period of three Business Days; or

- if New York Life is dissolved or has a resolution passed or proceeding instituted for its winding-up, liquidation, rehabilitation or similar arrangement (other than pursuant to a consolidation, amalgamation or merger).

Without limiting the foregoing, neither the adoption of a plan of reorganization nor the implementation of such a plan pursuant to Article 73 of the New York Insurance Law (or any successor provision) by New York Life shall constitute an Event of Default.

Representations and Warranties of New York Life and the Holder

Under each Funding Agreement, each of New York Life and the Holder of the Funding Agreement will represent to the other party that:

- it has the power to enter into the relevant Funding Agreement and to consummate the transactions contemplated thereby;

- the Funding Agreement has been duly authorized, executed and delivered. The Funding Agreement constitutes a legal, valid and binding obligation. The Funding Agreement is enforceable in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights, and subject as to enforceability of general principles of equity, regardless of whether enforcement is sought in a proceeding in equity or at law; and

- the execution and delivery of the Funding Agreement and the performance of obligations thereunder do not and will not constitute or result in a default, breach, violation, or the creation of any lien or encumbrance on any of its property under its certificate, articles or charter of incorporation, by-laws, or any agreement, instrument, judgment, injunction or order by which it is bound, or by which its respective properties may be bound or affected.

Restrictions on Transfer

Each Funding Agreement will contain provisions prohibiting the Holder thereof from transferring or assigning the Funding Agreement or any right to receive payments under the Funding Agreement to any other person without the express written consent of New York Life and the written affirmation of New York Life that it has changed its books and records to reflect the transfer or assignment or right to receive payments under the Funding Agreement.

The following additional conditions must be satisfied in order to effectuate any assignment of any Funding Agreement: (i) the Funding Agreement may only be transferred through a book entry system maintained by New York Life within the meaning of Treasury Regulations Section 1.871-14 (c)(1)(i) and (ii) New York Life shall have received from the proposed assignee such representations, certificates, documentation and opinions as New York Life may deem necessary and appropriate.

Governing Law

Each Funding Agreement will be governed by, and construed in accordance with, the laws of the State of New York.

Collateral Custodian

Each Funding Agreement relating to a Series of Notes will be held in a custodial account for the Indenture Trustee in the State of Delaware by the Collateral Custodian or by such other party as may be specified in the applicable Final Terms.

ERISA AND OTHER BENEFIT PLAN CONSIDERATIONS

*The following is a summary of certain considerations associated with the purchase, holding and, to the extent relevant, disposition, of the Notes by (i) an employee benefit plan subject to Title I of ERISA, (ii) a plan described in and subject to Section 4975 of the Code, including an IRA and a Keogh plan, (iii) a plan, account or other arrangement subject to provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions of Title I of ERISA or Section 4975 of the Code (collectively, "**Similar Laws**") and (iv) any entity whose underlying assets include "plan assets" by reason of the investment in such entity by any such employee benefit or retirement plan described above.*

Prohibited Transaction Issues

Section 406 of **ERISA** and Section 4975 of the Code prohibit employee benefit plans subject to ERISA ("**ERISA Plans**"), as well as IRAs and Keogh plans subject to Section 4975 of the Code (together with ERISA Plans, "**Plans**"), from engaging in certain transactions involving "plan assets" (within the meaning of ERISA) with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code ("**Parties in Interest**") with respect to such Plans. As a result of New York Life's business, New York Life may be a Party in Interest with respect to certain Plans. Where New York Life is a Party in Interest with respect to a Plan (either directly or by reason of its ownership of its subsidiaries), the purchase and holding of the Notes by or on behalf of the Plan may be a prohibited transaction under Section 406 of ERISA and Section 4975 of the Code, unless exemptive relief were available under an applicable prohibited transaction exemption.

Accordingly, the Notes may not be purchased or held by any Plan, any entity whose underlying assets include "plan assets" by reason of any Plan's investment in the entity (a "**Plan Asset Entity**") or any person investing "plan assets" of any Plan, unless such purchaser or holder, and such purchase, is eligible for the exemptive relief available under one or more PTCEs issued by the DOL, including PTCE 96-23 (relating to transactions determined by "in-house asset managers"), 95-60 (relating to transactions involving insurance company general accounts), 91-38 (relating to transactions involving bank collective investment funds), 90-1 (relating to transactions involving insurance company pooled separate accounts) or 84-14 (relating to transactions determined by independent "qualified professional asset managers"), or under the statutory exemption provided by Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions for "adequate consideration" with certain parties in interest that are not fiduciaries) (the "**Service Provider Exemption**"), or under another applicable prohibited transaction exemption. Any fiduciary or other Plan investor considering whether to purchase or hold Notes should consult with its counsel regarding the availability of exemptive relief under the foregoing exemptions. There can be no assurance that all of the conditions of any such exemptions or any other exemption will be satisfied at the time that the Notes are acquired, or thereafter, if the facts relied upon for utilizing a prohibited transaction exemption change. Also, the scope of the exemptive relief provided by the exemption might not cover all acts which might be construed as prohibited transactions.

Each purchaser or holder of the Notes or any beneficial interest therein will be deemed to have represented by its purchase and holding thereof that either (i) it is not a Plan or a Plan Asset Entity and is not acquiring the Notes on behalf of or with "plan assets" of a Plan or Plan Asset Equity or (ii) its purchase holding and disposition of the Notes or any beneficial interest therein is exempt from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code under DOL PTCE 96-23, PTCE 95-60, PTCE 91-38, PTCE 90-1, PTCE 84-14, the Service Provider Exemption or another applicable exemption.

Without regard to whether one of the above exemptions applies to a Plan's acquisition or holding of a Note, the Notes may not be purchased or held by any Plan, or any person investing Plan assets of any Plan, if New York Life or any of its affiliates (i) has investment or administrative discretion with respect to the assets of the Plan used to effect such purchase; (ii) has authority or responsibility to give, or regularly gives, investment advice with respect to such assets, for a fee, subject to other requirements and conditions provided under ERISA and the regulations thereunder; or (iii) unless PTCE 95-60, 91-38 or 90-1 applies, is an employer maintaining or contributing to such Plan.

Plan Assets

The DOL has promulgated a regulation, 29 C.F.R. §2510.3-101, as modified by Section 3(42) of ERISA (the "**Plan Asset Regulation**"), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity. Under the Plan Asset Regulation, if a Plan invests in an "equity interest" of an entity that is neither a "publicly offered security" nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets are deemed to include both the equity interest itself and an undivided interest in each of the entity's underlying assets, unless it is established either that the entity is an "operating company," as defined in the Plan Asset Regulation or less than 25% of the total value of each class of equity interest in the entity is held by "benefit plan investors," as defined in Section 3(42) of ERISA (the "**25% Test**").

It is not anticipated that (i) the Notes will constitute "publicly offered securities" for purposes of the Plan Asset Regulation, (ii) the Issuer will be an investment company registered under the Investment Company Act or (iii) the Issuer will qualify as an operating company within the meaning of the Plan Asset Regulation. In addition, there is no intent to monitor or take any other measures to assure satisfaction of the 25% Test.

The Plan Asset Regulation defines an "equity interest" as an interest other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. There is very little pertinent authority on the issue of what constitutes an equity security for purposes of the Plan Asset Regulation. The DOL has stated in the Preamble to the Plan Asset Regulation (the "**Preamble**") that the reference to local law provides an initial frame of reference for determinations whether an interest is indebtedness and the question of which law applies for purposes of determining whether an instrument is treated as equity or indebtedness should be made under the law governing questions regarding interpretation of the instrument. Moreover, the DOL stated in the Preamble that the determination of whether any particular investment has substantial equity features is an inherently factual question that must be resolved on a case-by-case basis but that it would be appropriate, in the DOL's view, to take into account whether the equity features of an instrument are such that a Plan's investment in the instrument would be a practical vehicle for the indirect provision of investment management services.

Whether the Notes should be treated as debt or equity for purposes of the Plan Asset Regulation is not certain. While the Notes may be treated as indebtedness for U.S. federal income tax purposes (as described in "Certain Tax Considerations"), such characterization is not conclusive that the Notes will be treated as debt under the Plan Asset Regulation. There is no legal authority that clarifies the relationship between the standards used for Plan Asset Regulation purposes and the standards used for U.S. federal income tax purposes in evaluating the proper characterization of a security as debt or equity. Each prospective investor should make its own assessment as to whether or not the Notes will be respected as debt for purposes of the Plan Asset Regulation, and should consult with its own legal advisers concerning the potential consequences under the fiduciary responsibility and prohibited transaction provisions of ERISA, Section 4975 of the Code and any applicable Similar Law of an investment in the offered Notes with the assets of a Plan. There can be no assurance that the Notes would be characterized by the DOL or others as indebtedness on the date of issuance or at any given time thereafter.

If the Notes were treated under the Plan Asset Regulation as equity interests, any assets held by the Issuer, including the Funding Agreements, would be treated as plan assets of Plans holding Notes if, immediately after the most recent acquisition (including any redemption) of the Notes (or any class of equity interest in the Issuer), the 25% Test is not satisfied and 25% or more of the total value of any class of equity interest in the Issuer is held by benefit plan investors. No assurance can be given that benefit plan investors will hold less than 25% of the total value of the Notes at the completion of an offering or thereafter.

If the assets of the Issuer were deemed to be plan assets under ERISA, then an investing Plan's assets would be considered to include an undivided interest in the Funding Agreements held by the Issuer. In addition, certain persons providing services to the Issuer could become Parties in Interest with respect to an investing Plan and could be subject to the fiduciary responsibility provisions of ERISA, the prohibited transaction provisions of ERISA and Section 4975 of the Code with respect to transactions involving the assets of the Issuer. In this regard, if any person were deemed to have discretionary authority or discretionary control respecting the management of the Issuer or exercises any authority or control respecting management or disposition of the Funding Agreements held by the Issuer, such person or persons could be deemed to be fiduciaries. A fiduciary of a Plan should consider whether the purchase or holding of Notes could result in a delegation of fiduciary authority if the Issuer were

deemed to hold plan assets under ERISA, and, if so, whether such a delegation of authority is permissible under the Plan's governing instrument or any investment management agreement with the Plan. However, since the Administrative Trustee may be viewed as having no discretionary authority with respect to the Funding Agreements, even if the Funding Agreements were treated as Plan Assets of a Plan holding a Note, an investor may determine that the Administrative Trustee should be treated as having acted in an administrative or ministerial capacity, rather than a fiduciary capacity, with respect to the Funding Agreements. Each prospective investor should make its own assessment regarding whether the Administrative Trustee would constitute a fiduciary if the assets of the Issuer were considered to be plan assets under ERISA.

Non-ERISA Plans

Governmental plans (as defined in Section 3(32) of ERISA), church plans (as described in Section 3(33) of ERISA) for which no election has been made under Section 410(d) of the Code and foreign plans (as described in Section 4(b)(4) of ERISA) (collectively "**Non-ERISA Plans**") while not subject to Section 406 of ERISA or Section 4975 of the Code, may nevertheless be subject to Similar Laws. The fiduciary of a Non-ERISA Plan considering an investment in the Notes must make its own determination that such investment is permissible under any applicable Similar Laws. Each purchaser or holder of the Notes or any beneficial interest therein will be deemed to have represented by its purchase and holding thereof that either (i) it is not a Non-ERISA Plan or an entity the assets of which are treated as including the assets of a Non-ERISA Plan and is not acquiring the Notes on behalf or with the assets of any such Non-ERISA Plan or entity or (ii) its purchase, holding and disposition of the Notes or any beneficial interest therein will not violate any Similar Laws.

General Considerations

Notwithstanding the above, the sale of the Notes of a particular Series to Plans, or to persons acting on behalf of or investing "plan assets" of Plans, might not be allowed, or might only be allowed subject to certain additional conditions.

The considerations set forth above are only intended as an overview and may not be applicable depending upon a Plan's specific facts and circumstances. No view is expressed as to whether an investment in Notes (and any continued holding of the Notes) is appropriate or permissible for any Plan or Non-ERISA Plan. Plan fiduciaries should consult their own advisors with respect to the advisability of an investment in the Notes, and potentially adverse consequences of such investment, including without limitation, the possible effects of changes in applicable laws.

CERTAIN TAX CONSIDERATIONS

The information provided below does not purport to be a complete overview of the United States tax law and practice currently applicable. Prospective investors should consult with their own professional advisors.

United States Federal Income Taxation

The following is a general discussion of certain U.S. federal income tax consequences of the purchase, ownership and disposition of Notes to U.S. Holders and Non-U.S. Holders (each as defined below) that purchase the Notes at their issue price pursuant to the original offering and hold the Notes as capital assets within the meaning of the Code. This discussion is for general information only and does not address all aspects of U.S. federal income taxation that may be relevant to U.S. Holders and Non-U.S. Holders in light of their particular circumstances, or that may be relevant to certain types of investors subject to special treatment under U.S. federal income tax laws (for example, (i) banks, tax-exempt organizations, regulated investment companies, real estate investment trusts, insurance companies, dealers in securities or traders in securities who elect the mark-to-market method of accounting, (ii) persons holding Notes as part of a straddle, hedge, conversion transaction or other integrated investment, (iii) U.S. Holders whose functional currency is not the U.S. dollar, (iv) former citizens or residents of the United States, some of whom may be subject to special rules, or (v) investors in partnerships or other pass-through entities. In addition, this discussion does not address the effects of the tax on "investment income" imposed under Section 1411 of the Code, alternative minimum taxes, federal estate or gift taxes or state, local or foreign taxes. Furthermore, the discussion below is based upon provisions of the Code, the legislative history thereof, final, temporary and proposed regulations thereunder, and rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified (including changes in effective dates, and possibly with retroactive effect) so as to result in U.S. federal income tax consequences different from those discussed below.

For purposes of the following discussion, a "**U.S. Holder**" means a beneficial owner of a Note that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States; (ii) a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate or trust treated as a domestic estate or trust (any of the foregoing, for purposes of this section, a "**U.S. Person**").

For purposes of the following discussion, a **"Non-U.S. Holder"** means a beneficial owner of a Note that is not a U.S. Holder for U.S. federal income tax purposes.

If a partnership or an entity treated as a partnership for U.S. federal income tax purposes holds Notes, the tax treatment of a partner or an equity interest owner of such other entity will generally depend upon the status of the person and the activities of the partnership or other entity treated as a partnership. If you are a partner of a partnership or an equity interest owner of another entity treated as a partnership holding Notes, you should consult your tax advisors.

Tax Treatment of the Issuer and the Notes

In the opinion of Willkie Farr & Gallagher LLP, special U.S. federal income tax counsel to the Issuer ("**Special Tax Counsel**"), under current law and based on certain facts and assumptions contained in such opinion, the Issuer will not be treated as an association or a publicly traded partnership taxable as a corporation.

New York Life and the Issuer will treat the Notes as debt of New York Life for U.S. federal, state and local income and franchise tax purposes. Each holder and beneficial holder of Notes, by acceptance of such Notes, will also agree to treat the Notes as debt of New York Life for U.S. federal, state and local income and franchise tax purposes. The remainder of this discussion assumes the Notes are properly treated as debt of New York Life for U.S. federal income tax purposes.

An opinion of Special Tax Counsel is not binding on the IRS or the courts, and no ruling on any of the consequences or issues discussed herein will be sought from the IRS. Accordingly, persons considering the purchase of Notes should consult their own tax advisors about the U.S. federal income tax consequences of an

investment in the Notes and the application of U.S. federal income tax laws, as well as the laws of any state, local or foreign taxing jurisdictions, to their particular situations.

United States Taxation of U.S. Holders

Interest Income and Original Issue Discount and Premium

Except as described below, U.S. Holders of Notes generally will include payments of stated interest received in respect of the Notes as ordinary interest income in the taxable year when received or accrued in accordance with their method of accounting for U.S. federal income tax purposes.

In general, if the issue price of the Notes, determined by the aggregate first price at which a substantial amount of the Notes are sold to the Holders, is less than the "stated redemption price at maturity" of the Notes by more than the statutory *de minimis* amount, a U.S. Holder will be considered to have purchased its Notes with original issue discount ("**OID**")**.** If a U.S. Holder acquires Notes with OID, then regardless of such Holder's method of accounting, the Holder will be required to accrue OID on the Notes on a constant yield basis and include such accruals in gross income.

In general, if the issue price of a Note exceeds the "stated redemption price at maturity" of the Note, a U.S. Holder will be considered to have purchased its Notes at a premium. In this event, a U.S. Holder may elect to amortize such premium, based on a constant yield basis, as an offset to interest income, whether or not such U.S. Holder has received any cash payment from the Issuer with respect to the Notes. **If a U.S. Holder makes such an election, the election will apply to all taxable debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies, and all taxable debt instruments acquired thereafter, and is irrevocable without the consent of the IRS. Any amount of amortized bond premium will decrease the U.S. Holder's tax basis in a Note**. "**Stated redemption price at maturity**" means the sum of all payments to be received on a Note other than payments of "**qualified stated interest**" (defined generally as stated interest that is unconditionally payable at least annually at a single fixed rate or in the case of a variable rate debt instrument, at a "qualified floating rate", an "objective rate", a combination of a single fixed rate and one or more "qualified floating rates" or one "qualified inverse floating rate", or a combination of "qualified floating rates" that generally does not operate in a manner that accelerates or defers interest payments on such Note).

Short-Term Notes.

Notes that have a fixed maturity of one year or less ("**short-term notes**") will be treated as having been issued with OID. In general, an individual or other cash method U.S. Holder is not required to accrue such OID unless the U.S. Holder elects to do so. If such an election is not made, any gain recognized by the U.S. Holder on the sale, exchange or maturity of the short-term note will be ordinary income to the extent of the OID accrued on a straight-line basis, or upon election under the constant yield method (based on daily compounding), through the date of sale, exchange, redemption, disposition or maturity, and a portion of the deductions otherwise allowable to the U.S. Holder for interest on borrowings allocable to the short-term note will be deferred until a corresponding amount of income on the short-term note is realized. U.S. Holders who report income for U.S. federal income tax purposes under the accrual method, and certain other holders including banks and dealers in securities, are required to accrue OID on a short-term note on a straight-line basis unless an election is made to accrue the OID under a constant yield method (based on daily compounding).

Sale, Exchange or Retirement of Notes

In general, a U.S. Holder of a Note will have an adjusted tax basis in such Note equal to the cost of the Note to such holder, increased by any amount includible in income by such holder as OID and reduced (but not below zero) by amortized premium and any payments other than payments of qualified stated interest on the Note. Upon a sale, exchange, retirement, or other disposition of a Note, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange, retirement or other disposition (less any accrued but unpaid interest, which would be taxable as interest) and the U.S. Holder's adjusted tax basis in such Note. Such gain or loss will be long-term capital gain or loss if the U.S. Holder held the Note for more than one

year at the time of any such disposition, subject to the rules described below for a Foreign Currency Note (as defined below). A non-corporate U.S. Holder is currently entitled to preferential treatment for the excess of net long-term capital gains over net short-term capital losses. The ability of a U.S. Holder to offset capital losses against ordinary income is limited.

Foreign Currency Notes

The following overview describes special rules that apply, in addition to the rules described above, to Notes that are denominated in, or provide for payments determined by reference to, a currency or currency unit other than the United States dollar ("**Foreign Currency Notes**"). The amount of stated interest paid with respect to a Foreign Currency Note that is includible in income by a cash method of accounting U.S. Holder is the U.S. dollar value of the amount paid, as determined on the date of receipt by the U.S. Holder using the spot rate of exchange on such date. In the case of stated interest paid to a U.S. Holder that uses the accrual method of accounting, and in the case of OID for all U.S. Holders, such U.S. Holder is required to include in income the U.S. dollar value of the amount of interest income or OID that accrued during the accrual period. The U.S. dollar value of such accrued interest income is determined by translating such income at the average rate of exchange for the accrual period or, at the U.S. Holder's election, at the spot rate of exchange on the last day of the accrual period.

Sale, Exchange or Retirement of a Foreign Currency Note.

The amount realized with respect to a sale, exchange, retirement or other disposition of a Foreign Currency Note generally will be (i) in the case of a cash basis taxpayer, the U.S. dollar value of the payment received determined on the date of the disposition of such Note (using the spot rate on such date) or (ii) in the case of an accrual basis taxpayer, the U.S. dollar value of the payment received determined on the date of disposition of such Note (or, if such taxpayer elects, the settlement date of the sale of such Note) (using the spot rate on such date). Gain or loss that is recognized will be ordinary income or loss to the extent it is attributable to fluctuations in exchange rates between the date of purchase (or basis adjustment) and the date of disposition.

United States Taxation of Non-U.S. Holders

Provided the Notes are sold and delivered and payments are made in accordance with the terms of the Notes, and subject to the discussion of backup withholding and FATCA withholding below, payments of principal and interest (including OID) with respect to the Notes by or on behalf of the Issuer or any of its paying agents to a Non-U.S. Holder, assuming such income is not effectively connected with the conduct of a trade or business in the United States, will not be subject to United States federal withholding tax pursuant to the "Portfolio Interest Exemption" if: (i) the Non-U.S. Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of New York Life entitled to vote within the meaning of Section 871(h)(3) of the Code and regulations thereunder; (ii) the Non-U.S. Holder is not a "controlled foreign corporation" that is related within the meaning of Section 864(d)(4) of the Code to New York Life; (iii) the Non-U.S. Holder is not a bank for United States federal income tax purposes whose receipt of interest on the Note is described in Section 881(c)(3)(A) of the Code; (iv) interest on the Notes is not contingent interest within the meaning of Section 871(h)(4)(A) of the Code; (v) the Note is in registered form for U.S. federal income tax purposes; and (vi) (a) the Non-U.S. Holder certifies to New York Life and the Issuer or a paying agent making payments on behalf of the Issuer, that it is not a U.S. Holder, (b) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business (a "**Financial Institution**") that holds the Note certifies to New York Life and the Issuer or a paying agent making payments on behalf of the Issuer under penalties of perjury that the certification referred to in clause (a) has been received from the beneficial owner by it or by another intermediary Financial Institution and the Financial Institution furnishes the payor with a copy thereof, or (c) the Non-U.S. Holder provides the certification in clause (a) to a "qualified intermediary" or a "withholding foreign partnership," and ensures that certain other conditions are met (satisfaction of the foregoing referred to as eligibility for the "**Portfolio Interest Exemption**"). For these purposes, the certificate stating that the beneficial owner is not a U.S. Holder is valid only if it is signed under penalties of perjury, and contains the beneficial owner's name and permanent residence address. The beneficial owner's certification may be provided on an applicable IRS Form W-8 (or such successor form as the IRS may prescribe). In the case of Notes held by a non-withholding foreign partnership, the foreign partnership generally is required to provide Form W-8IMY (or such successor form as the IRS may

prescribe) and to attach thereto an appropriate certification by each partner, with a look-through rule applying in the case of tiered partnerships.

If a Non-U.S. Holder does not satisfy the requirements in the preceding paragraph, payments of interest made to such Non-U.S. Holder generally will be subject to the 30% U.S. federal withholding tax, unless such Non-U.S. Holder provides a properly executed (i) IRS Form W-8BEN-E or W-8BEN (or other applicable form) claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty or (ii) IRS Form W-8ECI (or other applicable form) stating that interest paid on the Note is not subject to withholding tax because it is effectively connected with such Non-U.S. Holder's conduct of a trade or business in the United States. A Note with a maturity date of 183 days or less is also generally not subject to a 30% U.S. federal withholding tax.

Subject to the discussion of backup withholding and FATCA withholding below, any gain realized by a Non-U.S. Holder on the sale, exchange, redemption or other taxable disposition of a Note generally will not be subject to U.S. federal income tax or withholding tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States (or, if provided in an applicable tax treaty, is attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder), in which case such gain will be taxed on a net income basis in the same manner as interest that is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States and, in the case of a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes, may also be subject to a 30% branch profits tax (or such lower rate as may be provided by an applicable tax treaty), or (ii) in the case of a Non-U.S. Holder that is an individual, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange, redemption or other taxable disposition and certain other conditions are met.

Backup Withholding and Information Reporting

The description below is general in nature and beneficial owners of the Notes should consult their tax advisors regarding the application of backup withholding and information reporting to their particular situations, the availability of an exemption therefrom, and the procedure for obtaining such an exemption, if available.

Backup withholding tax is not an additional tax. Rather, any amounts withheld from a payment to a beneficial owner under the backup withholding rules are allowed as a refund or a credit against such beneficial owner's United States federal income tax, provided that the required information is furnished to the IRS on a timely basis.

U.S. Holders

Under U.S. federal income tax law, information reporting requirements apply to interest (including OID) and principal payments made to, and to the proceeds of sales before maturity by, certain non-corporate U.S. Holders. In addition, a backup withholding tax will apply to such payments if (i) the non-corporate U.S. Holder fails to furnish such non-corporate U.S. Holder's taxpayer identification number ("**TIN**") (which, for an individual, would be his or her Social Security Number) to the payor in the manner required, (ii) the non-corporate U.S. Holder furnishes an incorrect TIN and the payor is so notified by the IRS, (iii) the payor is notified by the IRS that it has failed properly to report payments of interest and dividends or (iv) in certain circumstances, the non-corporate U.S. Holder fails to certify, under penalties of perjury, that it has not been notified by the IRS that it is subject to backup withholding for failure properly to report interest and dividend payments. Backup withholding will not apply with respect to payments made to certain exempt recipients, such as corporations (within the meaning of Section 7701(a) of the Code) and tax-exempt organizations. Exempt recipients that are not subject to backup withholding and do not provide an IRS Form W-9 may nonetheless be treated as a foreign payee subject to withholding under FATCA, and withheld upon at the 30% rate discussed below under "—'FATCA' Legislation Affecting Taxation of Notes Held By or Through Foreign Entities."

Non-U.S. Holders

In the case of a Non-U.S. Holder, backup withholding and information reporting will not apply to payments of principal, premium and interest (including OID) on a Note if such Non-U.S. Holder provides the required

certification to establish an exemption from the withholding of United States federal income tax (*e.g.* a Form W-8BEN-E or W-8BEN) or otherwise establishes an exemption, provided that (i) New York Life, the Issuer or its paying agent, as the case may be, does not have actual knowledge that the payee is a U.S. Person and (ii) certain other conditions are satisfied. Similarly, unless the payor has actual knowledge that the payee is a U.S. Person, backup withholding will not apply to (i) payments of interest (including OID, if any) made outside the United States to certain offshore accounts and (ii) payments on the sale, exchange, retirement or other disposition of such Notes effected outside the United States. However, information reporting (but not backup withholding) will apply to (i) payments of interest made by a payor outside the United States and (ii) payments on the sale, exchange, retirement or other disposition of a Note effected outside the United States if payment is made by a payor that is, for U.S. federal income tax purposes, (a) a U.S. person, (b) a controlled foreign corporation, (c) a U.S. branch of a foreign bank or foreign insurance company, (d) a foreign partnership controlled by U.S. persons or engaged in a United States trade or business or (e) a foreign person 50% or more of whose gross income is effectively connected with the conduct of a U.S. trade or business for a specified three-year period, unless such payor or broker has in its records documentary evidence that the beneficial owner is not a U.S. Person and certain other conditions are met or the beneficial owner otherwise establishes an exemption.

"FATCA" Legislation Affecting Taxation of Notes Held By or Through Foreign Entities

The provisions of the Foreign Account Tax Compliance Act, or "FATCA," generally impose a withholding tax of 30 percent on interest income (including OID) from debt obligations of U.S. issuers and, beginning on January 1, 2019, the gross proceeds of a disposition of such obligations paid to a foreign financial institution, unless such institution either (i) enters into an agreement with the U.S. government to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which would include certain equity and debt holders of the institution, as well as certain account holders that are foreign entities with U.S. owners) or (ii) in the event that an applicable intergovernmental agreement and implementing legislation are adopted, complies with modified requirements including in some cases providing local revenue authorities with similar account holder information. FATCA also generally imposes a withholding tax of 30 percent on interest income (including OID) from such obligations and the gross proceeds of a disposition of such obligations paid to a non-financial foreign entity unless such entity provides the withholding agent with a certification that it does not have any substantial U.S. owners or a certification identifying the direct and indirect substantial U.S. owners of the entity. Under certain circumstances, a beneficial owner of such obligations might be eligible for refunds or credits of such taxes. The Issuer will not be required to pay Additional Amounts with respect to any taxes withheld under FATCA. The legislation also imposes new U.S. return disclosure obligations (and related penalties for failure to disclose) on U.S. individuals that hold certain specified foreign financial assets (which include financial accounts in foreign financial institutions). Investors are encouraged to consult with their own tax advisors regarding the possible implications of FATCA on their investment in the Notes.

Registered Form Requirement

Interest paid to a Non-U.S. Holder on a Bearer Note that is not treated as being in "registered form" for U.S. federal income tax purposes with a maturity of more than 183 days will be subject to a 30% withholding tax unless the beneficial owner of the amount establishes eligibility for an exemption from withholding other than the Portfolio Interest Exemption, including eligibility for a reduced rate of withholding under an income tax treaty. However, the Issuer will not issue any Bearer Notes that are treated as not in "registered form" for U.S. federal income tax purposes.

THE UNITED STATES FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN UNITED STATES OR OTHER TAX LAWS.

PLAN OF DISTRIBUTION

General

The Notes will be offered from time to time by the Issuer to or through the Purchasing Agents acting as principals or agents. Pursuant to the Purchase Agreement: (i) the Purchasing Agents, individually or in a syndicate, may purchase the Notes, as principals from the Issuer for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by any such Purchasing Agent or, if so specified in the applicable Final Terms, for resale at a fixed offering price or (ii) in the alternative, the Issuer may agree with a Purchasing Agent that such Purchasing Agent will utilize its reasonable efforts on an agency basis on the Issuer's behalf to solicit offers to purchase Notes at 100% of the principal amount thereof, unless otherwise specified in the applicable Final Terms.

Subject to the provisions of the applicable Final Terms, any Note sold to a Purchasing Agent as principal will be purchased by that Purchasing Agent at a price equal to 100% of the principal amount thereof less a percentage of the principal amount equal to the commission described below in connection with agency sales. A Purchasing Agent may sell Notes it has purchased from the Issuer as principal to certain dealers less a concession equal to all or any portion of the discount received in connection with that purchase. A Purchasing Agent may allow, and dealers may reallow, a discount to certain other dealers. After the initial offering of Notes, the offering price, the concession and the reallowance may be changed.

Subject to the provisions of the applicable Final Terms, the Issuer will pay a commission to a Purchasing Agent, ranging from 0% to 0.875% of the principal amount of each Note, depending upon its stated maturity, sold through that Purchasing Agent as its agent.

The Issuer reserves the right to withdraw, cancel or modify the offer made hereby without notice and may reject offers in whole or in part. Each Purchasing Agent will have the right, in its discretion reasonably exercised, to reject in whole or in part any offer to purchase Notes received by it on an agency basis.

The Purchasing Agents also may impose a penalty bid. This occurs when a particular Purchasing Agent repays to the Purchasing Agents a portion of the underwriting discount received by it because one of the Purchasing Agents or its affiliates have repurchased notes sold by or for the account of such Purchasing Agent in stabilizing or short covering transactions.

In connection with any Series of Notes, the Purchasing Agent or Purchasing Agents (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)), in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Series of Notes is made and, if begun, may cease at any time, but it shall, in any event, end no later than the earlier of 30 days after the issue date of the relevant Series of Notes and 60 days after the date of the allotment of the relevant Series of Notes. Any such stabilizing shall be conducted in compliance with all relevant laws, guidelines and regulations.

Neither the Issuer nor any of the Purchasing Agents makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither the Issuer nor any of the Purchasing Agents makes any representation that the Purchasing Agents will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

None of the Purchasing Agents is under any obligation to make a market in the Notes and, to the extent that such market making is commenced by any of the Purchasing Agents, it may be discontinued at any time. Given the restrictions on and risks related to transfer, there is no assurance that a secondary market will develop or, if it does develop, that it will provide holders of Notes with liquidity or that it will be sustained. Prospective investors should proceed on the assumption that they may have to bear the economic risk of an investment in the Notes until the maturity of such Notes.

Each of the Purchasing Agents severally and not jointly has represented, warranted and agreed with respect to offers and sales outside the United States that it will (to the best of its knowledge after due inquiry) comply with all applicable laws and regulations in each country or jurisdiction outside of the United States in or from which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Memorandum for such Notes or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and the Issuer and New York Life shall have no responsibility therefor.

The Issuer has agreed to indemnify the several Purchasing Agents against certain liabilities, including liabilities under the Securities Act.

The Purchasing Agents and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Purchasing Agents and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Purchasing Agents and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The Purchasing Agents and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

United States

The Notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "Purchase and Transfer Restrictions."

Each of the Purchasing Agents has represented, warranted and agreed, and each further Purchasing Agent appointed under the Program will be required to represent, warrant and agree, that it will make offers and sales of the Notes only to persons whom it reasonably believes to be (i) qualified institutional buyers as defined in Rule 144A under the Securities Act or (ii) to persons other than "U.S. persons" in "offshore transactions" (each as defined in Regulation S). Each purchaser of Notes, in making its purchase, will be deemed to have made certain acknowledgments, representations and agreements as set forth herein under "Purchase and Transfer Restrictions."

The Issuer is not subject to the reporting requirements of the Exchange Act. The Issuer has agreed that, at any time while the Notes are outstanding, it will furnish the holders of Notes and prospective purchasers designated by such holders, upon request, the information required to be delivered by Rule 144A(d)(4) under the Securities Act.

Except as otherwise defined in the preceding paragraphs, terms used therein have the meanings given to them by Rule 144A and Regulation S under the Securities Act.

Each Purchasing Agent, agent or dealer participating in the offerings of Bearer Notes will represent, warrant and agree, and each further Purchasing Agent appointed under the Program will be required to represent, warrant and agree, that it will treat Global Bearer Notes issued by the Issuer with a maturity in excess of 183 days as in "registered form" for U.S. federal income tax purposes.

"**Restricted Period**" as used in the preceding paragraph shall be the period beginning on the earlier of the first date the Notes of a Series are offered to persons other than the Purchasing Agents or the issue date and ending on the date 40 days after the issue date; *provided, however,* that all offers and sales of the Notes by the Issuer or any of the Purchasing Agents of Notes held by the Issuer or such Purchasing Agent as part of an unsold allotment shall be deemed to be made during the Restricted Period.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Purchasing Agents are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Japan

Each Purchasing Agent understands that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act no. 25 of 1948, as amended), and such Purchasing Agent has represented, warranted and agreed, and each further Purchasing Agent appointed under the Program will be required to represent, warrant and agree, that it will not, directly or indirectly, offer or sell any Notes in Japan or to or for the benefit of any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time.

Public Offer Selling Restrictions Under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Purchasing Agent has represented and agreed, and each further Purchasing Agent appointed under the Program will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Memorandum as contemplated by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive; or

(ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Purchasing Agent or Purchasing Agents nominated by the Issuer for any such offer; or

(iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes referred to in (i), (ii) or (iii) above shall require the Issuer or any Purchasing Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this Offering Memorandum, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression "**the Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

This Offering Memorandum has been prepared on the basis that, except to the extent (ii) below may apply, any offer of Notes in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of a placement contemplated in this Offering Memorandum as completed by the applicable Final Terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by Final Terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made on or prior to the date specified for such purpose in such prospectus or Final Terms, as applicable, and the Issuer has consented in writing to its use for the purpose of such offer. Except to the extent (ii) above may apply, neither the Issuer nor any Purchasing Agent has authorized, nor does the Issuer or any Purchasing Agent authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Purchasing Agent to publish or supplement a prospectus for such offer.

Selling Restrictions Addressing United Kingdom Securities Laws

Each Purchasing Agent has represented, warranted and agreed, and each further Purchasing Agent appointed under the Program will be required to represent, warrant and agree, that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons (1) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or (2) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Purchasing Agent has represented, warranted and agreed, and each further Purchasing Agent appointed under the Program will be required to represent, warrant and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO")) other than: (a) to "professional investors" as defined in the SFO and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Singapore

Each Purchasing Agent has acknowledged, and each further Purchasing Agent appointed under the Program will be required to acknowledge, that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each Purchasing Agent has represented, warranted and agreed, and each further Purchasing Agent appointed under the Program will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is (i) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, or (ii) a trust (where the trustee is not an accredited investor (as defined in Section 4(A) of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 except:

(a) to an institutional investor (under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such securities of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law; or

(d) as specified in Section 276(7) of the SFA.

PURCHASE AND TRANSFER RESTRICTIONS

Other than with respect to the listing of certain Notes on the relevant securities exchange as may be specified in the applicable Final Terms, no action has been or will be taken by the Issuer that would permit a public offering of the Notes, or possession or distribution of this Offering Memorandum or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each Purchasing Agent has severally and not jointly covenanted that it will not solicit offers to purchase, or offer or sell, Notes by any form of general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act. Persons into whose hands this Offering Memorandum, any applicable Final Terms or any other offering material comes must comply with all applicable laws and regulations, including anti-money laundering rules, applicable to the issuance and sale of securities in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute this Offering Memorandum, any applicable Final Terms or any other offering material, in all cases at their own expense.

Selling and transfer restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the applicable Final Terms (in the case of a supplement or modification relevant only to a particular Series of Notes) or (in any other case) in a supplement to this Offering Memorandum.

The Notes have not been and will not be registered under the Securities Act or any state or foreign securities laws and, unless so registered, may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the Securities Act and applicable state or foreign securities laws.

Each initial purchaser, subsequent purchaser and transferee (each, a "purchaser") of a beneficial interest in the Notes will be deemed to have represented, warranted and agreed that:

- It understands that the Notes have not been and will not be registered under the Securities Act or any other securities law and may not be offered, sold or otherwise transferred within the United States or to, or for the account or benefit of, a United States person except in accordance with applicable laws and the following provisions.

- It understands that the Issuer has not been and will not be registered as an investment company under the Investment Company Act.

- Either (i) it is not, and is not acquiring the Notes or any beneficial interest therein on behalf of or with "plan assets" of a Plan, a Plan Asset Entity, a Non-ERISA Plan or an entity the assets of which are treated as including the assets of a Non-ERISA Plan or (ii)(A) in the case of a Plan or Plan Asset Entity, its purchase, holding and disposition of the Notes or any beneficial interest therein is exempt from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code under DOL PTCE 96-23, PTCE 95-60, PTCE 91-38, PTCE 90-1, PTCE 84-14, the Service Provider Exemption or another applicable exemption, or (B) in the case of a Non-ERISA Plan or entity the assets of which are treated as including the assets of a Non-ERISA Plan, its purchase, holding and disposition of the Notes or any beneficial interest therein will not violate any Similar Laws. This representation shall be deemed made on each day from the date on which the purchaser acquires the Notes through and including the date on which the purchaser disposes of the Notes.

- It understands that the Notes may not be transferred to, or acquired or held by, an insurer domiciled in the State of Arkansas, a health maintenance organization, farmers' mutual aid association or other Arkansas domestic company regulated by the Arkansas Insurance Department.

- It is its intent and it understands it is the intent of the Issuer, for purposes of United States Federal, state and local income and franchise taxes, that the Notes be treated as indebtedness of New York Life, and it agrees to such treatment and agrees to take no action inconsistent with such treatment.

- It understands that any offer, sale, pledge or other transfer of Notes is subject to the restrictions set forth in the Indenture, the applicable Series Indenture and the Notes.

- It will inform each person to whom the Notes or any beneficial interests therein are offered, resold, pledged or otherwise transferred of the restrictions on the transfer of the Notes.

- It acknowledges that the Issuer, the Purchasing Agents and their affiliates will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

- It understands that, unless the Issuer determines otherwise in accordance with applicable law, certificates representing the Notes will bear a legend reflecting these representations and agreements.

Each purchaser of a beneficial interest in a Temporary Global Registered Note will be deemed to have represented, warranted and agreed that:

- It understands that such Notes may be offered, sold, pledged or otherwise transferred only (i)(a) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (b) in compliance with Rule 144A to an institutional investor that the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A acquiring such Notes for its own account or for the account of a qualified institutional buyer, whom the transferor has informed, in each case, that the offer, sale, pledge or transfer is being made in reliance on Rule 144A, (ii) in accordance with all applicable laws and (iii) in accordance with the restrictions set forth in the Indenture, the applicable Series Indenture and the Notes.

Each purchaser of a beneficial interest in a Temporary Global Bearer Note will be deemed to have represented, warranted and agreed that:

- It understands that such Notes may be offered, sold, pledged or otherwise transferred only (i) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (ii) in accordance with all applicable laws and (iii) in accordance with the restrictions set forth in the Indenture, the applicable Series Indenture and the Notes.

After the expiration of the applicable Distribution Compliance Period, any offer, sale, pledge and other transfer, within the United States or to, or for the benefit of a U.S. person, of any Notes initially sold pursuant to Regulation S, that is otherwise permitted by, and is in accordance with, all applicable laws and the restrictions set forth in the Indenture, the applicable Series Indenture and the Notes, may be made only to (i) an institutional investor that the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A acquiring such Notes for its own account or for the account of a qualified institutional buyer, whom the transferor has informed, in each case, that such offer, sale, pledge, or transfer is being made in reliance on Rule 144A or (ii) an institutional investor that is an "accredited investor" within the meaning of Rule 501(a) under the Securities Act acquiring such Notes in a transaction exempted from the registration requirements of the Securities Act.

Each purchaser of a beneficial interest in Notes sold pursuant to Rule 144A will be deemed to have represented, warranted and agreed that:

- If it should offer, sell, pledge or otherwise transfer the Notes it will only do so (i) in compliance with the Securities Act and other applicable laws, (ii) in accordance with the restrictions set forth in the Indenture, the applicable Series Indenture and the Notes and (iii) only (a) in compliance with Rule 144A to an institutional investor that the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A acquiring such Notes for its own account or for the account of a qualified institutional buyer, whom the transferor has informed, in each case, that the offer, sale,

pledge or transfer is being made in reliance on Rule 144A, (b) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act or (c) pursuant to any other exemption from the registration requirements of the Securities Act, subject to the receipt by the Issuer or the Indenture Trustee of an opinion of counsel or such other evidence which they may reasonably require (obtained at the expense of the holder of such Note) that such offer, sale or transfer is in compliance with the Securities Act and other applicable laws and is in accordance with the restrictions set forth in the Indenture, the applicable Series Indenture and the Notes.

- It is a qualified institutional buyer within the meaning of Rule 144A, it is acquiring such Notes for its own account or for the account of a qualified institutional buyer and it is aware, and each Beneficial Note Owner has been advised that the offer, sale, pledge or other transfer of such Notes to it is being made in reliance on Rule 144A.

- If it is acquiring any Notes for the account of one or more qualified institutional buyers, it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations, and agreements on behalf of each such account.

In addition each purchaser of a beneficial interest in the Notes will be deemed to have represented, warranted and agreed that:

- It understands that, in any rehabilitation, liquidation, conservation, dissolution or reorganization relating to New York Life under New York law as in effect on the date of the Offering Memorandum, the claims under each Funding Agreement with respect to (i) payments of principal and interest would be accorded a priority equal to that of policyholders of New York Life (i.e. would rank pari passu with the claims of policyholders of New York Life) and superior to the claims of general creditors of New York Life and (ii) payments of Additional Amounts (as defined herein) would rank pari passu with the claims of general creditors of New York Life.

- It understands that in the event of New York Life's insolvency, rehabilitation or liquidation, claims under the Funding Agreements will not be covered by The Life Insurance Company Guaranty Corporation of New York.

- It understands that the obligations of New York Life under the Funding Agreements are not obligations of, and are not guaranteed by, any other person.

- It understands that no person is permitted to distribute, market, sell, represent or otherwise refer to the Notes as an insurance product, contract or policy or funding agreement or as a direct interest in any insurance product, contract or policy or funding agreement.

- It understands that because the primary assets of the Issuer will be one or more funding agreements issued by a life insurance company, there is a risk that the transfer of the Notes could subject the parties to such transfer to regulation under the insurance laws of jurisdictions implicated by the transfer. Among other things, it is likely that if the Notes were to be deemed to be contracts of insurance, the ability of a holder to sell the Notes in secondary market transactions or otherwise would be substantially impaired and, to the extent any such sales could be effected, the proceeds realized from any such sales would be materially and adversely affected.

The Bearer Notes (including Bearer Notes in global form) are subject to United States Federal tax law requirements. The Issuer will not issue any Bearer Notes with a maturity in excess of 183 days that are treated as not in "registered form" for U.S. federal income tax purposes.

LEGAL MATTERS

Certain matters regarding the Notes and their offering will be passed upon on the date hereof:

- for New York Life by Willkie Farr & Gallagher LLP (as to New York law and United States Federal securities law);
- for the Issuer and New York Life by Willkie Farr & Gallagher LLP (as to United States Federal tax law);
- for the Issuer and the Purchasing Agents by Sidley Austin LLP (as to New York law, United States Federal law and certain insurance regulatory matters); and
- for the Issuer and the Administrative Trustee by Richards, Layton & Finger, P.A. (as to Delaware law).

Certain matters (as to New York law) will be passed upon on the date hereof for New York Life by the General Counsel of New York Life or another officer in the Office of the General Counsel of New York Life.

Willkie Farr & Gallagher LLP has from time to time represented, and continues to represent, one or more of the Purchasing Agents.

GENERAL INFORMATION

Irish Listing

Application will be made to the Irish Stock Exchange for the Notes issued during the period of 12 months from the date of this Offering Memorandum to be admitted to the Official List and trading on the regulated market. However, Notes may also be (i) listed or admitted to trading on any other regulated market (as defined under the Prospectus Directive), (ii) listed or admitted to trading on a securities exchange which is not a regulated market, or (iii) not listed or admitted to trading on any regulated market or any other securities exchange.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

If any European and/or national legislation is adopted and is implemented or takes effect in Ireland in a form that would require either New York Life or the Issuer to publish or produce its financial statements according to accounting principles that are materially different from NAIC SAP or that would otherwise impose requirements on either of New York Life or the Issuer that such entity in good faith determines are impracticable or unduly burdensome, New York Life or the Issuer may elect to de-list the Notes. Each of New York Life and the Issuer will use its reasonable efforts to obtain an alternative admission to listing, trading and/or quotation for the Notes by another listing authority, exchange and/or system outside the EU, as the Issuer and New York Life may decide with the prior approval of the relevant Purchasing Agent(s). If such an alternative admission is not available to New York Life or the Issuer, or is, in either such entity's opinion, unduly burdensome, an alternative admission may not be obtained. Notice of any de-listing and/or alternative admission will be given as described in "General Information – Notices" herein.

Authorizations

The Issuer's initial and ongoing participation in the Program, including updating Program documents, establishing additional Series and issuing additional Notes with respect to each such additional Series, is authorized under the Trust Agreement. New York Life's acts in connection with the establishment of the Program and its ongoing acts thereunder were authorized pursuant to resolutions adopted by the Investment Committee of the Board of Directors on July 15, 2003 (ratified by the Board of Directors on July 16, 2003) and pursuant to resolutions adopted by the Investment Committee of the Board of Directors on May 18, 2004 and May 20, 2008 (ratified by the Board of Directors on May 19, 2004 and May 21, 2008, respectively).

Clearance

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. In addition, the Issuer will make an application with respect to the Notes to be accepted for trading in book-entry form by DTC. With respect to each Series of Notes, any applicable CUSIP number, together with any applicable ISIN and/or common code will be specified in the applicable Final Terms. The applicable Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Litigation

The Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the previous 12 months which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

Material pending litigation and regulatory matters affecting New York Life and certain risks related to its business presented by such matters are discussed in Note 15 of the 2016 Statutory Financial Statements. New York Life has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which New York Life is aware) during the previous 12 months which may have, or have had in the recent past, significant effects on New York Life's financial position or profitability.

Notices

All notices regarding Registered Notes of a Series will be mailed to the registered holders thereof as their names appear in the applicable Note Register maintained by the Registrar.

All notices shall be deemed to have been given upon (i) in the case of Registered Holders, the mailing by first class mail, postage prepaid, of such notices to each Registered Holder entitled thereto at such Registered Holder's registered address as recorded in the applicable Note Register and publication in a leading daily newspaper having general circulation in Ireland (which is expected to be the *Irish Times*), (ii) in the case of holders of Bearer Notes, publication in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*), and (iii)(a) so long as the Notes of a Series are admitted to the Official List and trading on the regulated market of the Irish Stock Exchange , publication of such notice to each holder of the Notes of such Series in the English language on the website of the Irish Stock Exchange at www.ise.ie via the Companies Announcement Service or (b) so long as the Notes of a Series are listed on a securities exchange other than the Irish Stock Exchange or if the publication required in (iii)(a) is not practicable, in one other leading English language daily newspaper with general circulation in Europe and in the Principal Financial Center with the greatest nexus to such other securities exchange, if such Series is so listed.

Foreign Language

The language of this Offering Memorandum is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Independent Accountants

The Statutory Financial Statements have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein. PricewaterhouseCoopers LLP is a member of the American Institute of Certified Public Accountants and the Public Company Accounting Oversight Board.

No Material Adverse Change

There has been no material adverse change in the prospects of New York Life since December 31, 2016 (the date of the last published annual audited statutory financial statements of New York Life) nor has there been any material change in its financial or trading position since December 31, 2016.

Transferability

Subject to the selling and transfer restrictions described under "Purchase and Transfer Restrictions" and "Plan of Distribution" and subject to the terms and conditions of the Notes, as described in "Description of the Notes", the Notes will be freely transferable.

Documents Available

For so long as the Program remains in effect or any Notes shall be outstanding, upon request the Issuer will provide without charge copies of the following documents:

(i) this Offering Memorandum;

(ii) the Indenture, each Series Indenture, the Trust Agreement, each Series Trust Agreement and the Certificate of Trust (all as defined herein);

(iii) the Charter and By-Laws of New York Life;

(iv) the Statutory Financial Statements and all audited statutory financial statements of New York Life (including any notes thereto) filed with the NYSDFS after the date hereof;

(v) the 2016 Annual Statement and all annual unaudited statutory financial statements of New York Life (including any notes, schedules and supplements thereto) filed with the NYSDFS after the date hereof;

(vi) all quarterly unaudited statutory financial statements of New York Life (including any notes and schedules thereto) filed with the NYSDFS after the date hereof;

(vii) any amendments and supplements to this Offering Memorandum that remain in effect at the time of the offering of the Series of Notes and which have not been modified or superseded by any other amendment, supplement or document incorporated by reference in this Offering Memorandum;

(viii) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request any part of which is included or referred to in the registration document;

(ix) all financial statements of the Issuer generally and with respect to the applicable Series of the Issuer prepared after the date hereof, if any;

(x) a copy of each Funding Agreement relating to any Series of Notes listed on any securities exchange (*provided*, that, with respect to the offering of any Series of Notes not listed on any securities exchange, a copy of each Funding Agreement relating to such Series of Notes will be

available for inspection and can be obtained free of charge by a holder of any Notes of such Series); and

(xi) all amendments and supplements to this Offering Memorandum and each Final Terms relating to any Series of Notes listed on any securities exchange prepared by the Issuer from time to time (*provided*, that, with respect to the offering of any Series of Notes not listed on any securities exchange, a copy of each Final Terms relating to such Series of Notes will be available for inspection and can be obtained free of charge by a holder of any Notes of such Series).

Copies of such documents may also be inspected in physical format during normal business hours at the office of the Issuer located at c/o Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, DE 19890. In addition, copies of such documents will be available in physical format free of charge from the principal office of the Paying Agent for Notes listed on the Irish Stock Exchange and from the relevant Paying Agent(s) with respect to Notes not listed on any securities exchange.

This Offering Memorandum and any amendment or supplement to this Offering Memorandum or new offering memorandum, as the case may be, will be published on the website of the Central Bank at www.centralbank.ie.

Other than the 2016 Annual Statement available on the website of the Irish Stock Exchange, the information on any web site mentioned in this Offering Memorandum or any web site directly or indirectly linked to any web site mentioned in this Offering Memorandum is not a part of, or incorporated by reference into, this Offering Memorandum and investors in the Notes should not rely on it.

Other than as set forth above under “Documents Available” or as provided in any supplement hereto, and any Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

FORM OF FINAL TERMS

Final Terms No. ● dated ●

New York Life Global Funding

$13,000,000,000

GLOBAL DEBT ISSUANCE PROGRAM
Notes due •

[Principal Amount of Notes]

These Final Terms should be read in conjunction with the Offering Memorandum dated March [__], 2017 [and the supplement[s] to it dated • [and •]] (the "Offering Memorandum") relating to the $13,000,000,000 Global Debt Issuance Program of New York Life Global Funding (the "Issuer").[The Central Bank of Ireland has approved the Offering Memorandum under Part 7 of the Prospectus Directive (Directive 2003/71/EC) Regulations 2005 (the "Irish Regulations") as having been drawn up in accordance with the Irish Regulations and Commission Regulation (EC No 809/2004).] [1]

PART A – CONTRACTUAL TERMS

Terms used herein and not otherwise defined herein shall have the meanings ascribed in the Offering Memorandum [which together with these Final Terms constitutes a base prospectus for the purposes of Directive 2003/71/EC (the "Prospectus Directive")][1]. This document constitutes the Final Terms of the Notes described herein[for the purposes of Article 5.4 of the Prospectus Directive][1] and must be read in conjunction with the Offering Memorandum. Full information regarding the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Memorandum. The Offering Memorandum is available for viewing in physical format during normal business hours at the registered office of the Issuer located at c/o Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, DE 19890. In addition, copies of the Offering Memorandum and these Final Terms will be available in physical format free of charge from the Paying Agent.[In addition, the Offering Memorandum will be published on the website of the Irish Stock Exchange at www.ise.ie for a period of 12 months.][1]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[For Notes denominated in sterling, if the Notes have a maturity of less than one year from the date of their issue, the minimum Authorized Denomination of the Notes must be £100,000 (or its equivalent in another currency).]

1.	Issuer:	New York Life Global Funding
2.	Series Number:	●

[1] *Delete where the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive.*

[(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]

3.	Specified Currency or Currencies:	●
4.	Principal Amount of Notes [admitted to trading]:	●
5.	Issue Price:	● per cent of the Principal Amount of the Notes [plus accrued interest from [*insert date(in the case of fungible issues only if applicable*)]
6.	Authorized Denominations:	● *(N.B. Notes listed on the Irish Stock Exchange or any other regulated market as defined under Directive 2004/39/EC shall have Authorized Denominations of at least €100,000 or the equivalent thereof in another currency. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive or not offered within the European Economic Area, Authorized Denominations of at least €100,000 of the equivalent thereof in another currency are not required.)*
7.	[(i)] Issue Date:	●
	[(ii)] Interest Commencement Date if different from the Issue Date:	[●/Not Applicable]
8.	Stated Maturity Date:	[*specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9.	Interest Basis:	[• % Fixed Rate] [CMT Rate / Commercial Paper Rate / Money Market Yield / Federal Funds Rate / EURIBOR / LIBOR / Prime Rate / Treasury Rate / Bond Equivalent +/– • % Floating Rate] [Zero Coupon] (further particulars specified below)
10.	Redemption/Payment Basis:	[Redemption at par] [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100]% of their nominal amount.]

11. Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
12. Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i) Rate[(s)] of Interest:	● per cent per annum [payable [annually/semi-annually/quarterly/monthly] in arrears]
(ii) Interest Payment Date(s):	● in each year, commencing on ● [adjusted in accordance with the Business Day Convention specified below / not adjusted] [*N.B. This will need to be amended in the case of long or short coupons]*
(iii) Fixed Coupon Amount[(s)]:	● per ● in Authorized Denomination
(iv) Broken Amount(s):	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]*]
(v) Day Count Fraction:	[Actual/365 / Actual/Actual (Historical) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Actual/Actual (Bond)]
(vi) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/FRN Convention]
(vii) Determination Dates:	● in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual/other)*
(viii) Regular Interest Record Dates:	[*specify each Regular Interest Record Date*]
14. Floating Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i) Designation:	Regular Floating Rate Notes

(ii)	Interest Payment Dates:	● in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Center(s) for the definition of "Business Day"]*/not adjusted]
(iii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/FRN Convention]
(iv)	Business Center(s):	[The financial center most closely connected to the Benchmark – *specify if not London*] See Reference Rate above
(v)	Initial Interest Rate:	● per cent per annum
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vii)	Calculation Agent:	● *[Either the Indenture Trustee or another Calculation Agent appointed by the Issuer.]* [In the event that the Calculation Agent resigns, or its appointment is terminated by the Issuer, the Issuer shall appoint a successor Calculation Agent promptly and in no event later than the next succeeding date upon which the Rate(s) of Interest is/are to be determined.]
(viii)	Screen Rate Determination:	●
	- Reference Rate:	[CMT Rate / Commercial Paper Rate / Money Market Yield / Federal Funds Rate / EURIBOR / LIBOR / Prime Rate / Treasury Rate / Bond Equivalent]
	- Index Maturity:	●
	- Interest Determination Date(s):	● *(Second London Banking Day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*

- Relevant Screen Page:	[*specify Relevant Screen Page*] *(In the case of EURIBOR, if not Reuters Page EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
(ix) Spread:	[+/-]● percent per annum
(x) Day Count Fraction:	[Actual/365 / Actual/Actual (Historical) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Actual/Actual (Bond)]
(xi) Interest Reset Dates:	[*specify each Interest Reset Date and note whether it is subject to adjustment*]
(xii) Regular Interest Record Dates:	[*specify each Regular Interest Record Date*]
15. Zero Coupon Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i) [Amortization/Accrual] Yield:	● per cent per annum
(ii) Reference Price:	●
(iii) Day Count Fraction:	●

PROVISIONS RELATING TO REDEMPTION

16. Optional Redemption by the Issuer	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i) Optional Redemption Date(s):	●
(ii) Optional Redemption Amount(s) of each Note:	● per Note of ● authorized denomination
(iii) Notice period[2]:	●
17. Repayment at Option of Noteholder	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i) Optional Redemption Date(s):	●
(ii) Optional Redemption Amount(s) of each Note:	● per Note of ● authorized denomination

[2] If setting notice periods which are different to those provided in the Offering Memorandum, the practicalities of distribution of information through intermediaries should be considered, for example, clearing systems and custodians, as well as any other notice requirements which may apply.

(iii) Notice period[3]:	●
(iv) Determination Date(s):	●

18. Early Redemption Amount

Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on an Event of Default or other early redemption:	● per Note of ● authorized denomination

GENERAL PROVISIONS APPLICABLE TO THE NOTES

19. Form of Notes:	[Bearer Notes] [Registered Notes: Rule 144A Global Registered Notes: The Notes will initially be represented by one or more DTC Global Notes deposited with Citibank, N.A., as custodian for, and registered in the name of a nominee of, DTC as depositary. Regulation S Global Registered Notes: Notes sold outside of the United States in accordance with Regulation S will initially be issued in the form of one or more Temporary Global Registered Notes. Upon the expiration of the applicable Distribution Compliance Period, beneficial interests in a Temporary Global Registered Note will be exchangeable for beneficial interests in one or more Permanent Global Registered Notes, as and to the extent provided in the Temporary Global Registered Note. The Temporary Global Registered Notes and the Permanent Global Registered Notes will be deposited [with Citibank N.A. as custodian for, and registered in the name of a nominee of, DTC as depositary]/[with a common depositary and registered in the name of Citivic Nominees Limited as nominee for Euroclear and Clearstream, Luxembourg].]
20. Principal Financial Center(s) or other special provisions relating to Interest Payment Dates:	[New York, New York and London, England] [specify any additional principal financial center]
21. Details relating to Amortizing Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
22. Definitive Notes at Request of Holder:	[Applicable/Not Applicable]

DISTRIBUTION

[3] See foot note 2 *supra.*

23.	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilizing Manager(s) (if any):	[Not Applicable/*give names*]
24.	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]

INFORMATION RELATING TO THE FUNDING AGREEMENT

25.	Funding Agreement Provider:	New York Life Insurance Company ("New York Life")
26.	Funding Agreement Number:	● (the "Relevant Funding Agreement")
27.	Deposit Amount:	●
28.	Effective Date:	●
29.	Maturity Date:	●

RATINGS

30.	Ratings:	The Notes are expected to be rated: [Fitch: ●] [S&P: ●] [Moody's: ●] The Program is rated: [Moody's: ●] [[Insert credit rating angecy/ies] [is/are] not established in the European Union and [has/have] not applied for registration under Regulation (EC) No. 1060/2009. The ratings [[have been]/[are expected to be]] endorsed by [insert the name of the relevant EU-registered credit rating agency/ies] in accordance with Regulation (EC) No. 1060/2009.] The ratings of the Notes should be evaluated independently from similar ratings of other types of securities. A security rating is not a recommendation to buy, sell or hold securities and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency.

OPERATIONAL INFORMATION

31.	CUSIP Number(s):	●
32.	ISIN Code(s):	●

33. Common Code(s): ●

34. Relevant Clearing System(s): [Depository Trust Company/Euroclear and Clearstream, Luxembourg]

35. Delivery: [Delivery [against/free of] payment]

36. Name and addresses of additional Paying Agent(s) (if any): ●

37. Tradeable Amount: [So long as the Bearer Notes are represented by a Temporary Global Bearer Note or Permanent Global Bearer Note and the relevant clearing system(s) so permit, such Notes shall be tradeable only in principal amounts of at least [the Authorized Denomination (or if more than one Authorized Denomination, the lowest Authorized Denomination)] provided hereon and integral multiples of the tradeable amount in excess thereof provided in the relevant Final Terms.]

PART B – OTHER INFORMATION

1. LISTING

(i) Listing:	[The Irish Stock Exchange / None]
(ii) Admission to trading:	[Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market of the [ ] with effect from [ ].] [Not Applicable.]
(iii) Estimate of total expenses related to admission to trading:	●

2. USE OF PROCEEDS

The proceeds from the current sale of the Notes, net of certain expenses, underwriting discounts and commissions or similar applicable compensation will be used by the Issuer to purchase the Relevant Funding Agreement from New York Life.

3. NOTIFICATION

The Central Bank has [been requested to provide/provided – *include first alternative for an issue which is contemporaneous with the establishment or update of the Program and the second alternative for subsequent issues*] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Offering Memorandum has been drawn up in accordance with the provisions of the Prospectus Directive.

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE AND THE OFFER OF THE NOTES

[Except as discussed in "Plan of Distribution" in the Offering Memorandum, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the issue and the offer of the Notes.]

5. [*FIXED RATE NOTES ONLY* – YIELD

Indication of yield:	● The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. [LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein on the Irish Stock Exchange pursuant to the Issuer's $13,000,000,000 Global Debt Issuance Program.]

7. RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in these Final Terms. [● has been extracted from ●. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by ●, no facts have been omitted which would render the reproduced information inaccurate or misleading.]

[*Signature page follows*]

Signed on behalf of

New York Life Global Funding,
with respect to Series [●]

By: Wilmington Trust Company,
not in its individual capacity
but solely as Administrative Trustee

By:___________________________

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OF NEW YORK LIFE

Page

Statutory Financial Statements at and for the years ended December 31, 2016 and 2015

Statutory Financial Statements at and for the years ended December 31, 2015 and 2014

NEW YORK LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS
(STATUTORY BASIS)

DECEMBER 31, 2016 and 2015

Table of Contents

Report of Independent Auditors

To the Board of Directors of New York Life Insurance Company:

We have audited the accompanying statutory financial statements of New York Life Insurance Company (the "Company"), which comprise the statutory statements of financial position as of December 31, 2016 and 2015, and the related statutory statements of operations, of changes in surplus, and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to the financial statements, the financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America are material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2016 and 2015, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the Company as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services described in Note 2.

Emphasis of Matter

As disclosed in Note 11 to the financial statements, the Company has entered into significant related party transactions with its affiliates. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

March 9, 2017

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF FINANCIAL POSITION

	December 31, 2016	December 31, 2015
	(in millions)	
Assets		
Bonds	$ 93,048	$ 86,178
Common and preferred stocks	9,900	9,440
Mortgage loans	14,853	14,601
Policy loans	10,596	10,410
Limited partnerships and other invested assets	8,810	9,486
Cash, cash equivalents and short-term investments	2,989	4,392
Derivatives	806	1,064
Real estate	1,586	1,426
Other investments	197	219
Total cash and invested assets	142,785	137,216
Deferred and uncollected premiums	1,843	1,836
Investment income due and accrued	1,375	1,250
Funds held by reinsurer - affiliated	4,154	4,255
Other assets	6,808	6,670
Separate accounts assets	13,797	12,327
Total assets	$ 170,762	$ 163,554
Liabilities and Surplus		
Liabilities:		
Policy reserves	$ 102,601	$ 98,772
Deposit funds	16,435	15,384
Dividends payable to policyholders	1,885	1,789
Policy claims	855	797
Borrowed money	503	503
Amounts payable under security lending agreements	653	578
Derivatives	539	459
Funds held under coinsurance	4,407	4,598
Other liabilities	6,086	6,002
Interest maintenance reserve	724	593
Asset valuation reserve	2,175	2,260
Separate accounts liabilities	13,791	12,323
Total liabilities	150,654	144,058
Surplus:		
Surplus notes	1,993	1,992
Unassigned surplus	18,115	17,504
Total surplus	20,108	19,496
Total liabilities and surplus	$ 170,762	$ 163,554

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF OPERATIONS

	Years Ended December 31, 2016	2015
	(in millions)	
Income		
Premiums	$ 15,441	$ 20,400
Net investment income	6,078	5,968
Other income	542	830
Total income	22,061	27,198
Benefits and expenses		
Benefit payments:		
Death benefits	3,872	3,588
Annuity benefits	1,170	1,169
Health and disability insurance benefits	232	225
Surrender benefits	2,360	2,316
Payments on matured contracts	3,435	3,856
Other benefit payments	310	294
Total benefit payments	11,379	11,448
Additions to reserves	4,042	9,348
Net transfers to separate accounts	1,000	120
Adjustment in funds withheld	135	74
Operating expenses	3,117	3,807
Total benefits and expenses	19,673	24,797
Gain from operations before dividends and federal income taxes	2,388	2,401
Dividends to policyholders	1,944	1,923
Gain from operations before federal income taxes	444	478
Federal and foreign income taxes	(163)	327
Net gain from operations	607	151
Net realized capital losses, after tax and transfers to interest maintenance reserve	(309)	(303)
Net income (loss)	$ 298	$ (152)

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF CHANGES IN SURPLUS

	December 31, 2016	December 31, 2015
	(in millions)	
Surplus, beginning of year	$ 19,496	$ 18,606
Net income (loss)	298	(152)
Change in net unrealized capital gains on investments	301	404
Change in nonadmitted assets	108	(245)
Prior period correction	17	(142)
Change in accounting principles	—	127
Change in net deferred income tax	129	492
Change in asset valuation reserve	85	178
Change in liability for pension and postretirement plans	(298)	232
Other adjustments, net	(28)	(4)
Surplus, end of year	$ 20,108	$ 19,496

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2016	2015
	(in millions)	
Cash flows from operating activities:		
Premiums received	$ 15,383	$ 16,003
Net investment income received	5,244	5,439
Other	396	620
Total received	21,023	22,062
Benefits and other payments	11,281	11,219
Net transfers to separate accounts	998	114
Operating expenses	2,762	3,348
Dividends to policyholders	1,849	1,770
Federal income taxes (received) paid	(227)	622
Total paid	16,663	17,073
Net cash from operating activities	4,360	4,989
Cash flows from investing activities:		
Proceeds from investments sold	5,920	7,494
Proceeds from investments matured or repaid	11,976	29,349
Cost of investments acquired	(24,380)	(39,554)
Net change in policy loans and premium notes	(186)	(166)
Net cash used in investing activities	(6,670)	(2,877)
Cash flows from financing and miscellaneous activities:		
Other changes in borrowed money	—	(1)
Net inflows from deposit contracts	999	520
Net change in amounts payable under security lending agreements	75	24
Other miscellaneous (uses) sources	(167)	396
Net cash from financing and miscellaneous activities	907	939
Net (decrease) increase in cash, cash equivalents and short-term investments	(1,403)	3,051
Cash, cash equivalents and short-term investments, beginning of year	4,392	1,341
Cash, cash equivalents and short-term investments, end of year	$ 2,989	$ 4,392

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF CASH FLOWS (supplemental)

	Years Ended December 31,	
	2016	2015
	(in millions)	
Supplemental disclosures of cash flow information:		
Non-cash activities during the year not included in the Statutory Statements of Cash Flows:		
Bond to be announced commitments-purchased/sold	$ 1,654	$ 799
Transfer of assets between investment types	$ 1,409	$ 1,665
Depreciation/amortization on fixed assets	$ 148	$ 130
Capitalized interest on bonds and other invested assets	$ 122	$ 175
Merger/spinoff/exchange/conversion/transfer of equity investment to equity investment	$ 30	$ 29
Low income housing tax credit future commitments	$ 24	$ 13
Dividend distribution from affiliated other invested asset	$ 19	$ —
Other	$ 44	$ 45
Assets assumed through reinsurance transaction	$ —	$ 9,751
Liability for funds withheld on coinsurance	$ —	$ 4,650
Madison Capital Funding LLC investment (other invested assets) and note funding agreement (bonds)	$ —	$ 2,294
Net deposits on deposit-type contracts assumed through reinsurance transaction	$ —	$ 799

See accompanying notes to financial statements.

NOTE 1 – NATURE OF OPERATIONS

New York Life Insurance Company (the "Company"), a mutual life insurance company domiciled in New York State, and its subsidiaries offer a wide range of insurance and investment products and services including life insurance, annuities, long-term care, pension products, disability insurance, mutual funds, securities brokerage, financial planning, trust services, capital financing and investment advisory services. The Company and its subsidiaries offer its insurance and annuity products throughout the United States and its territories, Mexico and Canada, primarily through the Company's career agency force, but also through third party banks, brokers and independent financial advisors. The Company and its subsidiaries provide investment management and advisory services in the United States, Europe, Asia and Australia.

NOTE 2 – BASIS OF PRESENTATION

The accompanying financial statements have been prepared using accounting practices prescribed by the New York State Department of Financial Services ("NYSDFS" or "statutory accounting practices"), which is a comprehensive basis of accounting other than accounting principles generally accepted in the U.S. ("U.S. GAAP").

NYSDFS recognizes only statutory accounting practices prescribed or permitted by the State of New York for determining and reporting the financial position and results of operations of an insurance company and for determining its solvency under New York Insurance Law. The National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual ("NAIC SAP") has been adopted as a component of prescribed practices by the State of New York. Prescribed statutory accounting practices include state laws and regulations. Permitted statutory accounting practices encompass accounting practices that are not prescribed; such practices differ from state to state, may differ from company to company within a state, and may change in the future. The Company has no permitted practices.

A reconciliation of the Company's net income at December 31, 2016 and 2015 between practices prescribed by the State of New York and NAIC SAP is shown below (in millions):

	SSAP #	F/S Page	2016	2015
Net income, State of New York basis	XXX	XXX	$ 298	$ (152)
State prescribed practices:				
1. NYSDFS Circular Letter No. 11 (2010) impact on deferred premiums*	61	3,4,6***	(3)	(11)
2. NYSDFS Seventh Amendment to Regulation No. 172 admitted unearned reinsurance premium**	61	3,4,6***	2	2
Net income, NAIC SAP	XXX	XXX	$ 299	$ (143)

NOTE 2 - BASIS OF PRESENTATION (continued)

A reconciliation of the Company's capital and surplus at December 31, 2016 and 2015 between practices prescribed by the State of New York and NAIC SAP is shown below (in millions):

	SSAP #	F/S Page	2016	2015
Capital and surplus, State of New York basis	XXX	XXX	$ 20,108	$ 19,496
State prescribed practices:				
1. NYSDFS Circular Letter No. 11 (2010) impact on deferred premiums*	61	3,4,6***	(119)	(116)
2. NYSDFS Seventh Amendment to Regulation No. 172 admitted unearned reinsurance premium**	61	3,4,6***	45	43
Capital and surplus, NAIC SAP	XXX	XXX	$ 20,182	$ 19,569

* NYSDFS Circular Letter No. 11 (2010) clarified the accounting for deferred premium assets when reinsurance is involved.

** NYSDFS Regulation 172 was amended to allow for the admission of an unearned reinsurance premium asset.

*** Financial statement line items include: Deferred and uncollected premiums (Assets), Premiums (Operations), and Premiums received (Cash Flows)

Prior Period Correction

In 2015, the Company discovered an error, dating back to 2004, relating to reserves for its increasing premium term products. The Company had been reserving for these products under NAIC guidelines as opposed to the more conservative New York State guidelines. To correct this error, the Company increased term reserves by $142 million and recorded a prior period correction that decreased statutory surplus by the same amount.

NOTE 2 - BASIS OF PRESENTATION (continued)

Statutory vs. U.S. GAAP Basis of Accounting

Financial statements prepared under NAIC SAP as determined under New York State Insurance Law vary from those prepared under U.S. GAAP. The primary differences that apply to the financial statements of the Company are as follows:

- investments in subsidiaries and other controlled entities, including partnerships, limited liability companies and joint ventures, are not consolidated with the financial statements of the Company, whereas under U.S. GAAP, consolidated financial statements are prepared;

- contracts that have any mortality or morbidity risk, regardless of significance, and contracts with life contingent annuity purchase rate guarantees are classified as insurance contracts, whereas under U.S. GAAP, only contracts that have significant mortality or morbidity risk are classified as insurance contracts otherwise they are accounted for in a manner consistent with the accounting for interest bearing or other financial instruments;

- the costs related to acquiring insurance contracts (principally commissions), policy issue expenses and sales inducements are charged to income in the period incurred, whereas under U.S. GAAP, these costs are deferred when related to successful sales and amortized over the periods benefited;

- life insurance and annuity reserves are based on different statutory methods and assumptions than they are under U.S. GAAP;

- dividends on participating policies are recognized for the full year when approved by the board of directors of the Company, whereas under U.S. GAAP, they are accrued when earned by policyholders;

- certain policies which do not pass through all investment gains to policyholders are maintained in separate accounts, whereas U.S. GAAP reports these policies in the general account assets and liabilities of the Company;

- reinsurance agreements are accounted for as reinsurance on an NAIC SAP and U.S. GAAP basis if certain risk transfer provisions have been met. NAIC SAP requires the reinsurer to assume insurance risk, regardless of the significance of the loss potential, whereas U.S. GAAP requires that there is a reasonable possibility that the reinsurer may realize significant loss from assuming insurance risk; under U.S. GAAP, certain reinsurance assumed by the Company is accounted for at fair value based on the election of the fair value option, whereas this treatment is not allowed under NAIC SAP; assets and liabilities from reinsurance transactions are reported net of reinsurance, whereas under U.S. GAAP, assets and liabilities from reinsurance transactions are reported gross of reinsurance;

- U.S. GAAP requires that for certain reinsurance agreements, whereby assets are retained by the ceding insurer (such as funds withheld or modified coinsurance) and a return is paid based on the performance of underlying investments, that the liabilities for these reinsurance arrangements must be adjusted to reflect the fair value of the invested assets; NAIC SAP does not contain a similar requirement;

- investments in subsidiaries, controlled and other affiliated entities as defined in SSAP No. 97, "Investment in Subsidiary, Controlled and Affiliated Entities ("SCA"), including partnerships, limited liability companies and joint ventures, are accounted for under the equity method. Under the equity method, domestic insurance subsidiaries are recorded at their underlying audited statutory surplus. Nonpublic non-insurance subsidiaries and other controlled entities are recorded at their underlying audited GAAP equity. Foreign insurance subsidiaries are recorded at their underlying audited GAAP equity with certain

adjustments. In the absence of an admissible audit, the entire investment is nonadmitted. Changes in the value of such investments are recorded as unrealized gains or losses. The earnings of such investments are recorded in net investment income only when dividends are declared. Under U.S. GAAP, these investments are consolidated;

- investments in noncontrolled partnerships and limited liability companies are accounted for under the equity method for both NAIC SAP and U.S. GAAP. Under the statutory equity method, undistributed income and capital gains and losses for these investments are reported in surplus as unrealized gains or losses, whereas under U.S. GAAP, in many cases, for investment companies, unrealized gains and losses are included in net investment income.

- investments in bonds are generally carried at amortized cost or values as prescribed by the NYSDFS, whereas under U.S. GAAP, investments in bonds that are classified as available for sale or trading are carried at fair value, with changes in fair value of bonds classified as available for sale reflected in equity, and changes in fair value of bonds classified as trading reflected in earnings;

- an asset valuation reserve ("AVR") based on a formula prescribed by NAIC is established as a liability to offset potential non-interest related investment losses. Changes in the AVR are recorded directly to surplus, whereas under U.S. GAAP, no AVR is recognized;

- realized gains and losses resulting from changes in interest rates are deferred in the interest maintenance reserve (“IMR”) and amortized into investment income over the remaining life of the investment sold, whereas under U.S. GAAP, the gains and losses are recognized in income at the time of sale;

- corporate securities deemed to be other-than-temporarily impaired are written down to fair value, whereas under U.S. GAAP, if certain conditions are met, credit impairments on corporate securities are recorded based on the net present value of future cash flows expected to be collected, discounted at the current book yield. Also, if certain conditions are met, the non-credit portion of the impairment on a loan-backed or structured security is not accounted for whereas under U.S. GAAP, if certain conditions are met, the non-credit portion of the impairment on a debt security is recorded through other comprehensive income. A non-credit loss exists when the fair value of a security is less than the present value of projected future cash flows expected to be collected;

- deferred income taxes exclude state income taxes and are admitted to the extent they can be realized within three years subject to a 15% limitation of capital and surplus with changes in the net deferred tax reflected as a component of surplus, whereas under U.S. GAAP, deferred income taxes include federal and state income taxes and changes in deferred taxes are reflected in either earnings or other comprehensive income;

- a tax loss contingency is required to be established if it is more likely than not that a tax position will not be sustained upon examination by taxing authorities. If a loss contingency is greater than 50 percent of the tax benefit associated with a tax position, the loss contingency is increased to 100 percent, whereas under U.S. GAAP the amount of the benefit for any uncertain tax position is the largest amount that is greater than 50 percent likely of being realized upon settlement;

- certain assets, such as intangible assets, overfunded pension plan assets, furniture and equipment, and unsecured receivables are considered nonadmitted and excluded from assets, whereas they are included in assets under U.S. GAAP subject to a valuation allowance, as appropriate;

NOTE 2 - BASIS OF PRESENTATION (continued)

- goodwill held by an insurance company is admitted subject to a 10% limitation on surplus and amortized over the useful life of the goodwill, not to exceed 10 years, and goodwill held by non-insurance subsidiaries is assessed in accordance with U.S. GAAP, subject to certain limitations for holding companies and foreign insurance subsidiaries, whereas under U.S. GAAP, goodwill is considered to have an indefinite useful life and is tested for impairment. Losses are recorded, only when goodwill is deemed impaired;

- fair value is required to be used in the determination of the expected return on the plan assets component of the net periodic benefit cost of pension and other postretirement obligations, whereas under U.S. GAAP, the market-related value of plan assets is used. The market-related value of plan assets can be either fair value or a calculated value that recognizes asset gains or losses over a period not to exceed five years;

- surplus notes are included as a component of surplus, whereas under U.S. GAAP, they are presented as a liability;

- contracts that contain an embedded derivative are not bifurcated between components and are accounted for consistent with the host contract, whereas under U.S. GAAP, either the contract is recorded at fair value with changes in the fair value included in earnings or the embedded derivative needs to be bifurcated from the host contract and accounted for separately;

- certain derivative instruments are carried at amortized cost, whereas under U.S. GAAP, all derivative instruments are carried at fair value; and

- changes in the fair value of derivative instruments not carried at amortized cost are recorded as unrealized capital gains or losses and reported as changes in surplus, whereas under U.S. GAAP, these changes are generally reported through earnings unless they qualify and are designated for cash flow or net investment hedge accounting.

The effects on the financial statements of the above variances between NAIC SAP as determined under New York State Insurance Law and U.S. GAAP are material to the Company.

NOTE 2 - BASIS OF PRESENTATION (continued)

The following table reconciles the Company's statutory capital and surplus determined in accordance with statutory accounting practices with consolidated New York Life equity, excluding non-controlling interests, determined on a U.S. GAAP basis at December 31, 2016 and 2015 (in millions):

	2016	2015
Capital and surplus	$ 20,108	$ 19,496
AVR	2,175	2,260
Capital and surplus and AVR	22,283	21,756
Adjustments to statutory basis for:		
Mark-to-market on investments, pre-tax and deferred acquisition cost ("DAC") asset	6,817	6,023
DAC asset	6,971	6,856
Removal of AVR of domestic insurance companies	1,053	931
Removal of IMR of domestic insurance companies	870	769
Inclusion of statutory accounting nonadmitted assets	857	797
Sales inducement asset	668	661
Policyholders' dividend liability	636	543
Inclusion of goodwill in excess of statutory limitations	391	283
Net assets of separate accounts	185	150
Reclassification of surplus notes to liabilities	(1,991)	(1,990)
Net adjustment for deferred taxes	(2,743)	(2,511)
Differences in reserve valuation bases for future policy benefits and policyholders' account balances	(3,876)	(3,508)
Other	41	7
Total adjustments	9,879	9,011
Total consolidated New York Life U.S. GAAP equity, excluding non-controlling interests	$ 32,162	$ 30,767

NOTE 2 - BASIS OF PRESENTATION (continued)

The following table reconciles the Company's statutory net income determined in accordance with statutory accounting practices with consolidated New York Life net income determined on a U.S. GAAP basis for the years ended December 31, 2016 and 2015 (in millions):

	2016	2015
Net gain from operations	$ 607	$ 151
Net realized capital losses	(309)	(303)
Net income (loss)	298	(152)
Adjustments to statutory net income for:		
Net income from subsidiaries	878	915
Inclusion of GAAP net investment gains (losses)	47	(203)
Net capitalization of DAC	256	191
Dividends to policyholders	18	154
Removal of IMR capitalization, net of amortization	133	(21)
Inclusion of deferred income taxes	(119)	388
Differences in reserve valuation bases for future policy benefits and policyholders' account balances	(119)	321
Fair value adjustment of certain liabilities	(5)	54
Inclusion of GAAP earnings of limited partnerships, net of distributions	(1)	(303)
Other	(18)	142
Total adjustments	1,070	1,638
Total consolidated New York Life U.S. GAAP net income	$ 1,368	$ 1,486

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Management is also required to disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from those estimates.

Investments

Income from investments, including amortization of premium, accrual of discount and similar items, is recorded within net investment income, unless otherwise stated herein.

Bonds other than loan-backed and structured securities are stated at amortized cost using the interest method. Bonds in or near default (rated NAIC 6) are stated at the lower of amortized cost or fair value. Refer to Note 9 - Fair Value Measurements, for discussion of valuation methods for bonds.

Loan-backed and structured securities, which are included in bonds, are valued at amortized cost using the interest method including current assumptions of projected cash flows. Loan-backed and structured securities in or near default (rated NAIC 6) are stated at the lower of amortized cost or fair value. Amortization of premium or accretion of discount from the purchase of these securities considers the estimated timing and amount of cash flows of the underlying loans, including prepayment assumptions based on data obtained from external sources or internal estimates. Projected future cash flows are updated monthly, and the amortized cost and effective yield of the securities are adjusted as necessary to reflect historical prepayment

experience and changes in estimated future prepayments. For high credit quality loan-backed and structured securities (those rated AA or above at the date of acquisition), the adjustments to amortized cost are recorded as a charge or credit to net investment income in accordance with the retrospective method. For loan-backed and structured securities that are not of high credit quality (those rated below AA at date of acquisition), certain floating rate securities and securities with the potential for a loss of a portion of the original investment due to contractual prepayments (e.g., interest only securities), the effective yield is adjusted prospectively for any changes in estimated cash flows.

Preferred stocks in “good standing” (NAIC designation of 1 to 3) are valued at amortized cost. Preferred stocks “not in good standing” (NAIC designation of 4 to 6) are valued at the lower of amortized cost or fair value. Refer to Note 9 - Fair Value Measurements, for discussion of valuation methods for preferred stocks.

Common stocks include the Company's investments in unaffiliated stocks and two direct, wholly owned U.S. insurance subsidiaries: New York Life Insurance and Annuity Corporation ("NYLIAC") and NYLIFE Insurance Company of Arizona ("NYLAZ").

Investments in common stocks of U.S. insurance subsidiaries are carried at the value of their audited underlying U.S. statutory surplus. Unaffiliated common stocks are carried at fair value. Unrealized gains and losses are reflected in surplus, net of deferred taxes. Refer to Note 9 - Fair Value Measurements, for a discussion of valuation methods for common stocks.

The Company also has investments in non-insurance subsidiaries organized as limited liability companies. These investments are carried as an asset provided the entity’s U.S. GAAP equity is audited. In the absence of an admissible audit, the entire investment is nonadmitted. Generally, each of the Company’s non-insurance subsidiary limited liability companies, except NYLIFE LLC and NYL Investors LLC ("NYL Investors"), has a U.S. GAAP audit and are stated as follows: (1) foreign insurance subsidiaries that have U.S. GAAP audits are stated at U.S. GAAP equity adjusted for certain assets that are disallowed under statutory accounting practices, otherwise the investment is nonadmitted; (2) non-insurance subsidiaries are carried at U.S. GAAP equity unless they are engaged in certain transactions that are for the benefit of the Company or its affiliates and receive 20% or more of their revenue from the Company or its affiliates. In this case, non-insurance subsidiaries are carried at U.S. GAAP equity adjusted for the same items as foreign insurance subsidiaries; (3) all other assets and liabilities in a downstream holding company are accounted for in accordance with the appropriate NAIC SAP guidance.

Dividends and distributions from subsidiaries other than those deemed a return of capital (both in the form of common stock and limited liability companies) are recorded as a component of net investment income when declared and changes in the equity of subsidiaries (both in the form of common stock and limited liability companies) are recorded as unrealized gains or losses in surplus, net of deferred taxes.

The cost basis of bonds and equity securities is adjusted for impairments in value that are deemed to be other than temporary. An other-than-temporary loss is recognized in net income when it is anticipated that the amortized cost will not be recovered. Factors considered in evaluating whether a decline in value is other than temporary include: (1) whether the decline is substantial; (2) the duration that the fair value has been less than cost; (3) the financial condition and near-term prospects of the issuer; and (4) the Company’s ability and intent to retain the investment for a period of time sufficient to allow for an anticipated recovery in value.

When a bond (other than loan-backed and structured securities), preferred stock or common stock is deemed other-than-temporarily impaired, the difference between the investments’ amortized cost and its fair value is recognized as a realized loss and reported in net income if the loss is credit related, or deferred in the IMR if interest related for bonds.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

For loan-backed and structured securities, the entire difference between the security's amortized cost and its fair value is recognized in net income only when the Company (a) has the intent to sell the security or (b) it does not have the intent and ability to hold the security to recovery. If neither of these two conditions exists, a realized loss is recognized in net income for the difference between the amortized cost basis of the security and the net present value of projected future cash flows expected to be collected. The net present value is calculated by discounting the Company's best estimate of projected future cash flows at the effective interest rate implicit in the loan-backed or structured security prior to impairment.

The determination of cash flow estimates in the net present value is subjective and methodologies will vary, depending on the type of security. The Company considers all information relevant to the collectability of the security, including past events, current conditions, and reasonably supportable assumptions and forecasts in developing the estimate of cash flows expected to be collected. This information generally includes, but may not be limited to, the remaining payment terms of the security, estimated prepayment speeds, defaults, recoveries upon liquidation of the underlying collateral securing the notes, the financial condition of the issuer(s), credit enhancements and other third-party guarantees. In addition, other information, such as industry analyst reports and forecasts, sector credit ratings, the financial condition of the bond insurer for insured fixed income securities and other market data relevant to the collectability may also be considered, as well as the expected timing of the receipt of insured payments, if any. The estimated fair value of the collateral may be used to estimate recovery value if the Company determines that the security is dependent on the liquidation of the collateral for recovery.

The new cost basis of an impaired security is not adjusted for subsequent increases in estimated fair value. In periods subsequent to the recognition of an other-than-temporary impairment ("OTTI"), the impaired bond security is accounted for as if it had been purchased on the measurement date of the impairment. Accordingly, the discount (or reduced premium) based on the new cost basis may be accreted (or amortized) into net investment income in future periods based on prospective changes in cash flow estimates, to reflect adjustments to the effective yield.

Mortgage loans on real estate are carried at unpaid principal balances, net of discounts and premiums and specific valuation allowances, and are secured. Specific valuation allowances are established for the excess carrying value of the mortgage loan over the estimated fair value of the collateral as an unrealized loss in surplus when it is probable that based on current information and events that the Company will be unable to collect all amounts due under the contractual terms of the loan agreement. Fair value of the collateral is estimated by performing an internal or external current appraisal. If impairment is deemed to be other-than-temporary, which can include a loan modification that qualifies as a troubled debt restructuring ("TDR"), a direct write-down is recognized as a realized loss reported in net income, and a new cost basis for the individual mortgage loan, which is equal to the fair value of the collateral, less costs to obtain and sell, is established. Refer to Note 9 - Fair Value Measurements, for discussion of valuation methods for mortgage loans.

The Company accrues interest income on mortgage loans to the extent it is deemed collectible. The Company places loans on non-accrual status, and ceases to recognize interest income when management determines that the collection of interest and repayment of principal is not probable. Any accrued but uncollected interest is reversed out of interest income once a loan is put on non-accrual status. Interest payments received on mortgage loans where interest payments have been deemed uncollectible are recognized on a cash basis and recorded as interest income. If a determination is made that the principal will not be collected, the interest payment received is used to reduce the principal balance. If a mortgage loan has any investment income due and accrued that is 90 days past due and collectible, the investment income will continue to accrue but all

accrued interest related to the mortgage loan is reported as a nonadmitted asset, until such time that it has been paid or is deemed uncollectible.

Real estate includes properties that are directly-owned real estate properties and real estate property investments that are directly and wholly-owned through a limited liability company and meet certain criteria. Real estate held for the production of income and home office properties are stated at cost less accumulated depreciation and encumbrances. Real estate held for sale is stated at the lower of cost less accumulated depreciation or fair value, less encumbrances and estimated costs to sell, which may result in an OTTI recognized as a realized loss in net income. Depreciation of real estate held for the production of income and home office properties is calculated using the straight-line method over the estimated lives of the assets, generally 40 years. Costs of permanent improvements are depreciated over their estimated useful life.

Policy loans are stated at the aggregate balance due. The excess of the unpaid balance of a policy loan that exceeds the cash surrender value is nonadmitted.

Limited partnerships and limited liability companies which have admissible audits are carried at the underlying audited equity of the investee. The cost basis of limited partnerships is adjusted for impairments in value deemed to be other-than-temporary, with the difference between cost and carrying value, which approximates fair value, recognized as a realized loss reported in net income. The new cost basis of an impaired limited partnership is not adjusted for subsequent increases in the underlying audited equity of the investee. The Company nonadmits the entire investment when an admissible audit is not performed. Dividends and distributions from limited partnerships and limited liability companies, other than those deemed a return of capital, are recorded in net investment income. Undistributed earnings are included in unrealized gains and losses and are reflected in surplus, net of deferred taxes.

Low-Income Housing Tax Credit (“LIHTC”) investments, which are included in limited partnerships and other invested assets, are recorded at proportional amortized cost and include remaining unfunded commitments. The carrying value of the investment is amortized into income in proportion to the actual and projected future amounts of tax credits and deductible losses. The amortization is recorded through net investment income.

Derivative instruments that qualify and are designated for hedge accounting are valued in a manner consistent with the items being hedged. Periodic payments and receipts on these derivatives are recorded on an accrual basis within net investment income for hedges of fixed income securities, other income for hedges of liabilities, and net realized capital gains and losses for hedges of net investments in foreign operations. Net realized gains and losses are recognized upon termination or maturity of these contracts in a manner consistent with the hedged item and when subject to the IMR, are transferred to the IMR, net of taxes.

Derivative instruments that do not qualify or are not designated for hedge accounting are carried at fair value and changes in fair value are recorded in surplus as unrealized gains and losses, net of deferred taxes. Periodic payments and receipts on these derivatives are recorded on an accrual basis within net investment income for hedges of fixed income securities and other income for hedges of liabilities and net realized capital gains and losses for hedges of foreign net investments and credit default swaps. Upon termination or maturity the gains or losses on these contracts are recognized in net realized capital gains and losses, net of taxes. Realized gains or losses on terminated or matured derivatives, which are subject to the IMR, are transferred to the IMR, net of taxes.

Short-term investments consist of securities with remaining maturities of one year or less, but greater than three months at the time of acquisition and are carried at amortized cost, which approximates fair value.

Cash and cash equivalents include cash on hand, amounts due from banks and highly liquid debt instruments that have original maturities of three months or less at date of purchase and are stated at amortized cost.

All acquisitions of securities are recorded in the financial statements on a trade date basis except for the acquisitions of private placement bonds, which are recorded on the funding date.

The AVR is used to stabilize surplus from fluctuations in the market value of bonds, stocks, mortgage loans, real estate, limited partnerships and other investments. Changes in the AVR are accounted for as direct increases or decreases in surplus. The IMR captures interest related realized gains and losses on sales (net of taxes) of bonds, preferred stocks, mortgage loans, interest related other-than-temporary impairments (net of taxes) and realized gains or losses (net of taxes) on terminated interest rate related derivatives which are amortized into net income over the expected years to maturity of the investments sold or the item being hedged using the grouped method. An interest related other-than-temporary impairment occurs when the Company has the intent to sell an investment at the reporting date, before recovery of the cost of the investment. For loan-backed and structured securities, the non-interest related other-than-temporary impairment is booked to the AVR, and the interest related portion to the IMR.

Loaned Securities and Repurchase Agreements

The Company enters into securities lending agreements whereby certain investment securities are loaned to third-parties. Securities loaned are treated as financing arrangements. With respect to securities loaned, in order to reduce the Company's risk under these transactions, the Company requires initial cash collateral equal to 102% of the fair value of domestic securities loaned. The Company records an offsetting liability in amounts payable under security lending agreements. The Company monitors the fair value of securities loaned with additional collateral obtained as necessary. The borrower of the loaned securities is permitted to sell or repledge those securities.

The Company enters into dollar roll repurchase agreements to sell and repurchase securities. Assets to be repurchased are the same, or substantially the same, as the assets sold. The Company agrees to sell securities at a specified price and repurchase the securities at a lower price. The Company receives cash in the amount of the sales proceeds and establishes a liability equal to the repurchase amount. The difference between the sale and repurchase amounts represents deferred income which is earned over the life of the agreement. The liability for repurchasing the assets is included in borrowed money.

The Company enters into tri-party repurchase agreements (also known as reverse repurchase agreements) to purchase and resell securities. The Company receives securities as collateral having a fair value at least equal to 102% of the purchase price paid by the Company for the securities and the Company's designated custodian takes possession of this collateral. The Company is not permitted to sell or repledge these securities. The collateral is not recorded on the Company's financial statements. However, if the counterparty defaults, the Company would then exercise its rights with respect to the collateral, including a sale of the collateral. The fair value of the securities held as collateral is monitored daily and additional collateral is obtained, where appropriate, to protect against credit exposure.

Premiums and Related Expenses

Life premiums are recognized as revenue when due. Annuity considerations are recognized as revenue when received. Commissions and other costs associated with acquiring new business are charged to operations as incurred. Premiums on guaranteed interest contracts ("GICs") with purchase rate guarantees, which introduce an element of mortality risk, are recorded as income when received. Amounts received or paid under deposit

type contracts without mortality or morbidity risk are not reported as income or benefits but are recorded directly as an adjustment to the liability for deposit funds.

Dividends to Policyholders

The liability for dividends to policyholders consists principally of dividends expected to be paid during the subsequent year. The allocation of dividends is approved annually by the Board of Directors and is determined by means of formulas, which reflect the relative contribution of each group of policies to divisible surplus.

Policy Reserves

Policy reserves are based on mortality tables and valuation interest rates, which are consistent with statutory requirements and are designed to be sufficient to provide for contractual benefits. The Company holds reserves greater than those developed under the minimum statutory reserving rules when the valuation actuary determines that the minimum statutory reserves are inadequate. Actual results could differ from these estimates and may result in the establishment of additional reserves. The valuation actuary monitors actual experience and, where circumstances warrant, revises assumptions and the related estimates for policy reserves. Refer to Note 12 - Insurance Liabilities, for a discussion of reserves in excess of minimum NAIC requirements.

Federal Income Taxes

Current federal income taxes are charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year and any adjustments to such estimates from prior years. Deferred federal income tax assets (“DTAs”) and deferred federal income tax liabilities (“DTLs”) are recognized for expected future tax consequences of temporary differences between statutory and taxable income. Temporary differences are identified and measured using a balance sheet approach whereby statutory and tax balance sheets are compared. Changes in DTAs and DTLs are recognized as a separate component of surplus (except for the net deferred tax asset related to unrealized gains, which is included in unrealized gains and losses). Net DTAs are admitted to the extent permissible under NAIC SAP. Gross DTAs are reduced by a statutory valuation allowance, if it is more likely than not that some portion or all of the gross DTA will not be realized. The Company is required to establish a tax loss contingency if it is more likely than not that a tax position will not be sustained. The amount of the contingency reserve is management’s best estimate of the amount of the original tax benefit that could be reversed upon audit, unless the best estimate is greater than 50% of the original tax benefit, in which case the reserve is equal to the entire tax benefit.

The Company files a consolidated federal income tax return with certain of its domestic insurance and non-insurance subsidiaries. The consolidated income tax liability is allocated among the members of the group in accordance with a tax allocation agreement. This tax allocation agreement provides that each member of the group is allocated its share of the consolidated tax provision or benefit, determined generally on a separate company basis, but may, where applicable, recognize the tax benefits of net operating losses or capital losses utilizable by the consolidated group. Intercompany tax balances are settled quarterly on an estimated basis with a final settlement occurring within 30 days of the filing of the consolidated tax return.

Separate Accounts

The Company has established both non-guaranteed and guaranteed separate accounts with varying investment objectives which are segregated from the Company’s general account and are maintained for the benefit of separate accounts policyholders. The Company has market value guaranteed separate accounts, for which

supplemental separate account assets are used to fund the excess of the actuarial liability for future guaranteed payments over the market value of the assets. Assets held in non-guaranteed separate accounts and market value guaranteed separate accounts are stated at market value. Assets held in guaranteed book value separate accounts are carried at the same basis as the general account.

The liability for separate accounts represents policyholders' interests in the separate accounts assets, excluding liabilities representing due and accrued transfers to the general account. The liability for non-guaranteed and guaranteed market value separate accounts represents policyholders' interests in the separate accounts assets, including accumulated net investment income and realized and unrealized gains and losses on those assets. For the book value guaranteed separate account, the liability represents amounts due to policyholders pursuant to the terms of the contract.

Funds Held Under Coinsurance

Funds held under coinsurance primarily represent balances payable related to certain reinsurance assumed contracts that were partially retroceded. The balances are determined based on the percent of the liabilities retroceded, including certain insurance related payables and receivables as stipulated by the reinsurance agreements. Refer to Note 13 - Reinsurance, for additional discussion on assumed reinsurance.

Other Assets and Liabilities

Other assets primarily consist of cash value on corporate owned life insurance, net DTA, current tax receivable, receivables from subsidiaries and affiliates, and interest in annuity contracts. Corporate owned life insurance is carried at cash surrender value with changes in cash surrender value reported in other income in the accompanying Statutory Statements of Operations.

Other liabilities consist primarily of accrued expenses, amounts withheld by the Company, employee benefit plan liabilities, derivative liabilities, current tax liabilities, and obligations under structured settlement agreements.

Nonadmitted Assets

Under statutory accounting practices, certain assets are designated as nonadmitted assets and are not included in the accompanying Statutory Statements of Financial Position since these assets are not permitted by the NYSDFS to be taken into account in determining the Company's financial condition. Nonadmitted assets typically include furniture and equipment, agents' debit balances, DTA not realizable within three years, receivables over 90 days old and overfunded plan assets on qualified benefit plans. Changes to nonadmitted assets are reported as a direct adjustment to surplus in the accompanying Statutory Statements of Changes in Surplus.

Fair Value of Financial Instruments and Insurance Liabilities

Fair value of various assets and liabilities are included throughout the notes to the financial statements. Specifically, fair value disclosure of investments held is reported in Note 6 - Investments. Fair values for derivative instruments are included in Note 7 - Derivative Instruments and Risk Management. Fair values for insurance liabilities are reported in Note 12 - Insurance Liabilities. The aggregate fair value of all financial instruments summarized by type is included in Note 9 - Fair Value Measurements.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies

Amounts related to contingencies are accrued if it is probable that a liability has been incurred and an amount is reasonably estimable.

At the inception of a guarantee (except unlimited guarantees and guarantees made to or on behalf of wholly owned subsidiaries), the Company recognizes an initial liability at fair value for the obligations it has undertaken, regardless of the probability of performance under the guarantee. This includes guarantees made on behalf of affiliates other than wholly owned subsidiaries unless the guarantee is deemed unlimited.

Foreign Currency Translation and Transactions

The Company's Canadian insurance operations are stated in Canadian dollars, with a single foreign currency adjustment of the net value reflected in unrealized gains and losses as a component of surplus. For all other foreign currency items, income and expenses are translated at the average exchange rate for the period while assets and liabilities are translated using the spot rate in effect at the date of the statements. Changes in the asset and liability values due to fluctuations in foreign currency exchange rates including translating foreign investments included in limited partnerships and other invested assets are recorded as unrealized capital gains and losses in surplus until the asset is sold or exchanged or the liability is settled. Upon settlement, previously recorded unrealized capital gains and losses are reversed, and the foreign exchange gain or loss for the entire holding period is recorded as a realized capital gain or loss in net income.

Benefit Plans

The Company maintains various tax-qualified and non-qualified plans that provide defined benefit pension and other postretirement benefits covering eligible U.S. employees and agents. A December 31st measurement date is used for all defined benefit pension and other postretirement benefit plans.

The Company recognizes the funded status of each of the pension and postretirement plans on the accompanying Statutory Statements of Financial Position. The funded status of a plan is measured as the difference between plan assets at fair value and the projected benefit obligation ("PBO") for pension plans or the accumulated postretirement benefit obligation ("APBO") for other postretirement plans.

The PBO is defined as the actuarially calculated present value of vested and non-vested pension benefits accrued based on service accruals through the measurement date and anticipated future compensation levels. This is the basis upon which pension liabilities and net periodic benefit cost are determined. The PBO of the defined benefit pension plans is determined using a variety of actuarial assumptions, from which actual results may vary.

The APBO represents the actuarially calculated present value of other postretirement benefits attributed to employee services rendered through the measurement date. This is the valuation basis upon which postretirement benefit liabilities and net periodic postretirement benefit cost are determined. The APBO is determined using a variety of actuarial assumptions, from which actual results may vary.

For pension and postretirement benefits, the Company recognizes the net periodic benefit cost as an expense in the Statutory Statements of Operations.

Net periodic benefit cost is determined using management estimates and actuarial assumptions to derive service cost, interest cost, and expected return on plan assets for a particular year. Net periodic benefit cost also includes the applicable amortization of any prior service cost (credit) arising from the increase (decrease) in prior years' benefit costs due to plan amendments. These costs are amortized into net periodic benefit cost

over the expected service years of employees whose benefits are affected by such plan amendments. Actual experience related to plan assets and/or the benefit obligations may differ from that originally assumed when determining net periodic benefit cost for a particular period and future assumptions may change, resulting in gains or losses. To the extent such aggregate gains or losses exceed 10 percent of the greater of the benefit obligations or the market value of assets of the plan; they are amortized into net periodic benefit cost over the expected service years of employees expected to receive benefits under the plans.

The obligations and expenses associated with these plans require an extensive use of assumptions such as the discount rate, expected rate of return on plan assets, rate of future compensation increases, healthcare cost trend rates, as well as assumptions regarding participant demographics such as rate and age at retirements, withdrawal rates, and mortality. Management, in consultation with its external consulting actuarial firm, determines these assumptions based upon a variety of factors such as historical performance of the plan and its assets, currently available market and industry data, and expected benefit payout streams. The assumptions used may differ materially from actual results due to, among other factors, changing market and economic conditions and changes in participant demographics.

The Company also sponsors tax-qualified defined contribution plans for substantially all U.S. employees and agents. The defined contribution plan for employees matches a portion of employees' contributions. Accordingly, the Company recognizes compensation cost for current matching contributions. The defined contribution plan for agents provides for discretionary Company contributions for eligible agents. Accordingly, the Company recognizes compensation cost for current discretionary contributions. As all contributions are transferred timely to the trust for these plans, no liability for matching or discretionary contributions is recognized in the accompanying Statutory Statements of Financial Position.

The Company also maintains for certain eligible participants a non-qualified unfunded arrangement that credits deferral amounts and matching contributions with respect to compensation in excess of the amount that may be taken into account under the tax-qualified defined contribution plan because of applicable Internal Revenue Service ("IRS") limits. Accordingly, the Company recognizes compensation cost for current matching contributions and holds a liability for these benefits, which is included in other liabilities in the accompanying Statutory Statements of Financial Position.

The Company provides certain benefits to eligible employees during employment for paid absences and after employment but before retirement. A liability for these benefits is accrued when the benefit is incurred.

NOTE 4 – BUSINESS RISKS AND UNCERTAINTIES

The Company is exposed to an array of risks, including, but not limited to, regulatory actions, financial risk, risks associated with its investments and operational risk, including cyber security.

The Company is regulated by the insurance departments of the states and territories where it is licensed to do business. Although the federal government does not directly regulate the business of insurance, federal legislation and administrative policies can significantly and adversely affect the insurance industry and the Company. The Company is unable to predict whether any administrative or legislative proposals, at both the federal or state level, will be adopted in the future, or the effect, if any, such proposals would have on the Company.

The Company's insurance liabilities and assets under management are exposed to market risk, policyholder behavior risk and mortality/longevity risk. Market volatility and other equity market conditions may affect the Company's exposure to risks related to guaranteed death benefits and guaranteed living benefits on variable annuity products. Furthermore, the level of sales of the Company's insurance and investment products is influenced by many factors, including general market rates of interest, the strength, weakness and volatility of equity markets, and terms and conditions of competing products.

The Company is exposed to the risks normally associated with an investment portfolio, which include interest rate, liquidity, credit and counterparty risks. The Company controls its exposure to these risks by, among other things, closely monitoring and managing the duration and cash flows of its assets and liabilities, maintaining a large percentage of its portfolio in highly liquid securities, engaging in a disciplined process of underwriting, reviewing and monitoring credit risk, and by devoting significant resources to develop and periodically update its risk management policies and procedures.

The Company relies on computer systems to conduct business and to retain confidential information. The failure of the Company's computer systems for any reason could disrupt its operations, result in the loss of customer business, damage the Company's reputation, expose the Company to litigation and regulatory action and adversely impact its profitability.

NOTE 5 – RECENT ACCOUNTING PRONOUNCEMENTS

Changes in Accounting Principles

Accounting changes adopted to conform to the provisions of NAIC SAP or other state prescribed accounting practices are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is generally reported as an adjustment to unassigned surplus in the period of the change in accounting principle. Generally, the cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods.

In 2015, the NAIC provided clarification on the accounting for prepayment penalties on bonds. Specifically, the NAIC proposed changes to SSAP No. 26, "Bonds, Excluding Loan-Backed and Structured Securities" ("SSAP 26"), and SSAP No. 43R, "Loan-Backed and Structured Securities", to clarify that a prepayment penalty represents the amount of proceeds received over the par value of the bond and that such amount should be recorded in investment income. Historically, the Company had reported prepayment penalties as realized gains and deferred them in the IMR based on the Company's interpretation of the IMR instructions. Based on the new clarification from the NAIC, a cumulative effect of change in accounting principle was recorded at January 1, 2015 to remove any unamortized amounts from the IMR related to prepayment penalties. The cumulative impact of the change increased surplus by $112 million at January 1, 2015.

In December 2014, the NAIC adopted new guidance for single real estate property investments, that are directly and wholly-owned through a limited liability company and met certain criteria, which requires an insurance company to account for such investments as a real estate investment as opposed to using the equity method. The guidance became effective January 1, 2015. As a result of the adoption of this guidance, the Company transferred $654 million of real estate previously held in limited liability companies from other invested assets to real estate, and recorded a change in accounting principle that increased statutory surplus by $15 million, resulting in a real estate value of $669 million.

Future Adoption of New Accounting Pronouncements

In 2016, the NAIC announced that enough states had passed the new standard valuation law to make the Principle Based Reserving ("PBR") valuation manual operative for individual life products. Under PBR, companies will hold reserves at the higher of the three basis; a) the formulaic reserve using prescribed factors or b) the reserve computed under a single economic scenario using justified company experience assumptions which consists of mortality, expenses and policyholder behavior among other assumptions or c) the reserve based on a wide range of future economic conditions using justified company experience assumptions which consists of mortality, expenses and policyholder behavior among other assumptions. Products passing certain specified exclusion tests may be exempt from the calculation of reserves under b) and/or c) above. The new standard is mandatory for policies issued on or after January 1, 2020. NYSDFS has not yet provided clarification on whether it plans to adopt PBR in its entirety or with modifications. The Company will continue to monitor this and will assess the impact of the guidance on the financial statements upon further clarification from NYSDFS.

NOTE 6 – INVESTMENTS

Bonds

The carrying value and estimated fair value of bonds at December 31, 2016 and 2015, by maturity are as follows (in millions):

	2016		2015	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Due in one year or less	$ 4,502	$ 4,587	$ 5,015	$ 5,105
Due after one year through five years	24,929	26,132	21,958	22,980
Due after five years through ten years [1]	32,914	33,770	30,245	30,805
Due after ten years	30,703	33,670	28,960	31,881
Total	$ 93,048	$ 98,159	$ 86,178	$ 90,771

[1] Includes affiliated bonds issued by Madison Capital Funding LLC ("MCF") and New York Life Investment Management Holdings LLC ("NYL Investments"). Refer to Note 11 - Related Party Transactions for a more detailed discussion of related party investments.

Corporate bonds are shown based on contractual maturity. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage and asset-backed securities are not due at a single maturity date and therefore are shown based on the expected cash flows of the underlying loans, which includes estimates of anticipated future prepayments.

Short-term investments with a carrying value of $270 million and $432 million at December 31, 2016 and 2015, respectively, and cash equivalents with a carrying value of $2,775 million and $3,920 million at December 31, 2016 and 2015, respectively, are included in due in one year or less in the table above. Carrying value approximates fair value for these investments.

NOTE 6 – INVESTMENTS (continued)

At December 31, 2016 and 2015, the distribution of gross unrealized gains and losses on bonds was as follows (in millions):

	2016			
	Carrying Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Treasury	$ 2,155	$ 273	$ 52	$ 2,376
U.S. government corporations and agencies	5,911	1,048	5	6,954
U.S. agency mortgage and asset-backed securities	11,495	491	194	11,792
Foreign governments	963	170	1	1,132
U.S. corporate	44,964	3,073	415	47,622
Foreign corporate	12,657	660	77	13,240
Non-agency residential mortgage-backed securities	1,063	47	17	1,093
Non-agency commercial mortgage-backed securities	4,278	56	75	4,259
Non-agency asset-backed securities	6,996	157	74	7,079
Affiliated bonds	2,566	46	—	2,612
Total	$ 93,048	$ 6,021	$ 910	$ 98,159

	2015			
	Carrying Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Treasury	$ 1,946	$ 292	$ 4	$ 2,234
U.S. government corporations and agencies	5,636	1,171	1	6,806
U.S. agency mortgage and asset-backed securities	8,746	623	41	9,328
Foreign governments	1,019	203	—	1,222
U.S. corporate	42,587	2,749	705	44,631
Foreign corporate	12,611	484	319	12,776
Non-agency residential mortgage-backed securities	1,340	54	23	1,371
Non-agency commercial mortgage-backed securities	3,864	63	32	3,895
Non-agency asset-backed securities	6,643	182	103	6,722
Affiliated bonds	1,786	—	—	1,786
Total	$ 86,178	$ 5,821	$ 1,228	$ 90,771

NOTE 6 – INVESTMENTS (continued)

Common and Preferred Stocks

The following tables represent the carrying value and change in unrealized gains (losses) of common and preferred stocks at December 31, 2016 and 2015 (in millions):

	2016		2015	
	Carrying Value	Unrealized Gains (Losses)	Carrying Value	Unrealized Gains (Losses)
Common stock insurance subsidiaries	$ 8,829	$ 591	$ 8,237	$ 488
Unaffiliated common stock	1,015	(1)	1,144	(125)
Preferred stock	56	1	59	—
Total	$ 9,900	$ 591	$ 9,440	$ 363

Mortgage Loans

The Company's mortgage loans are diversified by property type, location and borrower, and are collateralized by the related property. The maximum and minimum lending rates for new commercial mortgage loans funded during 2016 were 8.0% and 2.3% and funded during 2015 were 6.5% and 1.9%, respectively. The maximum percentage of any one commercial loan to the value of the collateral at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages, was 92.4% (average percentage was 52.4% and 53.0% at December 31, 2016 and December 31, 2015, respectively). The maximum percentage of any residential loan to the value of the collateral at the time of the loan was 80% (average percentage was 37.9% and 36.3% at December 31, 2016 and December 31, 2015, respectively). The Company has no significant credit risk exposure to any one individual borrower.

NOTE 6 – INVESTMENTS (continued)

At December 31, 2016 and 2015, the distribution of the mortgage loan portfolio by property type and geographic location was as follows ($ in millions):

	2016		2015	
	Carrying Value	% of Total	Carrying Value	% of Total
Property type:				
Office buildings	$ 4,501	30.3%	$ 4,811	33.0%
Apartment buildings	3,833	25.8%	3,742	25.6%
Retail facilities	3,816	25.7%	3,631	24.9%
Industrial	2,491	16.8%	2,207	15.1%
Hotels	142	0.9%	142	1.0%
Residential	8	0.1%	12	0.1%
Other	62	0.4%	56	0.3%
Total	$ 14,853	100.0%	$ 14,601	100.0%

	2016		2015	
	Carrying Value	% of Total	Carrying Value	% of Total
Geographic location:				
South Atlantic	$ 4,083	27.5%	$ 3,955	27.1%
Pacific	3,217	21.7%	3,027	20.7%
Central	3,201	21.5%	3,246	22.2%
Middle Atlantic	3,014	20.3%	3,010	20.6%
New England	1,255	8.4%	1,278	8.8%
Other	83	0.6%	85	0.6%
Total	$ 14,853	100.0%	$ 14,601	100.0%

At December 31, 2016 and December 31, 2015, $39 million and $44 million of mortgage loans were past due 90 days and over, respectively.

The Company maintains a watchlist of mortgage loans that may potentially be impaired. The general guidelines analyzed to include commercial loans within the watchlist are loan-to-value ratio (“LTV”), asset performance such as debt service coverage ratio, lease rollovers, income and expense hurdles, major tenant or borrower issues, the economic climate, and catastrophic events, among others. Loans placed on the watchlist generally take priority in being revalued in the Company’s inspection/evaluation commercial loan program that revalues properties securing commercial loans. The guideline for analyzing residential loans occurs once a loan is 60 or more days delinquent. At that point, an appraisal or broker's price opinion of the underlying asset is obtained.

NOTE 6 – INVESTMENTS (continued)

LTV is deemed as one of the key mortgage loan indicators to assess credit quality and to assist in identifying problem loans. At December 31, 2016 and 2015, LTVs on the Company's mortgage loans were as follows (in millions):

	2016							
Loan to Value % (By Class)	**Office Bldgs**	**Apartment Bldgs**	**Retail Facilities**	**Industrial**	**Hotel**	**Residential**	**Other**	**Total**
Above 95%	$ —	$ —	$ —	$ 39	$ —	$ —	$ —	$ 39
91% to 95%	—	—	—	—	—	—	—	—
81% to 90%	73	—	—	—	—	—	—	73
71% to 80%	76	359	235	8	—	1	—	679
below 70%	4,352	3,474	3,581	2,444	142	7	62	14,062
Total	$ 4,501	$ 3,833	$ 3,816	$ 2,491	$ 142	$ 8	$ 62	$ 14,853

	2015							
Loan to Value % (By Class)	**Office Bldgs**	**Apartment Bldgs**	**Retail Facilities**	**Industrial**	**Hotel**	**Residential**	**Other**	**Total**
Above 95%	$ —	$ —	$ —	$ 43	$ —	$ —	$ —	$ 43
91% to 95%	—	—	—	—	—	—	—	—
81% to 90%	73	—	—	—	—	—	—	73
71% to 80%	128	308	377	38	10	1	—	862
below 70%	4,610	3,434	3,254	2,126	132	11	56	13,623
Total	$ 4,811	$ 3,742	$ 3,631	$ 2,207	$ 142	$ 12	$ 56	$ 14,601

NOTE 6 – INVESTMENTS (continued)

At December 31, 2016 and 2015 impaired mortgage loans were as follows (in millions):

	2016					
Type	Impaired Loans with Allowance for Credit Losses	Related Allowance	Impaired Loans without Allowance for Credit Losses	Average Recorded Investment	Interest Income Recognized	Interest Income on a Cash Basis During the Period
Commercial	$ —	$ —	$ 39	$ 42	$ —	$ —

	2015					
Type	Impaired Loans with Allowance for Credit Losses	Related Allowance	Impaired Loans without Allowance for Credit Losses	Average Recorded Investment	Interest Income Recognized	Interest Income on a Cash Basis During the Period
Commercial	$ —	$ —	$ 43	$ 51	$ —	$ —

Real Estate

At December 31, 2016 and 2015, the carrying value of the Company's real estate portfolio consisted of the following (in millions):

	2016	2015
Properties for Company use	$ 236	$ 280
Investment property	1,325	1,111
Acquired through foreclosure	25	35
Total real estate	$ 1,586	$ 1,426

Accumulated depreciation on real estate at December 31, 2016 and 2015 was $460 million and $448 million, respectively. Depreciation expense for the years ended December 31, 2016 and 2015 was $50 million and $47 million, respectively, and was recorded as an investment expense, a component of net investment income.

In addition to the above, the Company owns real estate in certain LLC structures, which are included within "Limited partnerships and other invested assets" of $811 million and $683 million for the years ended December 31, 2016 and 2015, respectively. Due to changes in accounting rules in 2015, $654 million of assets previously reported within Limited partnerships and other invested assets are now reported as Investment property above as discussed in Note 5 - Recent Accounting Pronouncements. In 2016, $69 million of assets previously reported within Limited Partnerships and other invested assets were transferred to the Investment property category under real estate above.

NOTE 6 – INVESTMENTS (continued)

Limited Partnerships and Other Invested Assets

The carrying value of limited partnerships and other invested assets at December 31, 2016 and 2015 consists of the following (in millions):

	2016	2015
Limited partnerships and limited liability companies	$ 6,812	$ 6,524
Affiliated non-insurance subsidiaries	1,484	1,741
Other invested assets	102	143
LIHTC investments	293	351
Loans to affiliates	119	727
Total limited partnerships and other invested assets	$ 8,810	$ 9,486

Net investment income/loss and change in unrealized gains/losses for limited partnerships and other invested assets for the years ended December 31, 2016 and 2015 consist of the following (in millions):

	Net Investment Income		Unrealized Gains/Losses	
	2016	2015	2016	2015
Limited partnerships and limited liability companies	$ 619	$ 742	$ 142	$ 199
Affiliated non-insurance subsidiaries	303	350	(264)	(113)
Other invested assets	6	11	—	(3)
LIHTC investments	(80)	(97)	—	—
Loans to affiliates	23	125	—	—
Total limited partnerships and other invested assets	$ 871	$ 1,131	$ (122)	$ 83

Limited partnerships and limited liability companies primarily consist of limited partnership interests in leveraged buy-out funds, real estate and other private equity investments. Distributions, other than those deemed a return of capital, are recorded as net investment income. Undistributed earnings are included in unrealized gains and losses in surplus.

The Company recognized $251 million and $267 million in impairment write-downs on its investments in limited partnerships and limited liability companies during the years ended December 31, 2016 and 2015, respectively, which are included in net realized capital gains/losses.

At December 31, 2016 and 2015, the Company had $81 million and $75 million, respectively, of investments in limited partnerships and limited liability companies that were nonadmitted, and therefore excluded from the amounts in the table above.

Affiliated non-insurance subsidiaries consist of the Company's limited liability company investments in NYL Investments, NYL Investors, New York Life Enterprises ("NYLE"), NYLIFE LLC and MCF. Refer to Note 11 - Related Party Transactions for a more detailed discussion of the Company's transactions with related parties. Dividends are recorded in net investment income when declared and changes in the equity of subsidiaries are recorded in unrealized gains and losses in surplus.

Other invested assets consist primarily of investments in surplus notes and other investments with characteristics of debt. Interest earned on these investments is included in net investment income.

NOTE 6 – INVESTMENTS (continued)

The Company receives tax credits related to its investments in LIHTC partnerships. The Company's unexpired tax credits on its investments in LIHTC expire within a range of less than 1 year to 12 years. The Company records amortization on these investments under the proportional amortized cost method which is included in net investment income. The Company recorded tax credits and other tax benefits on these investments of $108 million and $122 million for 2016 and 2015, respectively. The minimum holding period required for the Company's LIHTC investments extends from 1 years to 15 years. The LIHTC investments are periodically subject to regulatory reviews by housing authorities where the properties are located. The Company is not aware of any adverse issues related to such regulatory reviews. The Company's investment in LIHTC partnerships includes $45 million and $21 million of unfunded commitments at December 31, 2016 and 2015, respectively.

For loans to affiliates, refer to Note 11 - Related Party Transactions, which includes a more detailed discussion of the Company's loans to affiliates.

NOTE 6 – INVESTMENTS (continued)

Assets on Deposit or Pledged as Collateral

At December 31, 2016 and 2015, the Company's restricted assets (including pledged collateral) were as follows ($ in millions):

	2016							
	Gross (Admitted and Nonadmitted) Restricted						Percentage	
Restricted Asset Category	Total General Account (G/A)	Total S/A Restricted Assets	Total	Total From Prior Year	Increase (Decrease)	Total Admitted Restricted	Gross (Admitted and Non-admitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Collateral held under security lending agreements	$ 653	$ —	$ 653	$ 578	$ 75	$ 653	0.379%	0.382%
Subject to reverse repurchase agreements	309	—	309	382	(73)	309	0.179%	0.181%
Subject to dollar repurchase agreements	—	—	—	31	(31)	—	—%	—%
Letter stock or securities restricted as to sale - excluding FHLB capital stock	20	—	20	10	10	20	0.012%	0.012%
FHLB capital stock	143	—	143	119	24	143	0.083%	0.084%
On deposit with states	218	—	218	206	12	218	0.126%	0.128%
Pledged as collateral to FHLB (including assets backing funding agreements)	2,279	—	2,279	1,802	477	2,279	1.321%	1.335%
Pledged as collateral not captured in other categories	11,015	—	11,015	11,476	(461)	11,015	6.386%	6.451%
Total restricted assets	$ 14,637	$ —	$ 14,637	$ 14,604	$ 33	$ 14,637	8.486%	8.573%

NOTE 6 – INVESTMENTS (continued)

	2015							
	Gross (Admitted and Nonadmitted) Restricted						Percentage	
Restricted Asset Category	Total General Account (G/A)	Total S/A Restricted Assets	Total	Total From Prior Year	Increase (Decrease)	Total Admitted Restricted	Gross (Admitted and Non-admitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Collateral held under security lending agreements	$ 578	$ —	$ 578	$ 554	$ 24	$ 578	0.349%	0.353%
Subject to reverse repurchase agreements	382	—	382	182	200	382	0.231%	0.234%
Subject to dollar repurchase agreements	—	31	31	146	(115)	31	0.018%	0.019%
Letter stock or securities restricted as to sale - excluding FHLB capital stock	10	—	10	8	2	10	0.006%	0.006%
FHLB capital stock	119	—	119	110	9	119	0.072%	0.073%
On deposit with states	206	—	206	202	4	206	0.124%	0.126%
Pledged as collateral to FHLB (including assets backing funding agreements)	1,802	—	1,802	1,601	201	1,802	1.090%	1.102%
Pledged as collateral not captured in other categories	11,476	—	11,476	—	11,476	11,476	6.943%	7.017%
Total restricted assets	$ 14,573	$ 31	$ 14,604	$ 2,803	$ 11,801	$ 14,604	8.833%	8.930%

NOTE 6 – INVESTMENTS (continued)

See below for details of assets pledged as collateral not captured in other categories as of December 31, 2016 and 2015.

2016

	Gross (Admitted and Nonadmitted) Restricted						Percentage	
Restricted Asset Category	Total General Account (G/A)	Total S/A Restricted Assets	Total	Total From Prior Year	Increase (Decrease)	Total Current Year Admitted Restricted	Gross (Admitted and Non-Admitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Reinsurance collateral assets[1]	$ 11,015	$ —	$ 11,015	$ 11,476	$ (461)	$ 11,015	6.386%	6.450%
Total pledged as collateral not captured in other categories	$ 11,015	$ —	$ 11,015	$ 11,476	$ (461)	$ 11,015	6.386%	6.450%

[1] Includes assets of $9,430 million which are permanently restricted and inure solely to the benefit of the reinsured policyholders.

2015

	Gross (Admitted and Nonadmitted) Restricted						Percentage	
Restricted Asset Category	Total General Account (G/A)	Total S/A Restricted Assets	Total	Total From Prior Year	Increase (Decrease)	Total Current Year Admitted Restricted	Gross (Admitted and Non-Admitted) Restricted to Total	Admitted Restricted to Total Admitted Assets
Reinsurance collateral assets[1]	$ 11,476	$ —	$ 11,476	$ —	$ 11,476	$ 11,476	6.943%	7.017%
Total pledged as collateral not captured in other categories	$ 11,476	$ —	$ 11,476	$ —	$ 11,476	$ 11,476	6.943%	7.017%

[1] Includes assets of $9,828 million which are permanently restricted and inure solely to the benefit of the reinsured policyholders.

NOTE 6 – INVESTMENTS (continued)

Collateral Received

At December 31, 2016 and 2015, the Company's assets received as collateral, reflected as assets within the Company's financial statements, along with a liability to return such collateral were as follows ($ in millions):

	2016			
Cash Collateral Assets	Book/ Adjusted Carrying Value	Fair Value	% of Assets to Total Assets (Admitted and Nonadmitted)	% of Assets to Total Admitted Assets
Securities lending	$ 653	$ 653	0.4%	0.4%
Derivatives	390	390	0.2	0.2
Total	$ 1,043	$ 1,043	0.7%	0.7%

	2015			
Cash Collateral Assets	Book/ Adjusted Carrying Value	Fair Value	% of Assets to Total Assets (Admitted and Nonadmitted)	% of Assets to Total Admitted Assets
Securities lending	$ 578	$ 578	0.4%	0.4%
Repurchases	31	31	—	—
Derivatives	698	698	0.5	0.5
Total	$ 1,307	$ 1,307	0.9%	0.9%

Cash received on securities lending transactions and repurchase agreements is then reinvested in short-term investments and bonds with various maturities as shown in Note 15 - Commitments and Contingencies.

	2016		2015	
Recognized Obligation to Return Collateral Asset	Amount	% of Liability to Total Liabilities	Amount	% of Liability to Total Liabilities
Amounts payable under securities lending agreements	$ 653	0.5%	$ 578	0.4%
Other liabilities (derivatives)	390	0.3	698	0.5
Separate accounts liabilities (repurchase transactions)	—	—	31	—
Total	$ 1,043	0.8%	$ 1,307	0.9%

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

The Company uses derivative instruments to manage interest rate and currency risk. These derivative instruments include foreign currency forwards, interest rate options, interest rate futures and interest rate, inflation, and foreign currency swaps. The Company does not engage in derivative instrument transactions for speculative purposes.

The Company may enter into exchange traded futures and over-the-counter ("OTC") derivative instruments. Exchange traded derivatives are executed through regulated exchanges and require initial and daily variation margin collateral postings. The Company is exposed to credit risk resulting from default of the exchange.

OTC derivatives may either be cleared through a clearinghouse ("OTC-cleared") or transacted between the Company and a counterparty under bilateral agreements ("OTC-bilateral"). Similar to exchange traded futures, OTC-cleared derivatives require initial and daily variation margin collateral postings. When transacting OTC-cleared derivatives, the Company is exposed to credit risk resulting from default of the clearinghouse and/or default of the Futures Commission Merchant (e.g. clearinghouse agent).

When transacting OTC-bilateral derivatives, the Company is exposed to the potential default of its OTC-bilateral counterparty. The Company deals with a large number of highly rated OTC-bilateral counterparties, thus limiting its exposure to any single counterparty. The Company has controls in place to monitor credit exposures of OTC-bilateral counterparties by limiting transactions within specified dollar limits and continuously assessing the creditworthiness of its counterparties. The Company uses master netting agreements and adjusts transaction levels, when appropriate, to minimize risk. The Company's policy is to not offset amounts recognized on the accompanying Statutory Statements of Financial Position for derivatives executed with the same counterparty under the same master netting agreement with the associated collateral.

Credit risk is managed by entering into transactions with creditworthy counterparties and obtaining collateral where appropriate. All of the net credit exposure for the Company from derivative contracts is with investment-grade counterparties. For OTC-cleared and exchange traded derivatives, the Company obtains collateral through variation margin which is adjusted daily based on the parties' net derivative position.

For OTC-bilateral derivatives, the Company obtains collateral in accordance with the terms of credit support annexes ("CSAs") negotiated as part of the master agreements entered into with most OTC-bilateral counterparties.

The CSA defines the terms under which collateral is transferred between the parties in order to mitigate credit risk arising from "in the money" derivative positions. The CSA requires that an OTC-bilateral counterparty post collateral to secure its anticipated derivative obligation, taking into account netting arrangements. In a few cases, these CSAs provide that the counterparties are not required to post collateral below a specified threshold; however, the agreements governing these bilateral relationships also include credit contingent provisions whereby the threshold declines on a sliding scale with declines in the OTC-bilateral counterparties' ratings. In addition, certain of the Company's contracts require that if the Company's (or its counterparty's) credit rating were to fall below a specified rating assigned by a credit rating agency, the other party could request immediate payout on all transactions under the contracts or full collateralization of the positions there under. Cash collateral is invested in short-term investments. The aggregate fair value of all OTC-bilateral derivative instruments with credit-risk related contingent features that are in a net liability position at December 31, 2016 was $130 million for which the Company has posted collateral with a fair value of $119 million. If the credit contingent features had been triggered at December 31, 2016, the Company estimates that it would not have had to post additional collateral for either a one notch downgrade in the Company's credit rating or for a downgrade that would trigger full collateralization.

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company may be exposed to credit-related losses in the event that an OTC-bilateral counterparty fails to perform its obligations under its contractual terms. In contractual arrangements with OTC-bilateral counterparties that do not include netting provisions, in the event of default, credit exposure is limited to the positive fair value of derivatives at the reporting date. In contractual arrangements with OTC-bilateral counterparties that include netting provisions, in the event of default, credit exposure is limited to the net fair value, if positive, of all derivatives at the reporting date. At December 31, 2016, the Company held collateral for derivatives of $392 million, including $13 million of securities. At December 31, 2015, the Company held collateral for derivatives of $705 million, including $12 million of securities. Fair value of derivatives in a net asset position, net of collateral, was $25 million and $37 million at December 31, 2016 and 2015, respectively.

Interest Rate Risk Management

The Company enters into various types of interest rate derivatives primarily to minimize exposure to fluctuations in interest rates on assets and liabilities held by the Company.

Interest rate swaps are used by the Company to hedge interest rate risk for individual and portfolios of assets. Interest rate swaps are agreements with other parties to exchange, at specified intervals, the difference between interest amounts calculated by reference to an agreed upon notional value. Generally, no cash is exchanged at the onset of the contract and no principal payments are made by either party. The company does not act as an intermediary or broker in interest rate swaps.

Interest rate caps and swaptions are used by the Company to hedge disintermediation risk of increasing interest rates on policyholder liability obligations. The Company will receive payments from counterparties when interest rates exceed an agreed upon strike price.

Inflation swaps are used by the Company to hedge inflation risk of certain policyholder liabilities linked to the U.S. Consumer Price Index.

Interest rate (Treasury) futures are used by the Company to manage duration of the Company's fixed income portfolio. Interest rate futures are exchange traded contracts to buy or sell a bond at a specific price at a future date.

Interest rate corridor options are used by the Company to hedge the risk of increasing interest rates on policyholder liabilities. Under these contracts, the Company will receive payments from counterparties should an agreed upon interest rate level be reached and payments will continue to increase under the option contract until an agreed upon interest rate ceiling is reached.

Currency Risk Management

The primary purpose of the Company’s foreign currency hedging activities is to protect the value of foreign currency denominated assets and liabilities, which the Company has acquired or incurred or anticipates acquiring or incurring, and net investments in foreign subsidiaries from the risk of changes in foreign exchange rates.

Foreign currency swaps are agreements with other parties to exchange, at specified intervals, principal and interest in one currency for the same in another, at a fixed exchange rate, which is generally set at inception and calculated by reference to an agreed upon notional value. Generally, only principal payments are exchanged at the onset and the end of the contract.

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

Foreign currency forwards involve the exchange of foreign currencies at a specified future date and at a specified price. No cash is exchanged at the time the agreement is entered into.

Hedge Effectiveness

To qualify for hedge accounting, the hedge relationship is designated and formally documented at inception detailing the particular risk management objective and strategy for the hedge, including the item and risk that is being hedged, the derivative that is being used, and how effectiveness is assessed.

A derivative must be highly effective in accomplishing the objective of offsetting either changes in fair value or cash flows for the risk being hedged. The Company formally assesses effectiveness of its hedging relationships both at the hedge inception and on an ongoing basis in accordance with its risk management policy. The hedging relationship is considered highly effective if the changes in fair value or discounted cash flows of the hedging instrument are within 80-125% of the inverse changes in the fair value or discounted cash flows of the hedged item.

The Company discontinues hedge accounting prospectively if: (1) it is determined that the derivative is no longer highly effective in offsetting changes in the fair value or cash flows of a hedged item, (2) the derivative expires or is sold, terminated, or exercised, (3) it is probable that the forecasted transaction for which the hedge was entered into will not occur, or (4) management determines that the designation of the derivative as a hedge instrument is no longer appropriate.

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

The following tables present the notional amount, gross fair value and carrying value of derivative instruments that are qualifying and designated for hedge accounting, by type of hedge designation, and those that are not designated for hedge accounting at December 31, 2016 and 2015 (in millions):

	2016					
			Fair Value[2]		Carrying Value[3]	
Derivative type	**Primary Risk Exposure**	**Notional Amount[1]**	**Asset**	**Liability**	**Asset**	**Liability**
Derivatives qualifying and designated						
Cash flow hedges:						
Foreign currency swaps	Currency	$ 357	$ 16	$ 49	$ 17	$ 49
Interest rate swaps	Interest	39	12	—	—	—
Net investment hedges:						
Foreign currency forwards	Currency	76	8	—	8	—
Total derivatives qualifying and designated		$ 472	$ 36	$ 49	$ 25	$ 49
Derivatives not designated						
Interest rate corridor options	Interest	$ 61,500	$ 17	$ —	$ 17	$ —
Foreign currency forwards	Currency	271	22	—	22	—
Foreign currency swaps	Currency	5,329	332	316	332	316
Futures	Interest	19	—	—	—	—
Inflation swaps	Interest	476	9	56	9	56
Interest rate caps	Interest	1,661	1	—	1	—
Interest rate swaps	Interest	2,442	369	118	369	118
Swaptions	Interest	9,603	31	—	31	—
Total derivatives not designated		$ 81,301	$ 781	$ 490	$ 781	$ 490
Total derivatives		$ 81,773	$ 817	$ 539	$ 806	$ 539

1 Notional amount of derivative instruments generally does not represent the amount exchanged between the parties engaged in the transaction.
2 For a discussion of valuation methods for derivative instruments refer to Note 9 – Fair Value Measurements.
3 The carrying value of all derivatives is reported within Derivatives in the accompanying Statutory Statements of Financial Position.

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

			2015			
			Fair Value[2]		Carrying Value[3]	
Derivative type	**Primary Risk Exposure**	**Notional Amount[1]**	**Asset**	**Liability**	**Asset**	**Liability**
Derivatives qualifying and designated						
Cash flow hedges:						
Foreign currency swaps	Currency	$ 593	$ 77	$ 44	$ 76	$ 43
Interest rate swaps	Interest	314	42	—	—	—
Net investment hedges:						
Foreign currency forwards	Currency	75	9	—	10	—
Total derivatives qualifying and designated		$ 982	$ 128	$ 44	$ 86	$ 43
Derivatives not designated						
Interest rate corridor options	Interest	$ 69,000	$ 18	$ —	$ 18	$ —
Foreign currency forwards	Currency	566	22	1	22	1
Foreign currency swaps	Currency	5,235	305	172	305	172
Futures	Interest	175	—	—	—	—
Inflation swaps	Interest	366	—	81	—	81
Interest rate caps	Interest	1,568	1	—	1	—
Interest rate swaps	Interest	5,267	596	162	596	162
Swaptions	Interest	14,503	36	—	36	—
Total derivatives not designated		$ 96,680	$ 978	$ 416	$ 978	$ 416
Total derivatives		$ 97,662	$ 1,106	$ 460	$ 1,064	$ 459

1 Notional amount of derivative instruments generally does not represent the amount exchanged between the parties engaged in the transaction.
2 For a discussion of valuation methods for derivative instruments refer to Note 9 - Fair Value Measurements.
3 The carrying value of all derivatives is reported within Derivatives in the accompanying Statutory Statements of Financial Position.

Cash Flow Hedges

The Company's cash flow hedges primarily include hedges of floating rate securities and foreign currency denominated assets and liabilities. Derivative instruments used in cash flow hedges that meet criteria indicating that they are highly effective are valued and reported in a manner that is consistent with the hedged asset or liability.

The Company designates and accounts for the following qualified cash flow hedges*:* (1) interest rate swaps used to convert floating rate investments to fixed rate investments; (2) foreign currency swaps used to hedge the foreign currency cash flow exposure of foreign currency denominated investments and liabilities; and (3) interest rate swaps to hedge the interest rate risk associated with forecasted transactions.

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

The following table presents the effects of derivatives in cash flow hedging relationships for the years ended December 31, 2016 and 2015 (in millions):

Derivative Type	Gain or (Loss) Recognized in Surplus[1] 2016	Gain or (Loss) Recognized in Surplus[1] 2015	Gain or (Loss) Recognized in Net Realized Capital Gains (Losses) 2016	Gain or (Loss) Recognized in Net Realized Capital Gains (Losses) 2015	Gain or (Loss) Recognized in Net Investment Income 2016	Gain or (Loss) Recognized in Net Investment Income 2015	Gain or (Loss) Recognized in Other Income 2016	Gain or (Loss) Recognized in Other Income 2015
Foreign currency swaps	$ (71)	$ 95	$ 61	$ (115)	$ 1	$ 2	$ (5)	$ (8)
Interest rate swaps	—	—	—	—	2	2	—	—
Total	$ (71)	$ 95	$ 61	$ (115)	$ 3	$ 4	$ (5)	$ (8)

[1] The amount of gain or (loss) recognized in surplus is reported within change in net unrealized gains (losses) on investments in the accompanying Statutory Statements of Changes in Surplus.

Derivatives Not Designated

The following table provides the classification and amount of gains and losses on derivative instruments not designated for hedge accounting for the years ended December 31, 2016 and 2015 (in millions):

Derivative Type	Gain or (Loss) Recognized in Surplus[1] 2016	Gain or (Loss) Recognized in Surplus[1] 2015	Gain or (Loss) Recognized in Net Realized Capital Gains (Losses) 2016	Gain or (Loss) Recognized in Net Realized Capital Gains (Losses) 2015	Gain or (Loss) Recognized in Net Investment Income 2016	Gain or (Loss) Recognized in Net Investment Income 2015	Gain or (Loss) Recognized in Other Income 2016	Gain or (Loss) Recognized in Other Income 2015
Foreign currency forwards	$ 1	$ (20)	$ 7	$ 67	$ —	$ —	$ —	$ —
Foreign currency swaps	(122)	58	21	(37)	26	14	2	8
Futures	—	—	(5)	(3)	—	—	—	—
Inflation swaps	34	(19)	—	—	—	—	(5)	(11)
Interest rate caps	2	1	—	—	(2)	(2)	—	—
Interest rate corridor options	15	1	—	—	(16)	(15)	—	—
Interest rate swaps	(182)	42	314	—	19	41	5	8
Swaptions	16	10	—	—	(20)	(27)	—	—
Total	$ (236)	$ 73	$ 337	$ 27	$ 7	$ 11	$ 2	$ 5

[1] The amount of gain or (loss) recognized in surplus is reported as a change in net unrealized gains (losses) on investments in the accompanying Statutory Statements of Changes in Surplus.

NOTE 8 – SEPARATE ACCOUNTS

Separate Accounts Activity

The Company utilizes separate accounts to record and account for assets and liabilities for particular lines of business and/or transactions. The Company reported separate accounts assets and liabilities from employee benefit plans (group annuity) and funding agreements product lines.

The Company has market value guaranteed separate accounts for which supplemental separate account assets are used to fund the excess of the actuarial liability for future guaranteed payments over the market value of the assets.

In accordance with the domiciliary state procedures for approving items within the separate accounts, the classification of the separate accounts listed above is subject to Section 4240 of the New York State Insurance Law. In addition, the separate accounts listed above are supported through affirmative approval of the plans of operations by the New York State Department of Financial Services.

The assets legally and not legally insulated from the general account at December 31, 2016 and 2015 are attributed to the following products or transactions (in millions):

	2016		2015	
Product or Transaction	**Legally Insulated Assets**	**Separate Accounts Assets (Not Legally Insulated)[2]**	**Legally Insulated Assets**	**Separate Accounts Assets (Not Legally Insulated)[3]**
Employee benefit plans (group annuity)	$ 11,842	$ 174	$ 10,459	$ 261
Funding agreements	1,683	52	1,563	30
Supplemental account[1]	—	45	—	14
Total	$ 13,525	$ 271	$ 12,022	$ 305

[1] The supplemental account is used to fund the excess of the actuarial liability for future guaranteed payments over the market value of the guaranteed separate account assets. The Company evaluates separate accounts surplus quarterly and transfers funds to (or from) the supplemental separate account as necessary. These transfers are reported as net transfers to separate accounts in the accompanying Statutory Statements of Operations.

[2] Separate accounts assets classified as not legally insulated assets support $251 million of payable for securities, $12 million of remittances and items not allocated, $6 million of surplus and $5 million of investment servicing fee payables, partially offset by $2 million of other transfers from the general account due or accrued (net) and less than $1 million of derivative (net).

[3] Separate accounts assets classified as not legally insulated assets support $31 million of borrowed funds, $270 million of payables for securities, $3 million of surplus and $1 million of transfers to the general account due or accrued (net).

At December 31, 2016 and 2015, there were no separate accounts securities lending arrangements.

NOTE 8 – SEPARATE ACCOUNTS (continued)

Guaranteed Separate Accounts

The Company maintained assets in guaranteed separate accounts at December 31, 2016 and 2015 as follows (in millions):

	2016	2015
Market value separate accounts[1]	$ 5,588	$ 4,630
Book value separate accounts	4,622	4,152
Total guaranteed separate accounts assets	$ 10,210	$ 8,782

[1] Includes assets maintained in the supplemental account of $45 million and $14 million at December 31, 2016 and 2015, respectively.

Certain market value separate accounts provide a minimum guaranteed interest rate, and for other market value separate accounts, the guarantee is tied to an index. For the accounts which provide a minimum guaranteed interest rate, at contract discontinuance, the contract holder is entitled to an immediate payout of market value, or an installment payout of the guaranteed amount, or for certain contracts, a lump sum payout of the guaranteed amount at the end of a specified number of years, as set forth in the contract. For accounts where the guarantee is tied to an index, at contract discontinuance, and given 10 days notice, if the market value is greater than the guaranteed amount the contract holder is entitled to the guaranteed amount plus one-half of the excess performance and the Company reflects its share of the amount in surplus. If the market value of the assets is less than the guaranteed amount, the contract holder is entitled to an immediate payout of market value, or an installment payout of the guaranteed amount. The excess performance is retained in the separate accounts, until a withdrawal is made or the contract is terminated.

The book value separate account guarantees principal and interest during active status and at contract discontinuance the contract holder is entitled to a book value payout if 12 months advance notice is provided. Alternatively, the contract holder may elect discontinuance with at least 10 days notice and receive an immediate lump sum payment subject to a termination adjustment factor (tied to an external index). The factor will not be greater than 1.

At December 31, 2016 and 2015, the general account of the Company did not have a maximum guarantee for separate accounts liabilities. To compensate the general account for the risk taken for minimum guarantees in certain contracts, the separate account has paid risk charges as follows for the past five years (in millions):

Year	Amount
2016	$ 16
2015	$ 14
2014	$ 13
2013	$ 14
2012	$ 12

For the years ended December 31, 2016, 2015, 2014, 2013 and 2012, the general account of the Company did not make any payments toward separate accounts guarantees.

NOTE 8 – SEPARATE ACCOUNTS (continued)

Non-Guaranteed Separate Accounts

The Company currently maintains non-guaranteed separate accounts with assets of $3,587 million and $3,544 million at December 31, 2016 and 2015, respectively. Separate accounts funding non-guaranteed benefits provide no guarantee of principal or interest, and payout is at fair value at contract discontinuance.

Information regarding the separate accounts of the Company at and for the years ended December 31, 2016 and 2015 is as follows (in millions):

	2016			
	Indexed	Non-Indexed Guarantee less than or equal to 4%	Non-Guaranteed Separate Accounts	Total
Premiums and considerations	$ —	$ 2,428	$ —	$ 2,428
Reserves:				
For accounts with assets at:				
Fair value	$ 157	$ 5,239	$ 3,550	$ 8,946
Amortized cost	—	4,579	—	4,579
Total reserves	$ 157	$ 9,818	$ 3,550	$ 13,525
By withdrawal characteristics:				
With fair value adjustment	$ —	$ 4,579	$ —	$ 4,579
At fair value	157	5,239	3,550	8,946
Total reserves	$ 157	$ 9,818	$ 3,550	13,525

	2015			
	Indexed	Non-Indexed Guarantee less than or equal to 4%	Non-Guaranteed Separate Accounts	Total
Premiums and considerations	$ —	$ 1,951	$ (196)	$ 1,755
Reserves:				
For accounts with assets at:				
Fair value	$ 152	$ 4,191	$ 3,541	$ 7,884
Amortized cost	—	4,134	—	$ 4,134
Total reserves	$ 152	$ 8,325	$ 3,541	$ 12,018
By withdrawal characteristics:				
With fair value adjustment	$ —	$ 4,134	$ —	$ 4,134
At fair value	152	4,191	3,541	7,884
Total reserves	$ 152	$ 8,325	$ 3,541	$ 12,018

NOTE 8 – SEPARATE ACCOUNTS (continued)

The following is a reconciliation of net transfers from the general account to the separate accounts (in millions):

	2016	2015
Transfers as reported in the Separate Accounts Statement:		
Transfers to separate accounts	$ 2,327	$ 1,645
Transfers from separate accounts	(1,331)	(1,531)
Net transfers to separate accounts	996	114
Reconciling adjustments:		
Reinsurance assumed	4	6
Net transfers to separate accounts as reported on the Company's Statutory Statements of Operations	$ 1,000	$ 120

NOTE 9 – FAIR VALUE MEASUREMENTS

The Company's financial assets and liabilities have been classified, for disclosure purposes, based on a hierarchy defined by SSAP No. 100, "Fair Value Measurements." Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are based on the inputs to the valuation as follows:

Level 1 Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market. Active markets are defined as a market in which many transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices in active markets for similar assets or liabilities; quoted prices in markets that are not active for identical or similar assets or liabilities, or other model driven inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Valuations are generally obtained from third-party pricing services for identical or comparable assets or liabilities or through the use of valuation methodologies using observable market inputs.

Level 3 Instruments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions in pricing the asset or liability. Pricing may also be based upon broker quotes that do not represent an offer to transact. Prices are determined using valuation methodologies such as option pricing models, discounted cash flow models and other similar techniques. Non-binding broker quotes, which are utilized when pricing service information is not available, are reviewed for reasonableness based on the Company's understanding of the market, and are generally

considered Level 3. To the extent the internally developed valuations use significant unobservable inputs, they are classified as Level 3.

Determination of Fair Value

The Company has an established and well-documented process for determining fair value. Security pricing is applied using a hierarchy approach whereby publicly available prices are first sought from nationally recognized third-party pricing services. For most private placement securities, the Company applies a matrix-based pricing methodology, which uses spreads derived from third-party benchmark bond indices. For private placement securities that cannot be priced through these processes, the Company uses internal models and calculations. All other securities are submitted to independent brokers for prices. The Company performs various analyses to ascertain that the prices represent fair value. Examples of procedures performed include, but are not limited to, back testing recent trades, monitoring of trading volumes, and performing variance analysis of monthly price changes using different thresholds based on asset type. The Company also performs an annual review of all third-party pricing services. During this review, the Company obtains an understanding of the process and sources used by the pricing service to ensure that they maximize the use of observable inputs, the pricing service's frequency of updating prices, and the controls that the pricing service uses to ensure that their prices reflect market assumptions. The Company also selects a sample of securities and obtains a more detailed understanding from each pricing service regarding how they derived the price assigned to each security. Where inputs or prices do not reflect market participant assumptions, the Company will challenge these prices and apply different methodologies that will enhance the use of observable inputs and data. The Company may use non-binding broker quotes or internal valuations to support the fair value of securities that go through this formal price challenge process.

In addition, the Company has a pricing committee that provides oversight over the Company's prices and fair value process for securities. The committee is comprised of representatives from the Company's Investment Management group, Controller's, Compliance and Security Operations. The committee meets quarterly and is responsible for the review and approval of the Company's valuation procedures. The committee is also responsible for the review of pricing exception reports as well as the review of significant inputs used in the valuation of assets that are valued internally.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The following tables present the carrying value and estimated fair value of the Company's financial instruments at December 31, 2016 and 2015 (in millions):

	2016					
	Fair Value	Carrying Value	Level 1	Level 2	Level 3	Not Practicable
Assets:						
Bonds	$ 98,159	$ 93,048	$ —	$ 94,680	$ 3,479	$ —
Preferred stocks	79	56	—	59	20	—
Common stocks[1]	1,015	1,015	867	—	148	—
Mortgage loans	15,099	14,853	—	—	15,099	—
Cash, cash equivalents and short-term investments	2,989	2,989	177	2,812	—	—
Derivatives	816	806	—	767	49	—
Derivatives collateral	141	141	—	141	—	—
Other invested assets[1]	574	514	—	165	409	—
Investment income due and accrued	1,375	1,375	—	1,375	—	—
Separate accounts assets	13,785	13,797	2,604	10,280	901	—
Total assets	$134,032	$ 128,594	$ 3,648	$110,279	$ 20,105	$ —
Liabilities:						
Deposit fund contracts:						
GICs (including funding agreements)	$ 13,684	$ 13,748	$ —	$ —	$ 13,684	$ —
Annuities certain	68	62	—	—	68	—
Other deposit funds	419	419	—	—	419	—
Premiums paid in advance	84	84	—	84	—	—
Derivatives	539	539	—	539	—	—
Derivatives collateral	390	390	—	390	—	—
Borrowed money	503	503	—	503	—	—
Amounts payable under security lending agreements	653	653	—	653	—	—
Separate accounts liabilities - deposit type contracts	1,683	1,683	—	1,683	—	—
Total liabilities	$ 18,023	$ 18,081	$ —	$ 3,852	$ 14,171	$ —

[1] Excludes investments accounted for under the equity method.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

	2015					
	Fair Value	Carrying Value	Level 1	Level 2	Level 3	Not Practicable
Assets:						
Bonds	$ 90,771	$ 86,178	$ —	$ 87,524	$ 3,247	$ —
Preferred stocks	73	59	—	56	17	—
Common stocks[1]	844	844	721	—	123	—
Mortgage loans	15,014	14,601	—	—	15,014	—
Cash, cash equivalents and short-term investments	4,392	4,392	275	4,117	—	—
Derivatives	1,106	1,064	—	1,106	—	—
Derivatives collateral	76	76	—	76	—	—
Other invested assets[1]	1,264	1,221	—	696	568	—
Investment income due and accrued	1,250	1,250	—	1,250	—	—
Separate accounts assets	12,315	12,327	2,667	8,813	835	—
Total assets	$ 127,105	$ 122,012	$ 3,663	$103,638	$ 19,804	$ —
Liabilities:						
Deposit fund contracts:						
GICs (including funding agreements)	$ 12,869	$ 12,849	$ —	$ —	$ 12,869	$ —
Annuities certain	89	82	—	—	89	—
Other deposit funds	2,163	2,163	—	—	2,163	—
Premiums paid in advance	89	89	—	89	—	—
Derivatives	460	459	—	460	—	—
Derivatives collateral	699	699	—	699	—	—
Borrowed money	503	503	—	503	—	—
Amounts payable under security lending agreements	578	578	—	578	—	—
Separate accounts liabilities - deposit type contracts	1,563	1,563	—	1,563	—	—
Total liabilities	$ 19,013	$ 18,985	$ —	$ 3,892	$ 15,121	$ —

[1] Excludes investments accounted for under the equity method.

Bonds

Securities priced using a pricing service are generally classified as Level 2. The pricing service generally uses a discounted cash-flow model or market approach to determine fair value on public securities. Typical inputs used by these pricing services include, but are not limited to: benchmark yields, reported trades, issuer spreads, bids, offers, benchmark securities, estimated cash flows and prepayment speeds.

Private placement securities are primarily priced using a matrix-based pricing methodology, which uses spreads derived from third-party benchmark bond indices. Specifically, the Barclays Credit Index is used for investment-grade securities and the Citi High Yield Cash Index is used for below investment-grade securities. These indices are two widely recognized, reliable and well regarded benchmarks by participants in the financial services industry, which represent the broader U.S. public bond markets. The spreads derived

from each matrix are adjusted for liquidity. The liquidity premium is standardized and based on market transactions.

Certain private placement securities that cannot be priced using the matrix pricing described above, are priced by an internally developed discounted cash flow model or are priced based on internal calculations. The model uses observable inputs with a discount rate based off spreads of comparable public bond issues, adjusted for liquidity, rating and maturity. The Company assigns a credit rating for private placement securities based upon internal analysis. The liquidity premium is usually based on market transactions. These securities are classified as Level 2.

For some of the private placement securities priced through the model, the liquidity adjustments may not be based on market data, but rather, calculated internally. If the impact of the liquidity adjustment, which usually requires the most judgment, is not significant to the overall value of the security, the security is still classified as Level 2. If it is deemed to be significant, the security is classified as Level 3.

The valuation techniques for most Level 3 bonds are generally the same as those described in Level 2. However, if the investments are less liquid or are lightly traded, there is generally less observable market data, and therefore these investments will be classified as Level 3. Circumstances where observable market data are not available may include events such as market illiquidity and credit events related to the security. In addition, certain securities are priced based upon internal valuations using significant unobservable inputs. If a security could not be priced by a third-party vendor or through internal pricing models, broker quotes are received and reviewed by each investment analyst. These inputs may not be observable. Therefore, Level 3 classification is determined to be appropriate.

Included in bonds are affiliated bonds from MCF and NYL Investments. The affiliated bond from MCF had a carrying value of $1,966 million and a fair value of $2,006 million at December 31, 2016 and a carrying value and a fair value of $1,786 million at December 31, 2015. The fair value of this security is calculated internally and may include inputs that may be not observable. Therefore, this security is classified as Level 3. The affiliated bond from NYL Investments had a carrying value of $600 million and a fair value of $606 million at December 31, 2016. The fair value of this security is calculated internally using observable inputs and is therefore classified at Level 2.

Preferred Stocks

Preferred stocks are valued using prices from third-party pricing services, which generally use a discounted cash flow model or a market approach to arrive at the security's fair value. These securities are classified as Level 2. Preferred stocks classified as Level 3 are valued based on internal valuations where significant inputs are deemed to be unobservable.

Common Stocks

These securities are mostly comprised of exchange traded U.S. and foreign common stock and mutual funds. The fair value of these securities is primarily based on unadjusted quoted prices in active markets that are readily and regularly available and are classified as Level 1. Common stocks priced through an internal valuation where significant inputs are deemed to be unobservable, including securities issued by government organizations where fair value is fixed, are classified as Level 3.

Mortgage Loans

The estimated fair value of mortgage loans is determined based upon the present value of the expected cash flows discounted at an interpolated treasury yield plus a spread. The spread is based on management's

judgment and assumptions and it takes into account property type, LTV and remaining term of each loan. The spread is a significant component of the pricing inputs. These investments are classified as Level 3.

Cash, Cash Equivalents, Short-term Investments and Investment Income Due and Accrued

Cash on hand is classified as Level 1. Cash overdrafts (i.e. outstanding checks) are classified as Level 2. Due to the short-term maturities of cash equivalents, short term investments, and investment income due and accrued, carrying value approximates fair value and is classified as Level 2.

Derivatives

The fair value of derivative instruments is generally derived using valuation models, except for derivatives that are exchange-traded, which are valued using quoted prices in an active market. Where valuation models are used, the selection of a particular model depends upon the contractual terms of, and specific risks inherent in the instrument, as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments. Valuation model inputs include contractual terms, yield curves, foreign exchange rates, equity prices, credit curves, measures of volatility and other factors. Exchange-traded derivatives are classified as Level 1. OTC derivatives that trade in liquid markets, where model inputs are observable for substantially the full term, are classified as Level 2. Derivatives that are valued based upon models with any significant unobservable market inputs or inputs from less actively traded markets, or where the fair value is solely derived using broker quotations, are classified as Level 3.

Derivatives - Collateral

The carrying value of these instruments approximates fair value since these assets and liabilities are generally short-term in nature.

Other Invested Assets

Other invested assets are principally comprised of LIHTC investments, loans receivable from NYL Investors and Cordius, and in 2015, also included a loan receivable from NYL Investments. Other invested assets also include certain other investments with characteristics of debt. The fair value of one of the NYL Investors loan, the Cordius loan and the LIHTC investments is based on a discounted cash flow calculation using a discount rate that is determined internally. These investments are classified as Level 3 because the discount rate used is based on management's judgment and assumptions. The fair value of the loan receivable from NYL Investments was based on a discounted cash flow calculation using a market yield based on comparable public data and therefore, classified as Level 2 (refer to Note 11 - Related Party Transactions, for details on intercompany investments and Note 6 - Investments, for details on LIHTC investments). The fair value of investments with debt characteristics is based on a discounted cash flow calculation that may or may not use observable inputs. For the other two loans from NYL Investors, carrying value is deemed to approximate fair value due to the short-term nature of the investment. These investments are classified as Level 2.

Separate Accounts Assets

Separate accounts assets reported as Level 1 in the fair value hierarchy are comprised of cash and common stocks. Common stocks are generally traded on an exchange. Separate accounts assets reported as Level 2 relate to investments in U.S. government and treasury securities, corporate bonds and mortgage-backed securities. These separate accounts assets are valued and assigned within the fair value hierarchy, consistent with the methodologies described herein for similar financial instruments held within the general account of the Company.

The separate accounts also invest in limited partnerships and hedge fund investments. These investments are valued based on the latest NAV received. When the hedge fund can be redeemed at NAV, at the measurement date, or in the near-term (90 days or less) it is classified as Level 2. The following table provides further information about the Level 2 hedge funds in which the separate accounts invest (in millions):

Category of Investment	Investment Strategy	Fair Value at 12/31/2016	Unfunded Commitments at 12/31/2016	Redemption Frequency	Redemption Notice Period
Hedge fund	Long/short equity	$ 103	$ —	Annual, Quarterly, Monthly	90 days or less (Assets subject to lock-up periods)
Hedge fund	Distressed securities, multi-strategy, global macro, long/short equity, and future/ options/foreign currency arbitrage	45	—	Semi-Annual, Quarterly, Monthly	90 days or less (Assets subject to lock-up periods)
		$ 148	$ —		

Category of Investment	Investment Strategy	Fair Value at 12/31/2015	Unfunded Commitments at 12/31/2015	Redemption Frequency	Redemption Notice Period
Hedge fund	Long/short equity	$ 132	$ —	Quarterly, Monthly	90 days or less
Hedge fund	Global macro, distressed securities, and multi-strategy	76	—	Quarterly, Monthly	90 days or less
		$ 208	$ —		

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

Limited partnership and hedge fund investments that are restricted with respect to transfer or withdrawal of greater than 90 days, are classified as Level 3. The following tables provide further information about these investments (in millions):

Category of Investment	Investment Strategy	Fair Value at 12/31/2016	Unfunded Commitments 12/31/16	Redemption Frequency	Redemption Notice Period
Hedge fund	Long/short equity	$ 210	$ —	Annual, Semi-annual, Quarterly, Bi-monthly	90 days or less (Assets subject to lock-up periods)
Hedge fund	Distressed securities, multi-strategy, global macro, and merger arbitrage	161	—	Annual, Semi-annual, Quarterly	90 days or less (Assets subject to lock-up periods)
Private equity	Leverage buyout, mezzanine financing, and distressed securities	476	428	N/A	N/A
		$ 847	$ 428		

Category of Investment	Investment Strategy	Fair Value at 12/31/2015	Unfunded Commitments 12/31/15	Redemption Frequency	Redemption Notice Period
Hedge fund	Long/short equity	$ 180	$ —	Annual, Semi-annual, Quarterly	45 - 90 days (Assets subject to lock-up periods)
Hedge fund	Distressed securities, multi-strategy, global macro and merger arbitrage	202	—	Annual, Semi-annual, Quarterly, Monthly	45 - 150 days (Assets subject to lock-up periods)
Private equity	Leverage buyout and mezzanine financing	431	331	N/A	N/A
		$ 813	$ 331		

Deposit Fund Contracts

For funding agreements backing medium term notes, fair values are based on available market prices for the notes. For other funding agreements and annuities certain liabilities, fair values are estimated using discounted cash flow calculations based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued.

For all other deposit funds, the fair value is estimated to be equal to the account value since they can be withdrawn at anytime and without prior notice.

Premiums Paid in Advance

For premiums paid in advance, the carrying value of the liability approximates fair value.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

Borrowed Money

Borrowed money consists of intercompany borrowings, repurchase agreements and other financing arrangements. Due to the short-term nature of the transactions, the carrying value approximates fair value. The Company had no repurchase agreements at December 31, 2016 and 2015.

Amounts Payable Under Securities Lending

Amounts due under securities lending consists of cash collateral received under securities lending agreements. Due to the short-term nature of the transactions, the carrying value approximates fair value.

Separate Accounts Liabilities – Deposit Type Contracts

For deposit type contracts, which are funding agreements, the proceeds from which are invested primarily in fixed income securities, the carrying value of the liability approximates the fair value of the invested assets. These assets are valued using the same methods described for separate accounts assets and are classified as Level 2.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The following tables represent the balances of assets and liabilities measured and carried at fair value at December 31, 2016 and 2015 (in millions):

	2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets at fair value				
Bonds				
U.S. corporate	$ —	$ 18	$ —	$ 18
Non-agency commercial mortgage-backed securities	—	6	—	6
Non-agency asset-backed securities	—	2	18	20
Total bonds	—	26	18	44
Common stocks	867	—	148	1,015
Preferred stocks	—	—	2	2
Derivative assets				
Interest rate swaps	—	369	—	369
Foreign currency swaps	—	332	—	332
Inflation swaps	—	9	—	9
Swaptions	—	—	31	31
Foreign currency forwards	—	22	—	22
Interest rate corridor options	—	—	17	17
Interest rate caps	—	—	1	1
Total derivative assets	—	732	49	781
Separate accounts assets	2,604	5,710	860	9,174
Total assets at fair value	$ 3,471	$ 6,468	$ 1,077	$ 11,016
Liabilities at fair value				
Derivative liabilities				
Foreign currency swaps	$ —	$ 316	$ —	$ 316
Interest rate swaps	—	118	—	118
Inflation swaps	—	56	—	56
Total derivative liabilities	—	490	—	490
Total liabilities at fair value	$ —	$ 490	$ —	$ 490

[1] Separate accounts contract holder liabilities are not included in the table as they are reported at contract value and not fair value in the Company's statutory financial statements.

	2015			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets at fair value				
Bonds				
U.S. corporate	$ —	$ 15	$ —	$ 15
Non-agency commercial mortgage-backed securities	—	—	4	4
Non-agency asset-backed securities	—	—	15	15
Total bonds	—	15	19	34
Common stocks	721	—	123	844
Preferred stocks	—	2	1	3
Derivative assets				
Interest rate swaps	—	596	—	596
Foreign currency swaps	—	305	—	305
Swaptions	—	36	—	36
Foreign currency forwards	—	22	—	22
Interest rate corridor options	—	18	—	18
Interest rate caps	—	1	—	1
Total derivative assets	—	978	—	978
Separate accounts assets	2,667	4,693	814	8,174
Total assets at fair value	$ 3,388	$ 5,688	$ 957	$ 10,033
Liabilities at fair value				
Derivative liabilities				
Foreign currency swaps	$ —	$ 172	$ —	$ 172
Interest rate swaps	—	162	—	162
Inflation swaps	—	81	—	81
Foreign currency forwards	—	1	—	1
Total derivative liabilities	—	416	—	416
Total liabilities at fair value	$ —	$ 416	$ —	$ 416

[1] Separate accounts contract holder liabilities are not included in the table as they are reported at contract value and not fair value in the Company's statutory financial statements.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The tables below present a reconciliation of Level 3 assets and liabilities for the year ended December 31, 2016 and 2015 (in millions):

	2016									
	Balance at 1/01/2016	Transfers into Level 3	Transfers out of Level 3	Total gains or (losses) included in Net Income	Total gains or (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at 12/31/2016
Bonds:										
Non-agency CMBS	$ 4	$ —	$ (4)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Non-agency ABS	15	—	(2)	—	8	—	—	—	(3)	18
Total bonds	19	—	(6)	—	8	—	—	—	(3)	18
Common stocks	123	—	—	—	1	42	—	(18)	—	148
Non-redeemable preferred stocks	1	1	(1)	—	—	1	—	—	—	2
Derivatives:										
Interest rate caps	—	1	—	(2)	2	—	—	—	—	1
Corridor options	—	18	—	(16)	15	—	—	—	—	17
Swaptions	—	36	—	(20)	15	—	—	—	—	31
Total derivatives	—	55	—	(38)	32	—	—	—	—	49
Separate accounts assets[1]	814	23	(66)	69	3	202	—	(185)	—	860
Total	$ 957	$ 79	$ (73)	$ 31	$ 44	$ 245	$ —	$ (203)	$ (3)	$ 1,077

[1] The total gains or (losses) included in surplus for separate accounts assets are offset by an equal amount for separate accounts liabilities, which results in a net zero impact on surplus for the Company.

	2015									
	Balance at 1/01/2015	**Transfers into Level 3**	**Transfers out of Level 3**	**Total gains or (losses) included in Net Income**	**Total gains or (losses) included in Surplus**	**Purchases**	**Issuances**	**Sales**	**Settlements**	**Balance at 12/31/2015**
Bonds:										
Non-agency CMBS	$ 4	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 4
Non-agency ABS	28	5	—	(3)	(10)	—	—	—	(5)	15
Total bonds	32	5	—	(3)	(10)	—	—	—	(5)	19
Common stocks	115	—	—	—	(1)	41		(32)		123
Non-redeemable preferred stocks	1	—	—	—	—	—	—	—	—	1
Separate accounts assets[1]	832	27	(77)	53	(24)	145	—	(142)	—	814
Total	$ 980	$ 32	$ (77)	$ 50	$ (35)	$ 186	$ —	$ (174)	$ (5)	$ 957

[1] The total gains or (losses) included in surplus for separate accounts assets are offset by an equal amount for separate accounts liabilities, which results in a net zero impact on surplus for the Company.

Transfers Between Levels

Transfers between levels may occur due to changes in valuation sources, or changes in the availability of market observable inputs, which generally are caused by changes in market conditions such as liquidity, trading volume or bid-ask spreads, or as a result of a security measured at amortized cost at the beginning of the period, but measured at estimated fair value at the end of the period, or vice versa due to a ratings downgrade or upgrade. For the separate accounts, transfers are mostly related to changes in the redemption restrictions of limited partnerships and hedge fund investments. The Company's policy is to assume the transfer occurs at the beginning of the period.

Transfers between Levels 1 and 2

During the years ended December 31, 2016 and 2015, there were no transfers between Levels 1 and 2.

Transfers into and out of Level 3

The Company's basis for transferring assets and liabilities into and out of Level 3 is based on changes in the observability of data, a change in the security's measurement, or changes in redemption restrictions of certain separate accounts investments.

Transfers into level 3 totaled $79 million for the year ended December 31, 2016, which primarily relates to $55 million of interest rate options that moved from Level 2 to Level 3 due to the limited market observability on certain inputs used in the valuation model. Transfers out of level 3 totaled $73 million for the year ended December 31, 2016, which includes $66 million of separate accounts assets primarily related to changes in the redemption restrictions for certain limited partnerships and hedge funds in which the separate accounts invest.

Transfers into Level 3 were $32 million for the year ended December 31, 2015, which includes $5 million of securities which are measured at fair value at the end of the period. Transfers out of Level 3 totaled $77

million for the year ended December 31, 2015, which includes less than $1 million of securities which were measured at amortized cost at the end of the period.

The table below presents the balances of Level 3 assets and liabilities measured at fair value with their corresponding pricing sources at December 31, 2016 and 2015 (in millions):

	2016		
	Internal[1]	External[2]	Total
Assets at fair value			
Bonds:			
Non-agency asset-backed securities	$ —	$ 18	$ 18
Non-agency commercial mortgage-backed securities	—	—	—
Total bonds	—	18	18
Preferred stocks	2	—	2
Common stocks	148	—	148
Derivative assets	—	49	49
Separate accounts assets	—	860	860
Total assets at fair value	$ 150	$ 927	$ 1,077

1 Represents valuations reflecting both internally-derived and market inputs, as well as third-party pricing inputs that are deemed to be unobservable. See below for additional information related to internally-developed valuation for significant items in the above table.

2 Represents unadjusted prices from independent pricing services and independent non-binding broker quotes where pricing inputs are not readily available.

	2015		
	Internal[1]	External[2]	Total
Assets at fair value			
Bonds:			
Non-agency asset-backed securities	$ —	$ 15	$ 15
Non-agency commercial mortgage-backed securities	—	4	4
Total bonds	—	19	19
Preferred stocks	1	—	1
Common stocks	123	—	123
Separate accounts assets	—	814	814
Total assets at fair value	$ 124	$ 833	$ 957

1 Represents valuations reflecting both internally-derived and market inputs, as well as third-party pricing inputs that are deemed to be unobservable. See below for additional information related to internally-developed valuation for significant items in the above table.

2 Represents unadjusted prices from independent pricing services and independent non-binding broker quotes where pricing inputs are not readily available.

The Company did not have any liabilities categorized as Level 3 for the years ended December 31, 2016 and 2015.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The table below presents quantitative information on significant internally priced Level 3 assets and liabilities at December 31, 2016 and 2015 (in millions):

	2016				
	Fair Value		Valuation Techniques	Unobservable Input	Range (Weighted Average)
Assets:					
Common stock and preferred stock	$	150	FHLB of NY stock		
			Market comparable	Price to book multiple	0.6X
			Market comparable	Revenue multiple	5.7X - 28.8X

	2015				
	Fair Value		Valuation Techniques	Unobservable Input	Range (Weighted Average)
Assets:					
Common stocks	$	123	FHLB of NY stock		
			Market comparable	Revenue multiple	18.4X
			Market comparable	Price to book multiple	0.7X

[1] EBITDA = Earnings before interest, taxes, depreciation and amortization

The following is a description of the sensitivity to changes in unobservable inputs of the estimated fair value of the Company's Level 3 assets included above, for which we have access to the valuation inputs, as well as the sensitivity to changes in unobservable inputs of the Level 3 assets that are valued based on external pricing information.

Common Stocks

The Company's Level 3 common stock investments mostly relate to the Company's holdings in the FHLB of NY's stock as described in Note 12 - Insurance Liabilities. As prescribed in the FHLB of NY's capital plan, the par value of the capital stock is $100 and all capital stock is issued, redeemed, repurchased or transferred at par value. Since there is not an observable market for the FHLB of NY stock, these securities have been classified as Level 3. For the other common stock investments included in Level 3, the valuation is performed using market comparables such as EBITDA multiples, revenue multiples or price to book multiples. An increase in the value of these inputs would result in an increase in fair value with the reverse being true for decreases in the value of these inputs.

NOTE 10 – INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES

The components of net investment income for the years ended December 31, 2016 and 2015 were as follows (in millions):

	2016	2015
Bonds	$ 4,063	$ 3,747
Mortgage loans	682	653
Common and preferred stocks	37	56
Real estate	223	172
Limited partnerships and LIHTC investments	539	645
Affiliated subsidiaries	303	350
Policy loans	535	505
Other invested assets	29	136
Short-term investments	13	3
Derivatives	9	15
Other investments	10	8
Gross investment income	6,443	6,290
Investment expenses	(482)	(471)
Net investment income	5,961	5,819
Amortization of IMR	117	149
Net investment income, including IMR	$ 6,078	$ 5,968

Due and accrued investment income is excluded from surplus when amounts are over 90 days past due or collection is uncertain.

NOTE 10 – INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES (continued)

For the years ended December 31, 2016 and 2015, realized capital gains and losses including OTTI were as follows (in millions):

	2016		2015	
	Gains	Losses	Gains	Losses
Bonds	$ 192	$ 264	$ 315	$ 177
Mortgage loans	—	—	—	—
Common and preferred stocks	105	55	226	209
Real estate	9	11	2	2
Limited partnerships and other investments	16	257	21	297
Derivatives	565	167	313	401
Other - primarily foreign exchange	25	107	121	—
Total	$ 912	$ 861	$ 998	$ 1,086
Net realized capital gains (losses) before tax and transfers to IMR	$ 51		$ (88)	
Less:				
Capital gains tax expense	110		87	
Net realized capital gains after-tax transferred to IMR	250		128	
Net realized capital losses after-tax and transfers to IMR	$ (309)		$ (303)	

Proceeds from investments in bonds sold were $4,281 million and $4,504 million for the years ended December 31, 2016 and 2015, respectively. Gross gains of $150 million and $220 million in 2016 and 2015, respectively, and gross losses of $50 million and $29 million in 2016 and 2015, respectively, were realized on these sales. The Company computes gains and losses on sales under the specific identification method.

The following table provides a summary of OTTI losses included as realized capital losses for the years ended December 31, 2016 and 2015 (in millions):

	2016	2015
Limited partnerships and other investments	$ 251	$ 267
Bonds	176	129
Common and preferred stocks	7	3
Real estate	—	2
Total	$ 434	$ 401

Refer to Note 23 - Loan-Backed and Structured Security Impairments for a list with each loan-backed and structured security at a CUSIP level where the present value of cash flows expected to be collected is less than the amortized cost basis during the current year.

NOTE 10 – INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES (continued)

The following tables present the Company's gross unrealized losses and fair values for bonds and equities aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2016 and 2015 (in millions):

	2016					
	Less than 12 Months		Greater than 12 Months		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses[1]
Bonds						
U.S. Treasury	$ 809	$ 52	$ —	$ —	$ 809	$ 52
U.S. government corporations & agencies	86	5	—	—	86	5
U.S. agency mortgage and asset-backed securities	4,447	190	64	4	4,511	194
Foreign governments	73	1	—	—	73	1
U.S. corporate	9,285	332	1,509	84	10,794	416
Foreign corporate	2,731	59	461	18	3,192	77
Non-agency residential mortgage-backed securities	113	3	274	14	387	17
Non-agency commercial mortgage-backed securities	1,757	65	307	11	2,064	76
Non-agency asset-backed securities	2,142	47	1,164	33	3,306	80
Total bonds	$ 21,443	$ 754	$ 3,779	$ 164	$ 25,222	$ 918
Equity securities (unaffiliated)						
Common stocks	$ 191	$ 13	$ 44	$ 2	$ 235	$ 15
Preferred stocks	19	2	1	—	20	2
Total equity securities	210	15	45	2	255	17
Total	$ 21,653	$ 769	$ 3,824	$ 166	$ 25,477	$ 935

[1] Includes unrealized losses of $8 million a related to NAIC 6 bonds included in the statutory carrying amount.

NOTE 10 – INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES (continued)

	2015					
	Less than 12 Months		Greater than 12 Months		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses[1]
Bonds						
U.S. Treasury	$ 399	$ 4	$ —	$ —	$ 399	$ 4
U.S. government corporations & agencies	24	1	9	—	33	1
U.S. agency mortgage and asset-backed securities	1,023	26	349	15	1,372	41
Foreign governments	27	—	—	—	27	—
U.S. corporate	12,531	614	1,270	94	13,801	708
Foreign corporate	5,011	285	255	34	5,266	319
Non-agency residential mortgage-backed securities	221	3	319	19	540	22
Non-agency commercial mortgage-backed securities	1,648	28	198	4	1,846	32
Non-agency asset-backed securities	3,059	55	897	65	3,956	120
Total bonds	$ 23,943	$ 1,016	$ 3,297	$ 231	$ 27,240	$ 1,247
Equity securities (unaffiliated)						
Common stocks	$ 364	$ 29	$ 1	$ —	$ 365	$ 29
Preferred stocks	10	1	1	—	11	1
Total equity securities	374	30	2	—	376	30
Total	$ 24,317	$ 1,046	$ 3,299	$ 231	$ 27,616	$ 1,277

[1] Includes unrealized losses of $19 million related to NAIC 6 rated bonds included in the statutory carrying amount.

At December 31, 2016, the gross unrealized loss on bonds and equity securities was comprised of approximately 3,494 and 425 different securities, respectively, which are included in the table above. Of the total amount of bond unrealized losses, $810 million, or 88%, is related to investment grade securities and $108 million, or 12% is related to below investment grade securities. At December 31, 2015, the gross unrealized loss on bonds and equity securities was comprised of approximately 4,080 and 548 different securities, respectively, which are included in the table above. Of the total amount of bond unrealized losses, $835 million, or 67%, is related to investment grade securities and $412 million, or 33%, is related to below investment grade securities. Investment grade is defined as a security having a credit rating from the NAIC of 1 or 2; a rating of Aaa, Aa, A or Baa from Moody's or a rating of AAA, AA, A or BBB from Standard & Poor's ("S&P"); or a comparable internal rating if an externally provided rating is not available.

The amount of gross unrealized losses for bonds where fair value had declined by 20% or more of the amortized cost, totaled $50 million. The period of time that each of these securities has continuously been below amortized cost by 20% or more consists of $28 million for six months or less, $2 million for greater than six months through 12 months, and $20 million for greater than 12 months. In accordance with the Company's impairment policy, the Company performed quantitative and qualitative analysis to determine

NOTE 10 – INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES (continued)

if the decline was temporary. For those securities where the decline was considered temporary, the Company did not recognize an impairment when it had the ability and intent to hold until recovery.

The change in unrealized capital gains (losses) for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Change in unrealized capital gains (losses) on investments:		
Bonds	$ 11	$ (10)
Preferred stock	1	(1)
Common stock (unaffiliated)	(10)	(128)
Common stock (affiliated)	591	449
Derivative instruments	(306)	164
Limited partnerships and other invested assets	(122)	83
Total change in unrealized capital gains on investments	$ 165	$ 557
Change in unrealized foreign exchange capital gains (losses) on investments:		
Bonds	(158)	$ (128)
Preferred stock	—	(1)
Common stock (unaffiliated)	9	47
Common stock (affiliated)	—	(6)
Cash, cash equivalents and short-term investments	3	—
Derivative instruments	(3)	16
Limited partnerships and other invested assets	5	(82)
Aggregate write-ins	266	16
Total change in unrealized foreign exchange capital gains (losses) on investments	122	(138)
Capital gains tax	14	(15)
Total change in unrealized capital gains, net of tax	$ 301	$ 404

NOTE 11 – RELATED PARTY TRANSACTIONS

For the years ended December 31, 2016 and 2015, the Company made the following capital contributions to its insurance and holding company subsidiaries (in millions):

	2016	2015
NYLE	$ 8	$ —
MCF	—	681
NYLIFE LLC	—	19
Total	$ 8	$ 700

During 2016 and 2015, the Company recorded the following dividend distributions from its insurance and holding company subsidiaries (in millions):

	2016	2015
NYL Investments	$ 155	$ 275
NYL Investors	79	75
MCF	69	—
Total	$ 303	$ 350

During 2016, the Company did not receive a return of capital from any of its insurance and holding company subsidiaries. During 2015, the Company received a return of capital of $684 million from NYL Investments.

Prior to December 31, 2015, the Company had two revolving loan agreements with MCF, which was a wholly-owned subsidiary of NYL Investments. One agreement was initially entered into on April 16, 2001 (as amended from time to time, the “Prior MCF Loan Agreement”), under which the Company provided funding to MCF for lending and equity investment commitments entered into by MCF primarily prior to January 1, 2010. The other agreement was entered into on April 30, 2010 (as amended from time to time, the "New MCF Loan Agreement"), under which the Company provided funding to MCF for lending and equity investment commitments entered into by MCF on or after January 1, 2010. The aggregate amount advanced by the Company to MCF under the Prior and New MCF Loan Agreements, when aggregated with all other funding provided to or on behalf of MCF by the Company, could not exceed 2.75% of the Company’s statutory cash and invested assets as stated on the Company’s most recent quarterly statements. All outstanding advances made to MCF under the Prior and New MCF Loan Agreements, together with unpaid interest or accrued return thereon, were due in full on July 1, 2025. During 2015, the Company recorded interest payments from MCF under the Prior and New MCF Loan Agreements of $9 million and $97 million, respectively. On December 31, 2015, all amounts outstanding under the Prior and New MCF Loan Agreements, together with unpaid interest or accrued return thereon, were paid in full and the loan agreements were terminated.

On December 31, 2015, the Company entered into a note funding agreement with MCF and NYLIAC (the “MCF Note Agreement”) and acquired a variable funding note issued by MCF thereunder (the "Note"). The Note, which is reported as a bond in the accompanying Statutory Statements of Financial Position, had an outstanding balance for the Company of $1,966 million and $1,786 million at December 31, 2016 and 2015, respectively. During 2016, the Company recorded interest income from MCF under the MCF Note Agreement of $78 million. Pursuant to the MCF Note Agreement and variable funding note issued thereunder, the Company and NYLIAC may provide an aggregate of up to $4,700 million in funding to MCF for lending

and equity investment commitments, as well as for business expenses. All outstanding advances made to MCF under the MCF Note Agreement, together with unpaid interest thereon, will be due in full on December 31, 2025.

Effective April 13, 2016, the Company and New York Life Capital Corporation ("NYLCC"), a wholly owned subsidiary of NYLIFE LLC, entered into a five-year $1.25 billion revolving credit facility (the "Credit Facility") with a syndicate of lenders. The Credit Facility expires April 13, 2021. The Company and NYLCC are borrowers under the Credit Facility. The Credit Facility replaced a three-year $500 million revolving credit facility, effective June 28, 2013 ("Facility A") and a five-year $500 million revolving credit facility, effective June 28, 2013 ("Facility B") that the Company entered into with a syndicate of lenders, both of which were terminated on April 13, 2016. NYLCC's commercial paper capacity is $2.5 billion. During 2016 and 2015, none of these credit facilities were used, no interest was paid and no outstanding balance was due.

Effective October 1, 2014, the Company and NYL Investments entered into a term loan agreement whereby the Company loaned NYL Investments a principal amount of $400 million. During 2015, the loan was increased to $600 million. During 2016, the $600 million loan was converted to a $600 million note, which was solely a change in legal form of the instrument with no changes to the economic terms of the investment. At December 31, 2016, the Company had debt outstanding from NYL Investments of $600 million, which is reported as a bond in the accompanying Statutory Statements of Financial Position. At December 31, 2015, the Company had outstanding loans receivable from NYL Investments of $600 million, which was reported as other invested assets in the accompanying Statutory Statements of Financial Position. During 2016 and 2015, the Company recorded interest income from NYL Investments totaling $26 million and $17 million, respectively, which was included in net investment income.

On August 19, 2015, the Company entered into a loan agreement with Cordius, a Société d'Investissement à Captial Variable (a "SICAV"). A SICAV is an open-ended collective investment product common in Western Europe and is similar to an open-ended mutual fund in the U.S. Cordius is an indirect affiliate of the Company. Under this agreement, the Company issued a loan to Cordius for €100 million. Cordius paid down €50 million on the loan during 2016. The loan is a variable rate instrument due on September 30, 2017 with a carrying value, translated in U.S. dollars, of $53 million and $109 million at December 31, 2016 and 2015, respectively. The loan is included with other invested assets in the accompanying Statutory Statements of Financial Position. During 2016 and 2015, the Company recorded interest income on the loan totaling $1 million and less than $1 million, respectively, which was included in net investment income.

The Company has entered into three separate loan agreements with NYL Investors. The outstanding loan balance for each of the three loans at December 31, 2016 was $40 million, $16 million and $10 million, respectively. At December 31, 2015, only one of the loan agreements was in existence, which had an outstanding balance of $16 million. The other two loans were issued during 2016. The loans are variable rate loans with maturity dates that range from June 30, 2017 to April, 2027. The loans are included in other invested assets in the accompanying Statutory Statements of Financial Position. During 2016 and 2015, the Company recorded interest income on the loans totaling $1 million and $2 million, respectively, which was included in net investment income.

On April 1, 2000, the Company entered into an investment advisory agreement with NYLIM, as amended from time to time, to receive investment advisory and administrative services from NYLIM. On March 31, 2014, NYLIM assigned its rights and obligations under this agreement to NYL Investors. At December 31, 2016 and 2015, the total cost to the Company for these services amounted to $160 million and $162 million, respectively. The terms of the agreements require that these amounts be settled in cash within 90 days.

Under various written agreements, the Company has agreed to provide certain of its direct and indirect subsidiaries with certain services and facilities including but not limited to the following: accounting, tax and auditing services, legal services, actuarial services, electronic data processing operations, and communications operations. The Company is reimbursed for the identified costs associated with these services and facilities. Such costs amounting to $1,074 million and $1,148 million for the years ended December 31, 2016 and 2015, respectively, were incurred by the Company and billed to its subsidiaries. The terms of the agreements require that these amounts be settled in cash within 90 days.

At December 31, 2016 and 2015, the Company reported a net amount of $231 million and $251 million, respectively, due from subsidiaries and affiliates. The terms of the underlying agreements generally require that these amounts be settled in cash within 90 days.

In connection with a $150 million land acquisition of a fee simple estate in land underlying an office building and related improvements and encumbered by a ground lease located at 1372 Broadway, New York, New York by the Company (73.8% interest) and NYLIAC (26.2% interest), the Company and NYLIAC entered into a Tenancy In Common Agreement dated June 11, 2012 in which the agreement sets forth the terms that govern, in part, each entity’s interest in the property.

NYLIAC’s interests in commercial mortgage loans (and, in one instance, a single asset real estate owned property acquired through foreclosure (“REO Property”)) are held in the form of participations in mortgage loans originated or acquired by the Company (and, in the case of the REO Property, a participation in the ownership of the REO Property (“REO Ownership Interest”). During 2015, the Company purchased NYLIAC's REO Ownership Interest. Under the participation agreement for the mortgage loans, it is agreed between the Company and NYLIAC that NYLIAC’s proportionate interest (as evidenced by a participation certificate) in the underlying mortgage loan, including without limitation, the principal balance thereof, all interest which accrues thereon, and all proceeds generated there from, will be pari passu with the Company’s and pro rata based upon the respective amounts funded by the Company and NYLIAC in connection with the applicable mortgage loan origination or acquisition. Consistent with the participation arrangement, all mortgage loan documents name the Company (and not both NYLIAC and the Company) as the lender but are held for the benefit of both the Company and NYLIAC pursuant to the applicable participation agreement. The Company retains general decision making authority with respect to each mortgage loan, although certain decisions require NYLIAC’s approval.

The Company has purchased various corporate owned life insurance policies from NYLIAC for the purpose of informally funding certain benefits for the Company’s employees and agents. These policies were issued to the Company on the same terms as policies sold to unrelated customers. For the years ended December 31, 2016 and 2015, the cash surrender value of these policies amounted $3,729 million and $3,592 million, respectively, and is included with other assets in the accompanying Statutory Statements of Financial Position. During 2016 and 2015, the Company recorded income related to these policies of $155 million and $82 million, respectively, and is included in other income in the accompanying Statutory Statements of Operations.

The Company has issued $7,448 million and $7,108 million at December 31, 2016 and 2015, respectively, of single premium annuities to NYLIAC in connection with NYLIAC’s obligation under structured settlement agreements. NYLIAC has directed the Company to make the payments under the annuity contracts directly to beneficiaries under the structured settlement agreements.

The Company is the assumed obligor for certain structured settlement agreements with unaffiliated insurance companies, beneficiaries and other non-affiliated entities. To satisfy its obligations under these agreements, the Company owns single premium annuities issued by NYLIAC. The obligations are based upon the

actuarially determined present value of expected future payments. Interest rates used in establishing such obligations range from 5.50% to 8.75%. The Company has directed NYLIAC to make the payments under the annuity contracts directly to the beneficiaries under the structured settlement agreements. At December 31, 2016 and 2015, the carrying value of the annuity contracts and the corresponding obligations amounted to $149 million and $148 million, respectively.

In the ordinary course of business, the Company enters into reinsurance agreements with its subsidiaries and affiliates. Material reinsurance agreements have been disclosed in Note 13 – Reinsurance.

In the ordinary course of business, the Company enters into numerous arrangements with its affiliates. In addition, in the ordinary course of business, the Company may enter into guarantees and/or keepwells between itself and its affiliates.

NOTE 12 – INSURANCE LIABILITIES

Policy reserves, deposit funds and policy claims at December 31, 2016 and 2015 were as follows (in millions):

	2016	2015
Life insurance reserves	$ 75,984	$ 73,151
Annuity reserves and supplementary contracts with life contingencies	22,893	22,079
Accident and health reserves (including long term care)	3,724	3,542
Total policy reserves	102,601	98,772
Deposit funds	16,435	15,384
Policy claims	855	797
Total policy reserves, deposit funds and claim liabilities	$ 119,891	$ 114,953

Life Insurance Reserves

Reserves for life insurance policies are maintained principally using the 1941, 1958, 1980 and 2001 Commissioners' Standard Ordinary ("CSO") Mortality Tables and the 1958 and 1980 Commissioners' Extended Term ("CET") Mortality Tables under the net level premium method, the Commissioners' Reserve Valuation Method ("CRVM"), or Modified Preliminary Term ("MPT") with valuation interest rates ranging from 2.0% to 6.0%.

The tabular interest for life insurance has been determined by formula as described in the NAIC instructions.

The tabular less actual reserve released has been determined by formula as described in the NAIC instructions.

The tabular cost for individual life insurance for seven year term, for certain survivorship whole life policies, and for ancillary coverage has been determined by formula as described in the NAIC instructions. For all other coverages, including the bulk of individual life, the tabular cost has been determined from the basic data for the calculation of policy reserves.

The Company has established policy reserves (excluding the effects of reinsurance) on contracts issued January 1, 2001 and later that exceed the minimum amounts determined under Appendix A-820, "Minimum Life and Annuity Reserve Standards" of NAIC SAP by approximately $469 million and $495 million in 2016 and 2015, respectively. The change in direct reserves increased pre-tax net gain from operations for the year ended December 31, 2016 and 2015 by approximately $26 million and $35 million, respectively.

The Company waives deductions of deferred fractional premiums upon death of the insured and returns a portion of the final premium beyond the date of death. No surrender values are promised in excess of the total reserves. Certain substandard policies are valued on tables that are multiples of the standard table. Other substandard policies were valued as equivalent to standard lives on the basis of insurance age. Additional reserves were held on account of anticipated extra mortality for policies subject to extra premiums.

At December 31, 2016 and 2015, the Company had $39,826 million and $40,227 million, respectively, of insurance in-force for which the gross premiums were less than the net premiums according to the standard of valuation set by the state of New York.

NOTE 12 – INSURANCE LIABILITIES (continued)

Annuity Reserves and Supplementary Contracts Involving Life Contingencies

Tabular interest for group annuity contracts has been determined from the basic data for the calculation of policy reserves as described in the NAIC instructions.

Reserves for supplementary contracts involving life contingencies and annuities involving current mortality risks are based principally on 1951 Group Annuity Mortality (“GAM”), 1960 Mod. a-49, 1971 Individual Annuity Mortality (“IAM”), 1983 Table A, A2000, 2012 Individual Annuity Reserving table ("IAR") and the Commissioners’ Annuity Reserve Valuation Method (“CARVM”) with assumed interest rates ranging from 2.0% to 9.5%.

Generally, owners of annuities in payout status are not able to withdraw funds from their policies at their discretion.

Accident and Health Liabilities

Reserves for accident and health policies are valued consistent with interest rate and morbidity tables, where applicable.

Claim reserves and unpaid claim liabilities were $1,332 million and $1,253 million at December 31, 2016 and 2015, respectively. During 2016 and 2015, $154 million and $151 million was paid for incurred losses and loss adjustment expenses attributable to insured events of prior years, respectively. Additionally, during 2016, there was an $5 million favorable prior-year development, the result of ongoing analysis of recent loss development trends. Reserves remaining for prior years at December 31, 2016 were $1,094 million as a result of re-estimation of unpaid claims and claim adjustment expenses principally on long term care, group medical (discontinued in 2013), disability income and Medicare supplement insurance.

Original estimates were adjusted as additional information became known regarding individual claims. The Company had no unfavorable prior year loss development on retrospectively rated policies included in this decrease. However, the business to which it relates is subject to premium adjustments.

Deposit Funds

Deposit funds at December 31, 2016 and 2015 were as follows (in millions):

	2016	2015
GICs without life contingencies (including funding agreements)	$ 13,748	$ 12,849
Dividend accumulations or refunds and other deposit funds	2,301	2,163
Continued interest accounts	89	112
Annuities certain	62	82
Supplemental contracts without life contingencies	235	178
Total deposit funds	$ 16,435	$ 15,384

GICs without life contingencies issued by the Company include funding agreements issued to special purpose entities (“SPEs”) and the FHLB of NY.

The SPEs purchase the funding agreements with the proceeds from medium term notes issued by the SPE, which have payment terms substantially identical to the funding agreements issued by the Company. At December 31, 2016 and 2015, the balance under funding agreements sold by the Company to the SPEs was $10,832 million and $10,768 million, respectively.

NOTE 12 – INSURANCE LIABILITIES (continued)

On February 26, 2008, the Company became a member of the FHLB of NY and began issuing funding agreements to the FHLB of NY in exchange for cash. The proceeds from the sale of these funding agreements are invested to earn a spread. The funding agreements are issued through the general account and are included in the liability for deposit funds on the accompanying Statutory Statements of Financial Position. When a funding agreement is issued, the Company is required to post collateral in the form of eligible securities including mortgage-backed, government and agency debt instruments for each of the advances received. Upon any event of default by the Company, the FHLB of NY's recovery on the collateral is limited to the amount of the Company's liability to the FHLB of NY.

The amount of FHLB of NY capital stock held, in aggregate, exclusively in the Company's general account at December 31, 2016 and 2015 was as follows (in millions):

	2016	2015
Membership stock - class B	$ 41	$ 38
Activity stock	102	81
Aggregate total	$ 143	$ 119
Actual or estimated borrowing capacity as determined by the insurer	$ 7,885	$ 7,600

At December 31, 2016, membership stock is not eligible for redemption.

The amount of collateral pledged to the FHLB of NY at December 31, 2016 and 2015 was as follows (in millions):

	Fair Value	Carrying Value	Aggregate Total Borrowing
Current year general account	$ 3,026	$ 2,841	$ 2,279
Prior year general account	$ 2,493	$ 2,279	$ 1,802

The maximum amount of collateral pledged to the FHLB of NY during the years ended December 31, 2016 and 2015 was as follows (in millions):

	Fair Value	Carrying Value	Aggregate Total Borrowing
Current year general account	$ 3,277	$ 2,968	$ 2,303
Prior year general account	$ 2,737	$ 2,485	$ 1,877

The following table reflects the amount borrowed from the FHLB of NY in the form of funding agreements at December 31, 2016 and 2015 (in millions):

	2016	2015
Funding agreements issued	$ 2,279	$ 1,802
Funding agreement reserve established	$ 2,279	$ 1,802
Maximum amount borrowed during the year	$ 2,504	$ 2,101

The Company does not have any prepayment obligations for these funding agreement arrangements.

NOTE 12 – INSURANCE LIABILITIES (continued)

The weighted average interest rate on all GICs without life contingencies was 1.74% and 1.58% at December 31, 2016 and 2015, respectively. The weighted average remaining maturity was 2 years, 6 months and 2 years, 2 months at December 31, 2016 and 2015, respectively. Withdrawal prior to maturity is generally not permitted.

Withdrawal Characteristics of Annuity Reserves and Deposit Funds

The following table reflects the withdrawal characteristics of annuity reserves and deposit fund liabilities at December 31, 2016 and 2015 ($ in millions):

	2016				
	General Account	Separate Accounts with Guarantees	Separate Accounts Nonguaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	$ 9,890	$ 4,579	$ —	$ 14,469	27%
At fair value	—	5,396	3,550	8,946	17
Total with adjustment or at fair value	9,890	9,975	3,550	23,415	44
At book value without adjustment	2,621	—	—	2,621	5
Not subject to discretionary withdrawal	26,811	—	—	26,811	51
Total annuity reserves and deposit fund liabilities	$ 39,322	$ 9,975	$ 3,550	$ 52,847	100%

	2015				
	General Account	Separate Accounts with Guarantees	Separate Accounts Nonguaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	$ 9,312	$ 4,135	$ —	$ 13,447	27%
At fair value	—	4,343	3,541	7,884	16
Total with adjustment or at fair value	9,312	8,478	3,541	21,331	43
At book value without adjustment	2,448	—	—	2,448	5
Not subject to discretionary withdrawal	25,697	—	—	25,697	52
Total annuity reserves and deposit fund liabilities	$ 37,457	$ 8,478	$ 3,541	$ 49,476	100%

NOTE 13 – REINSURANCE

The Company enters into ceded reinsurance agreements in the normal course of its insurance business to reduce overall risk and to be able to issue life insurance policies in excess of its retention limits. The Company also participates in assumed reinsurance with third parties in acquiring additional business. Both assumed and ceded reinsurance transactions are discussed in further details below.

NOTE 13 - REINSURANCE (continued)

For the years ended December 31, 2016 and 2015, individual and group life reinsurance activity was as follows (in millions):

	2016		
	Affiliated	Unaffiliated	Total
Premiums assumed	$ 229	$ 756	$ 985
Premiums ceded	$ —	$ 516	$ 516
Benefits assumed	$ 533	$ 1,235	$ 1,768
Benefits ceded	$ —	$ 731	$ 731

	2015		
	Affiliated	Unaffiliated	Total
Premiums assumed	$ 180	$ 10,893	$ 11,073
Premiums ceded	$ —	$ 4,497	$ 4,497
Benefits assumed	$ 461	$ 993	$ 1,454
Benefits ceded	$ —	$ 586	$ 586

Amounts recoverable from reinsurers on paid losses, included in other assets in the accompanying Statutory Statements of Financial Position, were $51 million and $15 million at December 31, 2016 and 2015, respectively. Reinsurance recoverables for unpaid losses, included in other liabilities in the accompanying Statutory Statements of Financial Position, were $84 million and $98 million at December 31, 2016 and 2015, respectively.

Reinsurance Assumed

On July 1, 2015, the Company entered into a reinsurance transaction with John Hancock Life Insurance Company (U.S.A.) and one of its affiliates ("John Hancock") in which the Company assumed on a coinsurance basis 100% of John Hancock’s obligations and liabilities under the policies included in the closed block of participating policies established in connection with the demutualization of John Hancock Mutual Life Insurance Company (the “Closed Block”). The Company simultaneously retroceded 40% of those obligations and liabilities to John Hancock on a coinsurance funds-withheld arrangement, resulting in a net 60% quota share reinsurance. The John Hancock policies reinsured by the Company are primarily comprised of participating whole life insurance policies written prior to 2000.

At the date of the transaction, the Company incurred a net ceding commission of $413 million and received assets with a market value equal to John Hancock's statutory liability. All of the assets received are pledged as collateral and are contractually restricted. Moreover, the majority of the assets are allocated to the Closed Block for the exclusive benefit of the policies included in the Closed Block and are permanently restricted.

The insurance related revenue from the reinsured policies, including net investment income from the permanently restricted assets, after satisfying certain related expenses and taxes, inure solely to the benefit of those reinsured policyholders and will not be available to the Company's policyholders.

NOTE 13 - REINSURANCE (continued)

The following table presents a detailed breakout of the initial impact of the John Hancock reinsurance transaction on the Company's statutory financial statements in 2015 (in millions):

Balance Sheet:	**Day 1 Impact**
Total assets	$ 11,440
Total liabilities	$ 12,021
Surplus	$ (581)
Statement of Operations:	
Income	
Premiums	$ 6,212
Net investment income	—
Other income	328
Total income	6,540
Benefits and expenses	
Benefit payments	124
Additions to reserves	5,732
Operating expenses	973
Total benefits and expenses	6,829
Loss from operations before dividends and federal income taxes	(289)
Dividends to policyholders	124
Loss from operations before federal income taxes	(413)
Federal income taxes	275
Net loss from operations	(688)
Net realized capital gains, after taxes and transfers to IMR	—
Net loss	$ (688)

At December 31, 2016, the Company held net reserves related to the John Hancock reinsurance transaction of $5,478 million (assumed reserves of $9,130 million less ceded reserves of $3,652 million). At December 31, 2015, the Company held net reserves related to the John Hancock reinsurance transaction of $5,675 million (assumed reserves of $9,459 million less ceded reserves of $3,784 million).

In December 2004, the Company assumed 90% of a block of in-force life insurance business from NYLIAC. A total reserve of $5,656 million consisting of universal life and variable universal life products was assumed using a combination of coinsurance with funds withheld for the fixed portion maintained in the general account and modified coinsurance (“MODCO”) for policies in the separate accounts. Under both the MODCO and funds withheld treaties, NYLIAC retains the assets held in relation to the reserves. An experience refund is paid to NYLIAC at the end of each accounting period for 100% of profits in excess of $5 million. Experience refunds paid in 2016 and 2015 were $36 million and $128 million, respectively. At December 31, 2016 and 2015, the Company held assumed reserves under coinsurance with funds withheld and MODCO of $5,304 million and $5,452 million, respectively.

NOTE 13 - REINSURANCE (continued)

Reinsurance Ceded

The Company enters into ceded reinsurance agreements in the normal course of its insurance business to reduce overall risk and to be able to issue life insurance policies in excess of its retention limits. Currently the Company cedes the mortality risk on new business for term and employees' whole life insurance policies on a quota-share yearly renewable term basis. Most of the ceded reinsurance business is on an automatic basis. The quota share currently ceded generally ranges from 50% to 80% with a minimum size policy ceded of either $1 million or $2 million for term and no minimum size for employees' whole life. Cases in excess of the Company's retention and certain substandard cases are ceded on a facultative reinsurance basis. The majority of the Company's facultative reinsurance is for substandard cases in which it typically cedes 90%.

The ceding of risk does not discharge the Company from its primary obligations to policyholders. To the extent that the assuming reinsurers become unable to meet their obligations under reinsurance contracts, the Company remains contingently liable. Each reinsurer is reviewed to evaluate its financial stability before entering into each reinsurance contract and throughout the period that the reinsurance contract is in place.

Life insurance ceded was 12% of total life insurance in-force at both December 31, 2016 and 2015. The reserve reductions taken for life insurance reinsured were $4,014 million and $4,134 million for the years ended December 31, 2016 and 2015, respectively.

The Company has reinsurance agreements with New York Life Agents Reinsurance Company ("NYLARC"). NYLARC is a life insurance company wholly owned by NYLARC Holding Company, Inc., whose shareholders consist of the Company's top agents who meet certain criteria and who may also be agents of NYLIAC or NYLAZ. NYLARC reinsures a portion of certain life insurance products sold by its shareholders. NYLARC's purpose is to retain high production agents, and increase the volume and quality of the business that they submit to the Company and NYLIAC.

NOTE 14 – BENEFIT PLANS

Defined Benefit Plans

The Company maintains various tax-qualified and non-qualified defined benefit pension plans covering eligible U.S. employees and agents. The tax-qualified plan for employees includes both a traditional formula and a cash balance formula, with benefits earned under either or both as determined by age and date of hire. Under the traditional formula, benefits are based on final average earnings and length of service. The cash balance formula credits employees' accounts with a percentage of eligible pay each year based on years of service, along with annual interest credits at rates based on IRS guidelines. The tax-qualified plan for agents is based on length of service and earnings during an agent's career. The non-qualified pension plans provide supplemental benefits in excess of the maximum benefits applicable to a tax-qualified plan.

The tax-qualified plans are funded solely by Company contributions. The assets of each plan are maintained in a separate trust.

The Company has established separate irrevocable grantor trusts covering certain of the non-qualified arrangements to help protect non-qualified payments thereunder in the event of a change in control of the Company. The grantor trusts are not subject to the Employee Retirement Income Security Act of 1974 ("ERISA").

NOTE 14 – BENEFIT PLANS (continued)

Other Postretirement Benefits

The Company provides certain health care and life benefits for eligible retired employees and agents (and their eligible dependents). Employees are eligible for retiree health and life benefits if they are at least age 55 with 10 or more years of service with the Company, provided that they are enrolled for active health care coverage on the date they terminate employment. Agents are generally eligible for retiree health and life benefits if they meet certain age and service criteria on the date they terminate service.

Employees and agents who retired prior to January 1, 1993 and agents who were active on December 31, 1992 and met certain age or service criteria on that date do not make contributions toward retiree health care coverage. All other eligible employees and agents may be required to contribute towards retiree health care coverage. The Company pays the entire life insurance costs for retired employees and agents.

The Company has established two separate Voluntary Employees Beneficiary Association ("VEBA") Trusts, the Employees' Life and Health Benefit Trust ("Employee VEBA") and the Agents' Life and Health Benefit Trust ("Agent VEBA"). The Employee VEBA is currently exclusively used to fund a portion of the postretirement health and life benefits for retired employees, and the Agent VEBA is currently exclusively used to fund a portion of the postretirement health and life benefits for retired agents. In addition, the tax-qualified pension plan for agents includes a medical-benefit component to fund a portion of the postretirement obligations for retired agents and their dependents in accordance with Internal Revenue Code (IRC) Section 401(h). The Company pays the remaining balance of these costs.

Postemployment Benefits and Compensated Absences

The Company provides certain benefits to eligible employees during employment for paid absences, and to eligible employees and agents after termination of service. These benefits include, but are not limited to, salary continuation during medical and pregnancy leaves, short-term disability-related benefits, and continuation of health care benefits.

The following tables are for financial reporting purposes only and do not reflect the status of the assets of each of the plans under applicable law (in millions):

	Pension Plan Benefits			
	Overfunded		Underfunded	
Change in benefit obligation	**2016**	**2015**	**2016**	**2015**
Benefit obligation at beginning of year	$ —	$ —	$ 7,170	$ 7,421
Service cost	—	—	147	170
Interest cost	—	—	268	309
Actuarial loss (gain)	—	—	265	(417)
Benefits paid	—	—	(333)	(313)
Plan amendments	—	—	—	—
Benefit obligation at end of year	$ —	$ —	$ 7,517	$ 7,170

NOTE 14 – BENEFIT PLANS (continued)

	Postretirement Plan Benefits			
	Overfunded		Underfunded	
Change in benefit obligation	2016	2015	2016	2015
Benefit obligation at beginning of year	$ —	$ —	$ 1,478	$ 1,647
Service cost	—	—	25	33
Interest cost	—	—	58	69
Contribution by plan participants	—	—	9	8
Actuarial (gain) loss	—	—	(62)	(139)
Benefits paid	—	—	(70)	(62)
One-time contractual termination benefit	—	—	1	—
Plan amendments[1]	—	—	—	(78)
Benefit obligation at end of year	$ —	$ —	$ 1,439	$ 1,478

[1] Included in Plan amendments is the impact of a change to the prescription drug benefit for certain Medicare-eligible retirees which changed from a copay structure to a coinsurance structure effective January 1, 2016. Also included is the impact of changes to the excise tax under the Affordable Care Act on employers who sponsor high cost health plans that postpone the effective date by two years and make any such excise tax payments tax deductible. These changes resulted in a $78 million reduction in the accumulated postretirement benefit obligation ("APBO") at December 31, 2015.

The aggregate amount of the accumulated benefit obligation for defined benefit pension plans was $7,107 million for 2016 (no plans were overfunded) and $6,779 million for 2015 (no plans were overfunded).

	Pension Plan Benefits		Postretirement Plan Benefits	
Change in plan assets	2016	2015	2016	2015
Fair value of plan assets at beginning of year	$ 5,694	$ 5,755	$ 582	$ 586
Actual return on plan assets	308	209	38	8
Contributions by employer	46	43	53	42
Contributions by plan participants	—	—	9	8
Benefits paid	(333)	(313)	(70)	(62)
Fair value of plan assets at end of year	$ 5,715	$ 5,694	$ 612	$ 582

	Pension Plan Benefits		Postretirement Plan Benefits	
Funded Status	2016	2015	2016	2015
Fair value of plan assets	$ 5,715	$ 5,694	$ 612	$ 582
Projected benefit obligations	7,517	7,170	1,439	1,478
Funded status	$ (1,802)	$ (1,476)	$ (827)	$ (896)
Liabilities recognized				
Accrued benefit costs	$ 591	$ 558	$ 639	$ 633
Liability for benefits	1,211	918	188	183
Total liabilities recognized	$ 1,802	$ 1,476	$ 827	$ 816
Unrecognized liabilities(1)	$ —	$ —	$ —	$ 80

(1) In accordance with the Company's election of the surplus deferral option permitted under SSAP 92 and SSAP 102, the Company recognized the remaining transition liability of $80 million in 2016 for other postretirement plan benefits.

NOTE 14 – BENEFIT PLANS (continued)

Increases or decreases in the funded status are reported as direct adjustments to surplus. Any overfunded plan assets are nonadmitted. Associated deferred tax assets are also recorded and admitted to the extent that contributions will be made over the next three tax years.

The components of net periodic benefit cost were as follows (in millions):

	Pension Plan Benefits		Postretirement Plan Benefits	
Components of net periodic benefit cost	**2016**	**2015**	**2016**	**2015**
Service cost	$ 147	$ 170	$ 25	$ 33
Interest cost	268	309	58	69
Expected return on plan assets	(415)	(421)	(41)	(41)
Amortization of losses (gains)	162	185	10	16
Amortization of prior service cost (credit)	(3)	(2)	(17)	(10)
Amortization of nonvested prior service cost	—	9	23	23
Net periodic benefit cost	$ 159 *	$ 250 *	$ 58 **	$ 90 **
One-time contractual termination benefit	—	—	1	—
Total net periodic pension benefit cost	$ 159	$ 250	$ 59	$ 90

*Includes pension plan costs charged to subsidiaries of $47 million and $85 million for the years ended December 31, 2016 and 2015, respectively. The liabilities for these plans are included with the liabilities for the corresponding plan of the Company.
**Includes postretirement costs charged to subsidiaries of $10 million and $34 million for the years ended December 31, 2016 and 2015, respectively. The liabilities for these plans are included with the liabilities for the corresponding plan of the Company.

Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost (in millions):

	Pension Plan Benefits		Postretirement Plan Benefits	
	2016	**2015**	**2016**	**2015**
Items not yet recognized as a component of net periodic benefit cost - prior year	$ 2,582	$ 2,979	$ 264	$ 477
Net prior service cost or credit arising during the year	—	—	—	(78)
Net prior service cost or (credit) recognized	3	2	17	10
Net nonvested prior service (credit) or cost recognized	—	(9)	(23)	(23)
Net (gain) and loss arising during the year	372	(205)	(59)	(106)
Net gain and (loss) recognized	(162)	(185)	(10)	(16)
Items not yet recognized as a component of net periodic benefit cost - current year	$ 2,795	$ 2,582	$ 189	$ 264

Amounts in unassigned funds (surplus) expected to be recognized in the next fiscal year as components of net periodic benefit cost (in millions):

	Pension Plan Benefits		Postretirement Plan Benefits	
	2016	**2015**	**2016**	**2015**
Net nonvested prior service cost or credit	$ —	$ —	$ 23	$ 23
Net prior service cost or credit	$ (3)	$ (3)	$ (17)	$ (17)
Net recognized gains and losses	$ 169	$ 162	$ 5	$ 10

NOTE 14 – BENEFIT PLANS (continued)

Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost (in millions):

	Pension Plan Benefits		Postretirement Plan Benefits	
	2016	2015	2016	2015
Net nonvested prior service cost	$ —	$ —	$ 168	$ 191
Net prior service credit	$ (28)	$ (30)	$ (183)	$ (199)
Net recognized losses	$ 2,823	$ 2,612	$ 204	$ 272

Assumptions

Benefit obligations are reported based on certain actuarial assumptions, which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions could occur in the near term and would be material to the financial statements.

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31, 2016 and 2015:

	Pension Plan Benefits		Postretirement Plan Benefits	
	2016	2015	2016	2015
Discount rate (for benefit obligations)	4.62%	4.25%	4.77%	4.25%
Service cost discount rate	4.92%	N/A	5.10%	N/A
Effective rate of interest (on benefit obligation)	3.83%	N/A	3.99%	N/A
Expected long-term rate of return on plan assets	7.50%	7.50%	7.00%	7.00%
Rate of compensation increase:				
Employees	5.10%	5.10%	5.10%	5.10%
Agents	3.75%	3.75%	3.75%	3.75%

Weighted-average assumptions used to determine benefit obligations as of December 31, 2016 and 2015:

	Pension Plan Benefits		Postretirement Plan Benefits	
	2016	2015	2016	2015
Discount rate	4.37%	4.62%	4.51%	4.77%
Rate of compensation increase:				
Employees	5.10%	5.10%	5.10%	5.10%
Agents	3.75%	3.75%	3.75%	3.75%

Effective for year-end 2015, the Company uses a full yield curve approach to determine its U.S. pension and other postretirement benefit obligations as well as the service and interest cost components of net periodic benefit cost.

The discount rates used are based on hypothetical AA yield curves represented by a series of spot discount rates from half a year to 99 years. The spot rate curves are derived from a direct calculation of the implied

forward curve, based on the included bond cash flows. Each bond issue underlying the yield curve is required to be non-callable, with a rating of AA, when averaging all available ratings by Moody's Investor Services, Standard & Poor's and Fitch. Additionally, each bond must have at least $250 million par outstanding to ensure it is sufficiently marketable. Finally, the outlier bonds (i.e. those whose yields to maturity significantly deviate from the average yield in each maturity grouping) are removed. The yields are used to discount future pension and other postretirement plan cash flows at an interest rate specifically applicable to the timing of each respective cash flow. For disclosure purposes, the sum of these discounted cash flows are totaled into a single present value and an equivalent weighted-average discount rate is calculated by imputing the singular interest rate that equates the total present value of the stream of future cash flows.

Prior to 2016, the Company estimated the service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation. The new estimate utilizes a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows. The new estimate provides a more precise measurement of service and interest cost by improving the correlation between projected benefit cash flows and their corresponding spot rates. This change was accounted for as a change in accounting estimate, which was accordingly applied prospectively. For fiscal 2016, the change in estimate reduced U.S. pension and postretirement periodic benefit cost by $73 million when compared to the prior estimate.

The expected long-term return on assets for the tax-qualified pension plans and the VEBA Trusts is based on (1) an evaluation of the historical behavior of the broad financial markets, (2) the plan's target asset allocation, and (3) the future expectations for returns for each asset class, modified by input from the plans' investment consultant based on the current economic and financial market conditions.

The assumed health care cost trend rates used in measuring the APBO were as follows:

	2016		2015	
	Before 65	**Age 65 and older**	**Before 65**	**Age 65 and older**
Following year	6.50%	7.25%	6.75%	6.75%
Ultimate rate to which cost increase is assumed to decline	5.00%	5.00%	5.00%	5.00%
Year in which the ultimate trend is received	2025	2026	2024	2024

For dental plans, the annual rate of increase in the per capita cost of covered health care benefits is assumed to be 5.00% per year for all participants.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage point increase and decrease in assumed health care cost trend rates at December 31, 2016 would have the following effects (in millions):

	2016	
	One Percent Increase	**One Percent Decrease**
Effect on total of service and interest cost components	$ 6	$ (5)
Effect on APBO	$ 105	$ (84)

NOTE 14 – BENEFIT PLANS (continued)

Plan Assets

Each tax-qualified pension plan currently invests in two group annuity contracts which are held in separate trusts: one contract is an immediate participation guarantee ("IPG") contract relating to the Company's general account ("GA Contract"), and the other contract relates to the Company's pooled separate accounts ("SA Contract"). The Company is the issuer of the GA and SA Contracts. In addition certain assets are directly invested in third-party real estate investment funds. Total tax-qualified plan assets at December 31, 2016 and 2015 are as follows:

	Tax-qualified Pension Plans	
	2016	2015
GA Contracts [(1)]	$ 1,803	$ 1,838
SA Contracts [(2)]	3,550	3,522
Third-party real estate	362	334
Total Plan assets	$ 5,715	$ 5,694

[(1)] The GA Contracts are included in the Company's assets and policy reserve liability in the accompanying Statutory Statements of Financial Position.
[(2)] The SA Contracts are included in the Company's Separate Account assets and liabilities in the accompanying Statutory Statements of Financial Position.

Under the GA Contract, NYL Investors acts as the investment manager of the IPG contract. The GA Contract provides for the payment of an annual administrative charge based on a percentage of the assets maintained in the fixed account under the contract. Under the SA Contract, certain registered investment advisory subsidiaries of NYL Investments act as investment managers for the pooled separate accounts. The SA Contract provides for the payment of separate annual fees for the management of each separate account.

The assets of each of the VEBA Trusts are invested in Mutual Funds (MainStay and Vanguard Funds), in trust owned life insurance ("TOLI"), and in cash. Total assets of the other postretirement plans (including VEBA Trusts and 401(h) component) at December 31, 2016 and 2015 are as follows:

	Other Postretirement Plans	
	2016	2015
IPG Contract (401(h) component)[1]	$ 28	$ 27
Mainstay mutual funds	51	201
Vanguard Institutional Index Fund	158	—
TOLI policies	366	353
Cash	9	1
Total Plan assets	$ 612	$ 582

[(1)] The GA Contracts are included in the Company's assets and policy reserve liability in the accompanying Statutory Statements of Financial Position.

NYLIM serves as investment manager of the MainStay Mutual Funds. The TOLI policies are corporate sponsored universal life ("CSUL") and corporate sponsored variable universal life ("CSVUL") policies issued by NYLIAC. CSVUL policy premiums are invested in certain insurance dedicated funds offered in connection with variable products for which NYLIM serves as investment advisor.

The investment objectives for the tax-qualified pension plans and VEBA Trusts are: (1) to maintain sufficient income and liquidity to fund benefit payments; (2) to preserve the capital value of the plans and trusts; (3)

to increase the capital value of the plans and trusts; and (4) to earn a long-term rate of return, which meets or exceeds the plans' and trusts' assumed actuarial rates of return. Under the investment policies for the tax-qualified pension plans, the plans' assets are to be invested primarily in a balanced and diversified mix of high quality equities, fixed income securities, group annuity contracts, private equity investments, real estate investments, hedge fund investments, cash equivalents, and such other assets as may be appropriate. Under the investment policies for the VEBA Trusts, the assets of the trusts are to be invested primarily in insurance contracts (variable and/or fixed) and/or mutual funds, which in turn, invest in a balanced and diversified mix of high quality equities, fixed income securities, cash equivalents, and such other assets as may be appropriate. The Investment Committees of the Board of Trustees (the "Committees") monitor and review investment performance to ensure assets are meeting investment objectives.

The Committees have established a broad investment strategy targeting an asset allocation of 60% equity securities and 40% fixed income for both the tax-qualified pension plans, and 70% equity securities and 30% fixed income for the VEBA Trusts. Diversifying each asset class by style and type further enhances this allocation. In developing this asset allocation strategy, the Committees took into account, among other factors, the information provided to them by the plans' actuary, information relating to the historical investment returns of each asset class, the correlations of those returns, and input from the plans' investment consultant. The Committees regularly review the plans' asset allocations versus the targets and make adjustments as appropriate.

The weighted-average asset allocation for the tax-qualified pension plans at December 31, 2016 and 2015, and target allocations by asset category, were as follows:

	Target Allocation Percentage	**Percentage of Plan Assets**	
	December 31,	**December 31,**	
Asset Category	**2016 and 2015**	**2016**	**2015**
Fixed income securities	40%	36%	37%
Equity securities	60%	64%	63%
Total	100%	100%	100%

The weighted-average asset allocation for the VEBA Trusts at December 31, 2016 and 2015, and target allocations by asset category, were as follows:

	Target Allocation Percentage	**Percentage of VEBA Trust Assets**	
	December 31,	**December 31,**	
Asset Category	**2016 and 2015**	**2016**	**2015**
Fixed income securities	30%	30%	30%
Equity securities	70%	70%	70%
Total	100%	100%	100%

The pooled separate accounts under the SA Contract and the third-party real estate investment funds for each of the tax-qualified pension plans invest in various investment securities. Investment securities are exposed

to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

The fair values (refer to Note 9 - Fair Value Measurements for description of levels) of the tax-qualified pension plans' assets at December 31, 2016 and 2015 were as follows (in millions):

	2016			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**
Fixed income securities:				
IPG contract	$ —	$ —	$ 1,803	$ 1,803
Absolute return hedge fund separate account	—	—	233	233
Equity securities:				
Private equity separate accounts	—	—	475	475
Indexed equity separate account	—	517	—	517
International equity separate account	—	855	—	855
Small cap core separate account	—	348	—	348
REIT equity separate account	—	328	—	328
Long/short equity hedge fund separate account	—	—	314	314
Large cap enhanced separate account	—	480	—	480
Morgan Stanley Prime Property Fund	—	—	149	149
JPMorgan Strategic Property Fund	—	—	77	77
Invesco Core Real Estate Fund	—	—	136	136
Total assets accounted for at fair value	$ —	$ 2,528	$ 3,187	$ 5,715

NOTE 14 – BENEFIT PLANS (continued)

	2015			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**
Fixed income securities:				
IPG contract	$ —	$ —	$ 1,838	$ 1,838
Absolute return hedge fund separate account	—	—	288	288
Equity securities:				
Private equity separate accounts	—	—	432	432
Indexed equity separate account	—	490	—	490
International equity separate account	—	905	—	905
Small cap core separate account	—	305	—	305
REIT equity separate account	—	332	—	332
Long/short equity hedge fund separate account	—	—	312	312
Large cap enhanced separate account	—	458	—	458
Morgan Stanley Prime Property Fund	—	—	137	137
JPMorgan Strategic Property Fund	—	—	72	72
Invesco Core Real Estate Fund	—	—	125	125
Total assets accounted for at fair value	$ —	$ 2,490	$ 3,204	$ 5,694

NOTE 14 – BENEFIT PLANS (continued)

The table below presents a reconciliation of all Level 3 tax-qualified pension plan assets for the years ended December 31, 2016 and 2015 (in millions):

	IPG Contract	Absolute Return Hedge Fund Separate Account	Private Equity Separate Accounts	Long/Short Equity Hedge Fund Separate Account	Morgan Stanley Prime Property Fund	JP Morgan Strategic Property Fund	Invesco Core Real Estate Fund	Total
Fair value, beginning of year	$ 1,838	$ 288	$ 432	$ 312	$ 137	$ 72	$ 125	$ 3,204
Return on plan assets:								
Relating to assets still held at the reporting	82	4	56	(6)	6	5	8	155
Relating to assets sold during the period	—	13	(2)	9	—	—	—	20
Purchases	296	8	81	24	6	—	3	418
Issuances	—	—	—	—	—	—	—	—
Sales	(413)	(80)	(92)	(25)	—	—	—	(610)
Settlements	—	—	—	—	—	—	—	—
Transfers into (out of) Level 3	—	—	—	—	—	—	—	—
Fair value, end of year	$ 1,803	$ 233	$ 475	$ 314	$ 149	$ 77	$ 136	$ 3,187

NOTE 14 – BENEFIT PLANS (continued)

	IPG Contract	Absolute Return Hedge Fund Separate Account	Private Equity Separate Accounts	Long/Short Equity Hedge Fund Separate Account	Morgan Stanley Prime Property Fund	JP Morgan Strategic Property Fund	Invesco Core Real Estate Fund	Total
Fair value, beginning of year	$ 1,814	$ 291	$ 403	$ 310	$ 120	$ 63	$ 110	$ 3,111
Return on plan assets:								
Relating to assets still held at the reporting	83	(8)	(4)	1	12	9	12	105
Relating to assets sold during the period	—	—	44	1	—	—	—	45
Purchases	330	16	81	8	5	—	3	443
Issuances	—	—	—	—	—	—	—	—
Sales	(389)	(11)	(92)	(8)	—	—	—	(500)
Settlements	—	—	—	—	—	—	—	—
Transfers into (out of) Level 3	—	—	—	—	—	—	—	—
Fair value, end of year	$ 1,838	$ 288	$ 432	$ 312	$ 137	$ 72	$ 125	$ 3,204

NOTE 14 – BENEFIT PLANS (continued)

The fair values of other postretirement benefit plan assets at December 31, 2016 and 2015 were as follows (in millions):

	2016			
Asset Category	Level 1	Level 2	Level 3	Total
Fixed income securities:				
CSUL policies	$ —	$ —	$ 151	$ 151
IPG contract	—	—	28	28
MainStay Indexed Bond Fund	15	—	—	15
Cash, cash equivalents, and short-term	—	9	—	9
Equity securities:				
Vanguard Institutional Index Fund	158	—	—	158
MainStay International Equity Fund	36	—	—	36
CSVUL - MainStay VP Indexed Equity	—	—	187	187
CSVUL - MainStay VP International Equity	—	—	28	28
Total assets accounted for at fair value	$ 209	$ 9	$ 394	$ 612

	2015			
Asset Category	Level 1	Level 2	Level 3	Total
Fixed income securities:				
CSUL policies	$ —	$ —	$ 148	$ 148
IPG contract	—	—	27	27
MainStay Indexed Bond Fund	15	—	—	15
Cash, cash equivalent and short-term	1	—	—	1
Equity securities:				
MainStay S&P 500 Index Fund	146	—	—	146
MainStay International Equity Fund	40	—	—	40
CSVUL - MainStay VP Indexed Equity	—	—	174	174
CSVUL - MainStay VP International Equity	—	—	31	31
Total assets accounted for at fair value	$ 202	$ —	$ 380	$ 582

NOTE 14 – BENEFIT PLANS (continued)

The tables below present a reconciliation of all Level 3 assets and liabilities for the years ended December 31, 2016 and 2015 (in millions):

	2016				
	CSUL policies	IPG Contract	CSVUL MainStay VP Indexed Equity	CSVUL MainStay VP International Equity	Total
Fair value, beginning of year	$ 148	$ 27	$ 174	$ 31	$ 380
Return of plan assets:					
Relating to assets still held at the reporting date	5	1	14	(3)	17
Relating to assets sold during the period	—	—	—	—	—
Purchases	—	—	—	—	—
Issuances	—	—	—	—	—
Sales	(2)	—	(1)	—	(3)
Settlements	—	—	—	—	—
Transfers into (out of) Level 3	—	—	—	—	—
Fair value, end of year	$ 151	$ 28	$ 187	$ 28	$ 394

	2015				
	CSUL policies	IPG Contract	CSVUL MainStay VP Indexed Equity	CSVUL MainStay VP International Equity	Total
Fair value, beginning of year	$ 145	$ 25	$ 180	$ 31	$ 381
Return of plan assets:					
Relating to assets still held at the reporting date	4	2	1	2	9
Relating to assets sold during the period	—	—	—	—	—
Purchases	—	—	—	—	—
Issuances	—	—	—	—	—
Sales	(1)	—	(7)	(2)	(10)
Settlements	—	—	—	—	—
Transfers into (out of) Level 3	—	—	—	—	—
Fair value, end of year	$ 148	$ 27	$ 174	$ 31	$ 380

Determination of Fair Values

The following is a description of the valuation methodologies used to determine fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

IPG Contract

The fair value of the IPG contract is its contract value, which represents contributions made, plus interest earned, less funds used to pay claims, premiums and fees. The IPG contract is classified as Level 3 due to the fact that the contract value relies on internal reports issued by NYLIM that are unobservable by third-party market participants.

Separate Accounts

The NAV of each separate account represents the fair value of each unit held by the tax-qualified plans. The NAV for these investments are not considered a readily determinable fair value since the prices are not publicly published. In addition, with the exception of the private equity separate accounts, absolute return hedge fund separate account, and long/short equity hedge fund separate account, there are no restrictions on transfers or withdrawals, therefore the investments in these separate accounts are classified as Level 2.

The private equity separate accounts, absolute return hedge fund separate account, and long/short equity hedge funds separate account invest in limited partnerships, and hedge funds and their investment is restricted with respect to transfers or withdrawals greater than 90 days. Due to the potential inability to transact at the current NAV, the investments are classified as Level 3.

Real Estate Investment Funds

The Morgan Stanley Prime Property Fund, the Invesco Core Real Estate Fund, and the JP Morgan Strategic Property Fund are third-party real estate investment funds that invest primarily in real estate and real estate related assets. The tax-qualified plans own shares in these funds and the NAV represents the fair value of each unit held by the plans. There are restrictions with respect to transfers or withdrawals greater than 90 days. Due to the potential inability to transact at the current NAV, these assets are classified as Level 3.

Mutual Funds

The MainStay retail funds and the Vanguard Funds are all open end registered mutual funds which are priced using a daily NAV. The prices are publicly published, and there are no restrictions on contributions and withdrawals. As such, they are classified as Level 1.

CSUL and CSVUL Policies

The CSUL and the CSVUL policies are reported at cash surrender value. These policies have surpassed their surrender charge period; therefore, their cash value and their contract value are equal. These policies are classified as Level 3 since the valuation relies on data supplied by an insurance carrier that is unique to these policies and the inputs are unobservable. There is also no secondary market for these assets.

NOTE 14 – BENEFIT PLANS (continued)

Cash, cash equivalents and short-term investments

The carrying value of cash is equivalent to its fair value and is classified as Level 1 in the fair value hierarchy as the amounts are available on demand. Due to the short-term maturities, the carrying value of short-term investments and cash equivalents is presumed to approximate fair value and is classified as Level 2.

Cash Flows

The Company's funding policy for the tax-qualified pension plans is to make annual contributions that are no less than the minimum amount needed to comply with the requirements of the ERISA and the IRC, and no greater than the maximum amount deductible for federal income tax purposes. The Company does not have any regulatory contribution requirements for 2017 but expects to make voluntary contributions of $110 million to the tax-qualified pension plans.

Prefunding contributions can be made to either of the VEBA Trusts to partially fund postretirement health and life benefits other than pensions. The company does not expect to make any prefunding contributions to either of the VEBA Trusts in 2017.

The estimated future benefit payments are based on the same assumptions used to measure the benefit obligations at December 31, 2016. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in millions):

	Pension Plan Benefits	Postretirement Plan Benefits	Postemployment Plan Benefits
2017	367	60	8
2018	374	62	9
2019	387	63	9
2020	400	65	9
2021	413	67	10
2022-2026	2,267	361	57
Total	$ 4,208	$ 678	$ 102

The Company expects to pay approximately $45 million of non-qualified pension plan benefits during 2017. The Company expects to pay approximately $39 million for other postretirement benefits during 2017.

The projected 2017 annual benefit payments to plan participants from the GA Contracts issued by the Company are $322 million. The projected 2017 annual benefit payments for retiree health coverage related to the VEBA Trusts' investments in insurance contracts issued by the Company is $10 million.

For the years ended December 31, 2016 and 2015, the Company paid $51 million and $54 million, respectively, in gross benefit payments related to health benefits. For the years ended December 31 2016 and 2015, the Company did not receive any gross subsidy receipts.

Defined Contribution Plans

The Company maintains various tax-qualified and non-qualified defined contribution plans covering eligible U.S. employees and agents (401(k) plans). For employees, the plans provide for pre-tax salary reduction contributions (subject to maximums) and Company matching contributions of up to 4% of annual salary

NOTE 14 – BENEFIT PLANS (continued)

(base plus eligible incentive pay are considered). In 2016 and 2015, the Company's matching contributions to the employees' tax-qualified plan totaled $36 million and $35 million for December 31, 2016 and 2015 respectively. A non-qualified plan credits participant and matching contributions with respect to compensation in excess of the amount that may be taken into account under the tax-qualified plan.

For agents, the plan provides for pre-tax commission reduction agreements, subject to maximums.

The Company annually determines the level of company contributions to the agents' plan. Contributions are based on each participant's net renewal commissions, net renewal premiums and cash values for the plan year on policies for which the participant is the original writing agent. In 2016 and 2015, the Company's contributions to the agents' tax-qualified plan totaled $2 million for both years. There is no non-qualified plan for agents.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Support and Credit Agreements

The Company has a credit agreement with NYLAZ (which is a wholly-owned subsidiary of the Company), dated August 11, 2004 and amended and restated November 16, 2015, whereby NYLAZ may borrow from the Company up to $10 million. During 2016 and 2015, the credit facility was not used, no interest was paid and there was no outstanding balance due.

The Company has a credit agreement with NYLIAC, dated September 30, 1993, as amended, whereby NYLIAC may borrow from the Company up to $490 million. During 2016 and 2015, the credit facility was not used, no interest was paid and there was no outstanding balance due.

In addition, the Company has a credit agreement with NYLIAC, dated April 1, 1999, as amended, under which the Company may borrow from NYLIAC up to $490 million. During 2016 and 2015, the credit facility was not used, no interest was paid and there was no outstanding balance due.

New York Life Capital Corporation ("NYLCC"), a wholly-owned subsidiary of NYLIFE LLC (which is a wholly-owned subsidiary of the Company), has a credit agreement with the Company dated October 1, 1997, as amended on July 21, 2010, whereby NYLCC has agreed to make loans to the Company in an amount up to, but not exceeding, $2.5 billion from proceeds from the issuance of commercial paper. The Company had a loan payable to NYLCC of $503 million at both December 31, 2016 and 2015. The Company recorded interest expense of $3 million and $1 million during December 31, 2016 and 2015, respectively.

Effective March 28, 2014, the Company and NYL Investors entered into a revolving credit agreement whereby the Company has agreed to make loans to NYL Investors. The revolving credit agreement initially providing for loans in an amount up to, but not exceeding, $250 million. On April 1, 2015, the agreement was amended and the credit line was reduced to $10 million. During 2016 and 2015, the credit facility was not used, no interest was paid and there was no outstanding balance due.

Guarantees

At December 31, 2016, the Company had the following outstanding guarantees (in millions):

	Nature and Circumstances of Guarantee and Key Attributes	Liability Recognition of Guarantee	Ultimate Financial Statement Impact if Action Under the Guarantee is Required	Maximum Potential Amount of Future Payments (Undiscounted) the Company Could be Required to Make Under the Guarantee	Current Status of Payment or Performance Risk of Guarantee
1.	On July 11, 2008, the Company executed an agreement to indemnify GoldPoint Partners LLC (formerly known as NYLCAP Manager LLC) for capital contributions that may be required in connection with GoldPoint Partner's indemnification obligations to NYLCAP Select Manager Fund, LP.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	Expenses would increase	$25	The Company oversees the operations of GoldPoint Partners LLC and assesses the risk to be minimal.
2.	On January 17, 2012, the Company executed an agreement to indemnify GoldPoint Partners LLC for capital contributions that may be required in connection with GoldPoint Partners LLC's indemnification obligations to NYLCAP Select Manager Fund II, L.P.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	Expenses would increase	$25	The Company oversees the operations of GoldPoint Partners LLC and assesses the risk to be minimal.
3.	On April 7, 2015, the Company executed an agreement to indemnify GoldPoint Partners LLC for capital contributions that may be required in connection with GoldPoint Partners LLC's indemnification obligations to NYLCAP Select Manager Fund III, L.P.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	Expenses would increase	$25	The Company oversees the operations of GoldPoint Partners LLC and assesses the risk to be minimal.
4.	On September 28, 1995, the Company entered into a support agreement with NYLCC to maintain a positive net worth of NYLCC of at least $1. Since NYLCC only makes loans to the Company or its participating wholly owned subsidiaries, the Company would only be obligated under the guarantee in the event that one of the participating subsidiaries defaulted under its loan.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	None. The financial statement impact of performance under the guarantee would be offset by an increase	$740	Based on NYLCC's financial position and operations, the Company considers the risk of performance to be minimal.
5.	On November 7, 2007, the Company issued a guarantee to the Bank of New York ("BoNY") unconditionally guaranteeing the debts of MCF in connection with a standby letter of credit entered between MCF and BoNY. MCF provides revolving loans to third parties. The borrower sometimes requires a line of credit to be issued by a bank to back the revolving loan. In order for BoNY to enter into this line of credit, they required the Company to provide a guarantee on behalf of MCF.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	Expenses would increase	$100	The Company, in the ordinary course of business, provides MCF with capital and financing to meet their obligations. The Company views the risk of performance under this guarantee to be minimal.
6.	On October 26, 2010, the Company issued a guarantee for the full and punctual payment of all amounts that are or may become due and payable by NYLE to Ace INA International Holdings Ltd. ("INA") in connection with the sale of NYLE's holdings in Korea and Hong Kong to INA.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	Expenses would increase	Unlimited	The unlimited nature of this guarantee relates to tax issues that may arise in connection with the entities sold or in connection with the sale itself.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

	Nature and Circumstances of Guarantee and Key Attributes	Liability Recognition of Guarantee	Ultimate Financial Statement Impact if Action Under the Guarantee is Required	Maximum Potential Amount of Future Payments (Undiscounted) the Company Could be Required to Make Under the Guarantee	Current Status of Payment or Performance Risk of Guarantee
7.	The Company issues funding agreements to New York Life Global Funding, which issues, or has issued notes to investors. If any taxing authority imposes withholding taxes on the payments due under the funding agreements or such notes (for example, as a result of a law change), the Company is required, in certain instances, to increase the payments on the funding agreements to make up for the amounts required to be withheld.	Exempt. Related party guarantee that is unlimited.	Expenses would increase	The Company cannot estimate the maximum liability. The Company cannot anticipate the risk or amount that taxing authorities may withhold taxes.	The Company does not view its risk of performance under the guarantee to be significant. Additionally, if withholding becomes required, the Company is permitted to terminate the funding agreements.
8.	The Company has entered into certain arrangements with various regulators whereby the Company agreed to maintain NYLAZ's capital and surplus at certain levels.	Exempt. Related party guarantee that is unlimited.	None	Unlimited	Capital contributions to wholly owned subsidiaries would not affect the Company's financial position.
9.	On April 1, 1994, Canada Life acquired the Company's individual life business in Canada, as well as acquiring New York Life Canada. The Company is required to hold Canada Life harmless for liabilities arising from pre-closing sales malpractice.	$0	Expenses would increase	Unlimited	The Company has not had any material claims under this agreement. Given this and the length of time that has passed since the agreement was executed, the Company does not expect to pay a material amount under the contract.
10.	The Company along with several other insurance companies entered into a supplemental benefits reinsurance and participation agreement with Guaranty Association Benefits Company (GABC), a captive insurance company created to assume and reinsure certain restructured annuity obligations of Executive Life Insurance Company of New York (ELNY). The participating life insurance companies agreed to assure that each individual payee under ELNY contracts will receive from GABC total annuity benefits due to the payee.	$0	Expenses would increase	Unlimited	Based on an analysis performed by an independent risk management firm, the Company does not anticipate that any further funding will be required.
11.	On April 2, 2012, the Company issued a guarantee for the full and punctual payment of certain indemnity payments that may become due and payable by NYLE and New York Life International Holdings Limited (NYL Mauritius) to the Mitsui Sumitomo Insurance Company in connection with the sale by NYLE and NYL Mauritius of Max New York Life Insurance Company Limited (MNYL).	Exempt. Guarantee is on behalf of wholly owned subsidiaries.	Expenses would increase	Unlimited	The Company views the risk of performance under this guarantee as remote.

	Nature and Circumstances of Guarantee and Key Attributes	Liability Recognition of Guarantee	Ultimate Financial Statement Impact if Action Under the Guarantee is Required	Maximum Potential Amount of Future Payments (Undiscounted) the Company Could be Required to Make Under the Guarantee	Current Status of Payment or Performance Risk of Guarantee
12.	On September 12, 2012, the Company issued a guarantee for the full and punctual payment of all amounts that are or may become due and payable by NYL Cayman Holdings Ltd., NYLE, and Seguros Monterrey New York Life S.A. to Ace INA International Holdings Ltd. in connection with the sale by NYL Cayman Holdings Ltd., NYLE and Seguros Monterrey New York Life S.A. of New York Life Worldwide Capital, LLC, the holding company for Fianzas Monterrey, S.A. and its subsidiary, Operadora FMA, S.A. de C.V.	Exempt. Guarantee is on behalf of wholly owned subsidiaries.	Expenses would increase	Unlimited	The Company views the risk of performance under this guarantee as remote.
13.	On June 25, 2013, the Company issued a guarantee for the full and timely payment of certain indemnity payments that may become due and payable by NYLE to Yuanta Financial Holding Co., Ltd. in connection with the sale by NYLE of New York Life Insurance Taiwan Corporation.	Exempt. Guarantee is on behalf of wholly owned subsidiaries.	Expenses would increase	Unlimited	The Company views the risk of performance under this guarantee as remote.

Guarantee Obligations (in millions):

a.	Aggregate maximum potential of future payments of all guarantees (undiscounted) the guarantor could be required to make under guarantees*	$	915
b.	Current contingent liability recognized in financial statement		
	1. Noncontingent liabilities	$	—
	2. Contingent liabilities	$	—
c.	Ultimate financial statement impact if action under the guarantee is required		
	1. Investments in SCA	$	—
	2. Joint venture	$	—
	3. Dividends to stockholders	$	—
	4. Expense	$	175
	5. Other	$	—

* Excludes guarantees where maximum potential is unlimited or not quantified.

Litigation

The Company and/or its subsidiaries are defendants in individual and/or alleged class action suits arising from their agency sales force, insurance (including variable contracts registered under the federal securities law), investment, retail securities, employment and/or other operations, including actions involving retail sales practices. Some of the actions seek substantial or unspecified compensatory and punitive damages. The Company and/or its subsidiaries are also from time to time involved in various governmental, administrative, and investigative proceedings and inquiries.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

Notwithstanding the uncertain nature of litigation and regulatory inquiries, the outcome of which cannot be predicted, the Company believes that, after provisions made in the financial statements, the ultimate liability that could result from litigation and proceedings would not have a material adverse effect on the Company's financial position; however, it is possible that settlements or adverse determinations in one or more actions or other proceedings in the future could have a material adverse effect on the Company's operating results for a given year.

Lease Commitments

The Company leases office space, distribution facilities, and certain office equipment under various agreements with various expiration dates. The leases contain provisions for payment of real estate taxes, building maintenance, electricity, and rent escalations.

Rent expense for all leases amounted to $149 million and $145 million for the years ended December 31, 2016 and 2015, respectively, of which $79 million and $62 million was billed to subsidiaries in accordance with an intercompany cost sharing arrangement for the years ended December 31, 2016 and 2015, respectively.

Future minimum lease payments under non-cancellable operating leases with original or remaining lease terms in excess of one year at December 31, 2016 were as follows (in millions):

Year	Real Property	Equipment	Total
2017	$ 115	$ 14	$ 129
2018	108	5	113
2019	100	1	101
2020	96	—	96
2021	91	—	91
Thereafter	357	—	357
Total	$ 867	$ 20	$ 887

In connection with the sale of one of its home office properties in 1995, the Company had entered into an agreement to lease back a portion of the building through 2010. Effective December 7, 2009, the Company renewed such lease through 2024, with total future lease obligations of $98 million at December 31, 2016 that are included in the above table.

In 2016, the Company completed the sale of another home office property, and entered into an agreement to lease back a portion of the building through 2018, resulting in future lease obligations of $12 million, that are included in the above table.

Borrowed Money

Borrowed money, generally carried at the unpaid principal balance and any interest payable, consisted of the following at December 31, 2016 and 2015 (in millions):

	Amount
Loan payable to NYLCC, various maturities, latest being March 27, 2017 (weighted average interest rate of 0.73% and 0.25% for 2016 and 2015, respectively)	$ 503

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

Loaned Securities and Repurchase Agreements

The Company participates in securities lending programs whereby securities, which are included in investments, are loaned to third-parties for the purpose of enhancing income on securities held through reinvestment of cash collateral received upon lending. For securities lending transactions, the Company requires initial collateral, usually in the form of cash, equal to 102% of the fair value of domestic securities loaned. The borrower of the loaned securities is permitted to sell or repledge those securities. At December 31, 2016 and 2015, the Company recorded cash collateral received under these agreements of $653 million and $578 million, respectively, and established a corresponding liability for the same amount, which is included in amounts payable under security lending agreements. For securities lending transactions, the carrying value of securities classified as bonds and on loan at December 31, 2016 was $621 million, with a fair value of $640 million. At December 31, 2015, the carrying value was $568 million, with a fair value of $566 million. The reinvested collateral is reported in bonds, and cash, cash equivalent and short-term investments in the Statutory Statements of Financial Position. The total fair value of all reinvested collateral positions was $670 million and $589 million at December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, there were no separate account securities lending agreements.

The Company participates in dollar repurchase agreements to sell and repurchase securities. The purchaser of the securities is permitted to sell or repledge those securities. The liability for repurchasing the assets is included in borrowed money in the accompanying Statutory Statements of Financial Position. At December 31, 2016 and 2015, there were no securities sold from the general account under dollar repurchase agreements.

At December 31, 2016, the carrying value and fair value of securities held under agreements to purchase and resell was $309 million, which were classified as tri-party repurchase agreements and included in cash, cash equivalents, and short-term investments in the accompanying Statutory Statements of Financial Position. The securities had a weighted average maturity of three days and a weighted average yield of 0.45%. At December 31, 2015, the carrying value and fair value of securities held under agreements to purchase and resell was $382 million, which were classified as tri-party repurchase agreements and included in cash, cash equivalents, and short-term investments in the accompanying Statutory Statements of Financial Position. The securities had a weighted average maturity of four days and a weighted average yield of 0.3%.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

The following tables present the term and amounts of cash collateral received under dollar repurchase and securities lending agreements at December 31, 2016 and 2015 (in millions):

	2016					
	Remaining Contractual Maturity of the Agreements					
	Open	30 days or less	31 to 60 days	61 to 90 days	Greater than 90 days	Total
General Account Securities Lending						
U.S. Treasury	$ 18	$ —	$ —	$ —	$ —	$ 18
U.S. government corporation & agencies	12	—	—	—	—	12
Foreign governments	4	—	—	—	—	4
U.S. corporate	495	—	—	—	—	495
Foreign corporate	124	—	—	—	—	124
Total general account securities lending transactions	$ 653	$ —	$ —	$ —	$ —	$ 653

At December 31, 2016 , there were no separate account securities cash collateral received under dollar repurchase or securities lending agreements.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

	2015					
	Remaining Contractual Maturity of the Agreements					
	Open	30 days or less	31 to 60 days	61 to 90 days	Greater than 90 days	Total
General Account Securities Lending						
U.S. Treasury	$ 33	$ —	$ —	$ —	$ —	$ 33
U.S. government corporation & agencies	15	—	—	—	—	15
Foreign governments	7	—	—	—	—	7
U.S. corporate	416	—	—	—	—	416
Foreign corporate	107	—	—	—	—	107
Total general account securities lending transactions	$ 578	$ —	$ —	$ —	$ —	$ 578
Separate Accounts Dollar Repurchase Agreements						
U.S. government corporation & agencies	$ —	$ —	$ 31	$ —	$ —	$ 31
Total separate accounts dollar repurchase agreements	$ —	$ —	$ 31	$ —	$ —	$ 31

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

The following tables present the term and aggregate fair value at December 31, 2016 and 2015 from the reinvestment of all collateral received (in millions):

	2016					
	General Account Dollar Repurchase Agreements		Separate Account Dollar Repurchase Agreements		General Account Securities Lending	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Open	$ —	$ —	$ —	$ —	$ —	$ —
30 days or less	—	—	—	—	383	383
31 to 60 days	—	—	—	—	59	59
61 to 90 days	—	—	—	—	16	16
91 to 120 days	—	—	—	—	5	5
121 to 180 days	—	—	—	—	9	9
181 to 365 days	—	—	—	—	7	7
1 to 2 years	—	—	—	—	36	37
2 to 3 years	—	—	—	—	92	92
Greater than 3 years	—	—	—	—	62	62
Total collateral reinvested	$ —	$ —	$ —	$ —	$ 669	$ 670

	2015					
	General Account Dollar Repurchase Agreements		Separate Account Dollar Repurchase Agreements		General Account Securities Lending	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Open	$ —	$ —	$ —	$ —	$ —	$ —
30 days or less	—	—	—	—	328	328
31 to 60 days	—	—	31	31	47	47
61 to 90 days	—	—	—	—	6	6
91 to 120 days	—	—	—	—	10	9
121 to 180 days	—	—	—	—	22	22
181 to 365 days	—	—	—	—	29	29
1 to 2 years	—	—	—	—	36	36
2 to 3 years	—	—	—	—	55	55
Greater than 3 years	—	—	—	—	57	57
Total collateral reinvested	$ —	$ —	$ 31	$ 31	$ 590	$ 589

Assessments

Most of the jurisdictions in which the Company is licensed to transact business require life insurers to participate in guaranty associations which are organized to pay contractual benefits pursuant to insurance policies issued by impaired, insolvent or failed life insurers. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the line of business in which the impaired, insolvent or failed life

insurer is engaged. Some states permit member insurers to recover assessments through full or partial premium tax offsets.

Liens

Several commercial banks have customary security interests in certain assets of the Company to secure potential overdrafts and other liabilities of the Company that may arise under custody, securities lending and other banking agreements with such banks.

Other Commitments and Contingencies

At December 31, 2016 and 2015, contractual commitments to extend credit under commercial mortgage loan documents totaled $558 million and $396 million, respectively, at both fixed and variable rates of interest. These commitments are diversified by property type and geographic location. There were no contractual commitments to extend credit under residential loan agreements at December 31, 2016 and 2015.

At December 31, 2016 and 2015, the Company and its guaranteed separate accounts had outstanding contractual obligations to acquire additional private placement securities amounting to $434 million and $372 million, respectively.

Unfunded commitments on limited partnerships, limited liability corporations and other invested assets amounted to $3,865 million and $4,302 million at December 31, 2016 and 2015, respectively. Unfunded commitments on LIHTC amounted to $45 million and $21 million at December 31, 2016 and 2015, respectively. At December 31, 2016, unfunded commitments on LIHTC are included in limited partnerships and other invested assets, with an offset in other liabilities on the Statutory Statement of Financial Position.

NOTE 16 – INCOME TAXES

The components of the net DTAs and DTLs were as follows at December 31, 2016 and 2015 (in millions):

	2016			2015			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross DTAs	$ 4,288	$ 1,088	$ 5,376	$ 4,241	$ 988	$ 5,229	$ 47	$ 100	$ 147
Statutory valuation allowance	—	—	—	—	—	—	—	—	—
Adjusted gross DTAs	4,288	1,088	5,376	4,241	988	5,229	47	100	147
Nonadmitted DTAs	993	—	993	1,093	—	1,093	(100)	—	(100)
Subtotal Net Admitted	3,296	1,088	4,383	3,148	988	4,136	148	100	247
Gross DTLs	1,053	1,311	2,364	1,022	1,338	2,360	31	(27)	4
Net admitted DTAs/ (DTLs)	$ 2,243	$ (223)	$ 2,020	$ 2,126	$ (350)	$ 1,776	$ 117	$ 127	$ 244

Net DTAs are nonadmitted primarily because they are not expected to be realized within three years of the Statutory Statement of Financial Position date. The admitted portion of the net DTAs is included in Other assets in the accompanying Statutory Statements of Financial Position.

NOTE 16 – INCOME TAXES (continued)

The admission calculation components for the years ended December 31, 2016 and 2015 are as follows (paragraph references throughout Note 16 are to paragraphs of SSAP No. 101 "Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10") (in millions):

	2016			2015			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks (Paragraph 11.a)	$ 704	$ 147	$ 851	$ 544	$ 122	$ 666	$ 160	$ 25	$ 185
Adjusted gross DTA expected to be realized (excluding the amount of DTA from paragraph 11.a above) after application of the threshold limitation (the lesser of paragraph 11.b.i and 11.b.ii below):	990	179	1,169	1,027	83	1,110	(37)	96	59
Adjusted gross DTA expected to be realized following the balance sheet date (Paragraph 11.b.i)	990	179	1,169	1,027	83	1,110	(37)	96	59
Adjusted gross DTA allowed per limitation threshold (Paragraph 11.b.ii)	N/A	N/A	2,641	N/A	N/A	2,501	N/A	N/A	140
Adjusted gross DTA (excluding the amount of DTA from paragraphs 11.a and 11.b above) offset by gross DTL (Paragraph 11.c)	1,602	761	2,364	1,577	783	2,360	25	(22)	4
DTA admitted as the result of application of SSAP 101 (Total of paragraphs 11.a, 11.b, 11.c)	$ 3,296	$ 1,088	$ 4,383	$ 3,148	$ 988	$ 4,136	$ 148	$ 100	$ 247

NOTE 16 – INCOME TAXES (continued)

The ratio used to determine the applicable period used in paragraph 11.b.i above and the amount of adjusted capital and surplus used to determine the percentage threshold limitation in paragraph 11.b.ii above are as follows at December 31, 2016 and 2015 ($ in millions):

	2016	2015
Ratio percentage used to determine recovery period and threshold limitation amount	1,005%	1,013%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in paragraph 11.b.ii above	$ 17,606	$ 16,671

There was no impact on adjusted gross and net admitted DTAs due to tax planning strategies at December 31, 2016 and 2015. The Company did not use reinsurance in its tax planning strategies.

The Company had no unrecognized DTLs at December 31, 2016 and 2015. At December 31, 2016, the Company had no adjustments of DTAs or DTLs for enacted changes in tax laws or rates, or a change in tax status. Additionally, the Company had no adjustments to gross DTAs because of a change in circumstances that causes a change in judgment about the realizability of the related DTAs.

Significant components of the current federal income tax expense (benefit) incurred for the years ended December 31, 2016 and 2015 were as follows (in millions):

	2016	2015	Change
Current Income Tax			
Federal[1]	$ (165)	$ 320	$ (485)
Foreign	2	7	(5)
Subtotal	(163)	327	(490)
Federal income tax on net capital gains	110	87	23
Other (current taxes reported in prior period correction)	10	—	10
Total federal and foreign income tax expense incurred	$ (43)	$ 414	$ (457)

[1] The Company had investment tax credits of $108 million and $123 million for the years ended December 31, 2016 and 2015, respectively.

NOTE 16 – INCOME TAXES (continued)

The tax effects of temporary differences that give rise to DTAs and DTLs for the years ended December 31, 2016 and 2015 were as follows (in millions):

	2016	2015	Change
DTAs			
Ordinary:			
Policyholder reserves	$ 927	$ 994	$ (67)
Pension accrual	725	659	66
Deferred acquisition costs	948	970	(22)
Compensation and benefits accrual	742	711	31
Policyholder dividends accrual	637	604	33
Fixed assets	166	146	20
Receivables - nonadmitted	43	49	(6)
Investments	52	49	3
Unearned premium reserves	1	1	—
Other	47	59	(12)
Subtotal	4,288	4,242	46
Nonadmitted	993	1,094	(101)
Admitted ordinary DTAs	3,295	3,148	147
Capital			
Investments	1,088	988	100
Real estate	—	—	—
Subtotal	1,088	988	100
Nonadmitted	—	—	—
Admitted capital DTAs	1,088	988	100
Total admitted DTAs	4,383	4,136	247
DTLs			
Ordinary:			
Deferred and uncollected premiums	637	598	39
Policyholder reserves	196	190	6
Investments	83	101	(18)
Fixed assets	129	125	4
Other	8	8	—
Subtotal	1,053	1,022	31
Capital:			
Investments	1,216	1,290	(74)
Real estate	95	48	47
Subtotal	1,311	1,338	(27)
Total DTLs	2,364	2,360	4
Net admitted DTAs/(DTLs)	$ 2,019	$ 1,776	$ 243

Deferred income tax benefit on change in net unrealized capital gains and losses	$ 14
Increase in net deferred tax related to other items	129
Decrease in DTAs nonadmitted	100
Total change in net admitted DTAs	$ 243

NOTE 16 – INCOME TAXES (continued)

The Company's income tax (benefit) expense for the years ended December 31, 2016 and 2015 differs from the amount obtained by applying the statutory rate of 35% to net gain from operations after dividends to policyholders and before federal income taxes for the following reasons (in millions):

	2016	2015	Change
Net gain from operations after dividends to policyholders and before federal income taxes	$ 155	$ 167	$ (12)
Net realized capital gains (losses)	18	(30)	48
Nonadmitted assets	(25)	(12)	(13)
Prior year audit liability and settlement	—	(3)	3
Contiguous country branch income	(2)	(3)	1
Stock contribution to the NYL Foundation	(2)	(1)	(1)
Amortization of IMR	(42)	27	(69)
Dividends from subsidiaries	(69)	(123)	54
Tax exempt income	(58)	(36)	(22)
Tax credits, net of withholding	(109)	(128)	19
Accruals in surplus	(50)	4	(54)
Other	12	5	7
Income tax incurred and change in net deferred tax during period	$ (172)	$ (133)	$ (39)
Federal income taxes reported in the Company's Statutory Statements of Operations	$ (163)	$ 327	$ (490)
Capital gains tax benefits incurred	110	87	23
Change in net deferred income taxes	(129)	(547)	418
Change in current and deferred taxes reported in prior period correction	10	—	10
Total statutory income tax benefit	$ (172)	$ (133)	$ (39)

The Company's federal income tax returns are routinely audited by the IRS and provisions are made in the financial statements in anticipation of the results of these audits. The IRS has completed audits through 2010 and tax years 2011 through 2013 are currently under examination. There were no material effects on the Company's accompanying Statutory Statements of Operations as a result of these audits. The Company believes that its recorded income tax liabilities are adequate for all open years.

The Company did not have any operating loss and tax credit carry-forwards available for tax purposes. For the year ended December 31, 2016, there were no income taxes incurred in prior years that will be available for recoupment in the event of future net losses. For the years ended December 31, 2015 and 2014, the total income taxes incurred in prior years that will be available for recoupment in the event of future net losses totaled $716 million and $135 million, respectively.

The Company does not anticipate any significant changes to its total unrecognized tax benefits within the next 12 months.

As discussed in Note 3 – Significant Accounting Policies - Federal Income Taxes, the Company's federal income tax return is consolidated with certain of its insurance and non-insurance subsidiaries.

At December 31, 2016 and 2015, the Company recorded a current income tax (payable)/receivable of $(20) million and $172 million, respectively. The current income tax payable was included in Other liabilities and

NOTE 16 – INCOME TAXES (continued)

the current income tax receivable was included in Other assets in the accompanying Statutory Statements of Financial Position.

(3) At December 31, 2016, the Company had no protective tax deposits on deposit with the Internal Revenue Service under Section 6603 of the Internal Revenue Service Code.

NOTE 17 – SURPLUS

Unrealized Gains and Losses

Cumulative net unrealized gains on investments, gross of deferred taxes, recognized in unassigned surplus were $5,083 million and $4,772 million at December 31, 2016 and 2015, respectively.

Surplus Notes

The following table summarizes the surplus notes issued and outstanding at December 31, 2016 ($ in millions):

Issue Date	Principal Amount	Carrying Value	Interest Paid Current Year	Cumulative Interest Paid	Interest Rate	Maturity Date
10/8/2009	$ 1,000	$ 998	$ 68	$ 480	6.75%	11/15/2039
5/5/2003	1,000	995	59	794	5.88%	5/15/2033
Total	$ 2,000	$ 1,993	$ 127	$ 1,274		

The 2009 Notes and the 2003 Notes (collectively, the "Notes") were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and are administered by Citibank, as registrar/paying agent. Interest on the Notes is paid semi-annually on May 15th and November 15th of each year.

The Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims against the Company. Under New York State Insurance Law, the Notes are not part of the legal liabilities of the Company. Each payment of interest or principal may be made only with the prior approval of the Superintendent of Financial Services of the State of New York ("Superintendent") and only out of surplus funds, which the Superintendent determines to be available for such payments under New York State Insurance Law. Provided that approval is granted by the Superintendent, the Notes may be redeemed at the option of the Company at any time at the "make-whole" redemption price equal to the greater of: (1) the principal amount of the Notes to be redeemed, or (2) the sum of the present values of the remaining scheduled interest and principal payments on the notes to be redeemed, excluding accrued interest as of the date on which the Notes are to be redeemed, discounted on a semi-annual basis at an adjusted treasury rate plus 20 basis points for the 2003 Notes and 40 basis points for the 2009 Notes, respectively, plus in each case, the accrued interest on the notes to be redeemed to the redemption date.

At December 31, 2016 and 2015, none of the Company's affiliates owned any of the Notes.

At December 31, 2016, State Street Bank & Trust Co, Bank of New York Mellon, JP Morgan Chase Bank and Citibank were each the holder of record at The Depository Trust Company of more than 10% of the

outstanding amount of the Notes, with each holding Notes, at least in part, for the accounts of their respective clients.

Nonadmitted Assets

Under statutory accounting rules, a nonadmitted asset is defined as an asset having economic value other than that which can be used to fulfill policyholder obligations, or those assets that are unavailable due to encumbrances or other third-party interests. These assets are not recognized in the accompanying Statutory Statements of Financial Position, and are, therefore, considered nonadmitted. The changes between years in nonadmitted assets are charged or credited directly to surplus.

The following table shows the major categories of assets that were nonadmitted at December 31, 2016 and 2015, respectively (in millions):

	2016	2015	Increase (Decrease)
Prepaid pension asset	$ 1,584	$ 1,664	$ (80)
Net deferred tax asset	993	1,093	(100)
Furniture and electronic data processing ("EDP") equipment	474	426	48
Invested assets	107	91	16
Other	147	139	8
Total	$ 3,305	$ 3,413	$ (108)

NOTE 18 – SIGNIFICANT SUBSIDIARY

NYLIAC is engaged in the life insurance and annuity businesses. A summary of NYLIAC's statutory statements of financial position at December 31, 2016 and 2015 and results of operations for the years then ended are as follows (in millions):

	2016	2015
Assets:		
Bonds	$ 77,313	$ 71,792
Mortgage loans	12,984	12,097
Separate accounts assets	36,858	34,779
Other assets	14,198	13,571
Total assets	$ 141,353	$ 132,239
Liabilities and Capital and Surplus:		
Policy reserves	$ 80,438	$ 74,781
Separate accounts liabilities	36,856	34,777
Other liabilities	15,334	14,535
Capital and surplus	8,725	8,146
Total liabilities and capital and surplus	$ 141,353	$ 132,239
Results of Operations:		
Net gain from operations	$ 890	$ 476
Net realized capital losses	(112)	(79)
Net income	$ 778	$ 397

NOTE 19 – PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Under statutory accounting practices, the Company treats all fixed assets and nonoperating software as nonadmitted assets. Depreciation is determined using the straight-line method over the estimated useful lives of the assets, generally no more than five years.

Below is a chart highlighting the major classes of property and equipment at December 31, 2016 and 2015 (in millions):

	2016		
	Carrying Amount	Accumulated Depreciation	Depreciation
Software and website development	$ 389	$ 77	$ 64
PC equipment	27	18	4
Subtotal EDP	416	95	68
Leasehold improvements	142	69	9
Office furniture	69	32	5
Telecommunications	38	16	3
Other	71	30	49
Subtotal Furniture	320	147	66
Total	$ 736	$ 242	$ 134

	2015		
	Carrying Amount	Accumulated Depreciation	Depreciation
Software and website development	$ 343	$ 28	$ 60
PC equipment	22	11	5
Subtotal EDP	365	39	65
Leasehold improvements	110	57	8
Office furniture	55	25	5
Telecommunications	23	11	3
Other	57	20	36
Subtotal Furniture	245	113	52
Total	$ 610	$ 152	$ 117

NOTE 20 – WRITTEN PREMIUMS

Deferred and uncollected life insurance premiums at December 31, 2016 and 2015 were as follows (in millions):

	2016		2015	
	Gross	Net of Loading	Gross	Net of Loading
Ordinary new business	$ 167	$ 56	$ 164	$ 67
Ordinary renewal	1,278	1,262	1,259	1,237
Group life	590	479	596	482
Total	$ 2,035	$ 1,797	$ 2,019	$ 1,786

The amounts above reflect a prescribed practice that departs from the NAIC Accounting Practices and Procedures Manual (Refer to Note 2 - Basis of Presentation for additional information).

Deferred premium is the portion of the annual premium not earned at the reporting date. Loading of deferred premium is an amount obtained by subtracting the valuation net deferred premium from the gross deferred premium and generally includes allowances for acquisition costs and other expenses.

Uncollected premium is gross premium net of reinsurance that is due and unpaid at the reporting date. Net premium is the amounts used in the calculation of reserves. The change in loading is included as an expense and is not shown as a reduction to premium income.

Ordinary new business and ordinary renewal business consist of the basic amount of premium required on the underlying life insurance policies.

Based upon Company experience, the amount of premiums that may become uncollectible and result in a potential loss is not material to the Company's financial position. For each of the years ended December 31, 2016 and 2015, the Company nonadmitted $4 million of premiums that were over 90 days past due.

The Company did not have any direct premium written/produced by managing general agents/third-party administrators for the years ended December 31, 2016 and 2015, respectively.

NOTE 21 – DISCONTINUED OPERATIONS, ACQUISITION AND DISPOSITION

Acquisition

On April 15, 2015, pursuant to the terms and conditions of an Agreement and Plan of Merger dated December 1, 2014, NYL Investments completed its acquisition of Index IQ, a leader in liquid alternative exchange traded funds and mutual funds.

Disposition

On April 14, 2015, pursuant to the terms and conditions of a Master Transaction Agreement dated December 23, 2014, NYL Investments completed the divestiture of its retirement plan services business of providing administrative, record keeping, and custody services to John Hancock Retirement Plan Services, LLC.

NOTE 22 – SUBSEQUENT EVENTS

As of March 9, 2017, the date the financial statements were available to be issued, there have been no events occurring subsequent to the close of the Company's books or accounts for the accompanying statutory financial statements that would have a material effect on the financial condition of the Company.

NOTE 23 – LOAN-BACKED AND STRUCTURED SECURITY IMPAIRMENTS

The following table lists each loan-backed and structured security at a CUSIP level where the present value of cash flows expected to be collected is less than the amortized cost basis during the year (in thousands):

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR

(1)	(2)	(3)	(4)	(5)	(6)	(7)
CUSIP[1,2]	Amortized Cost Before Current Period OTTI	Projected Cash Flows	Current Period Recognized OTTI	Amortized Cost After OTTI	Fair Value	Financial Statement Reporting Period
General Account						
059469AF3	2,670	2,627	43	2,627	2,475	12/31/2016
05948KH77	2,772	2,751	21	2,751	2,717	12/31/2016
07386HTP6	1,089	1,083	6	1,083	997	12/31/2016
12627HAK6	1,681	1,653	28	1,653	1,459	12/31/2016
12628KAF9	650	622	28	622	599	12/31/2016
12628LAJ9	1,136	1,105	31	1,105	935	12/31/2016
12667G6W8	8,052	7,854	198	7,854	7,984	12/31/2016
12667GXN8	4,918	4,629	289	4,629	4,562	12/31/2016
126694EK0	8,702	8,098	604	8,098	8,659	12/31/2016
16163LAR3	4,279	4,134	145	4,134	4,069	12/31/2016
18976GAV8	3,881	3,842	39	3,842	3,776	12/31/2016
225470M67	1,142	1,046	96	1,046	856	12/31/2016
251511AC5	1,927	1,894	33	1,894	1,879	12/31/2016
251511AF8	865	850	15	850	840	12/31/2016
36185MBN1	825	808	17	808	785	12/31/2016
3622ELAG1	1,703	1,688	15	1,688	1,590	12/31/2016
3622MPAT5	3,869	3,862	7	3,862	3,821	12/31/2016
3623416X2	2,948	2,647	301	2,647	2,887	12/31/2016
466247ZQ9	3,320	3,210	110	3,210	3,304	12/31/2016
46628LAQ1	1,333	1,159	174	1,160	1,245	12/31/2016
61749EAH0	1,268	1,245	23	1,245	1,144	12/31/2016
76110HP29	9,519	9,466	53	9,466	9,460	12/31/2016
76110HS34	880	878	2	878	878	12/31/2016
86359B5U1	6,216	6,058	158	6,058	6,311	12/31/2016
92977YBN0	1,618	1,521	97	1,521	1,443	12/31/2016
939344AM9	50	50	—	50	46	12/31/2016
93934FCE0	1,575	1,570	5	1,570	1,548	12/31/2016
94983PAG3	5,263	4,962	301	4,962	4,964	12/31/2016
94983UAB3	1,802	1,747	55	1,747	1,742	12/31/2016
94984MAG9	5,745	5,262	483	5,262	5,462	12/31/2016
000112AA0	775	775	—	775	553	12/31/2016
05951KAZ6	146	142	4	142	129	12/31/2016
05951KBA0	3,474	3,258	216	3,258	3,201	12/31/2016
05953YAA9	518	512	6	512	470	12/31/2016
12566VAN2	6,881	6,602	279	6,602	6,588	12/31/2016
12638PAE9	688	681	7	681	631	12/31/2016
12667G7X5	5,509	5,316	193	5,316	5,407	12/31/2016

NOTE 23 – LOAN-BACKED AND STRUCTURED SECURITY IMPAIRMENTS (continued)

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
CUSIP[1,2]	Amortized Cost Before Current Period OTTI	Projected Cash Flows	Current Period Recognized OTTI	Amortized Cost After OTTI	Fair Value	Financial Statement Reporting Period
General Account (continued)						
14310RAA4	22,344	22,118	226	22,118	22,118	12/31/2016
14311KAA8	35,744	26,848	8,896	26,848	26,998	12/31/2016
26924BAA1	1,228	955	273	955	944	12/31/2016
29760LAA0	1,228	955	273	955	944	12/31/2016
3622E8AC9	362	339	23	339	344	12/31/2016
36244SAF5	624	607	17	607	615	12/31/2016
36828QLA2	518	415	103	415	405	12/31/2016
59020UXH3	933	929	4	929	816	12/31/2016
61752RAH5	413	396	17	396	385	12/31/2016
61752RAJ1	612	587	25	587	577	12/31/2016
78476YAA4	891	891	—	891	802	12/31/2016
86359DQR1	1,109	957	152	957	1,065	12/31/2016
059469AF3	2,786	2,755	31	2,755	2,601	9/30/2016
05948KH77	3,169	3,017	152	3,017	2,972	9/30/2016
05948KX79	2,015	1,951	64	1,951	1,929	9/30/2016
07386HTP6	1,150	1,122	28	1,122	951	9/30/2016
12627HAK6	1,769	1,743	26	1,743	1,585	9/30/2016
12628KAF9	695	667	28	667	637	9/30/2016
12628LAJ9	1,166	1,164	2	1,164	939	9/30/2016
12667G6W8	8,863	8,546	317	8,546	8,404	9/30/2016
12667GKK8	1,499	1,440	59	1,440	1,432	9/30/2016
12667GXN8	4,108	3,907	201	3,907	3,891	9/30/2016
126694DT2	1,815	1,688	127	1,688	1,754	9/30/2016
126694EK0	9,140	8,952	188	8,952	8,947	9/30/2016
151314FK2	706	700	6	700	647	9/30/2016
16163LAR3	4,567	4,440	127	4,440	4,255	9/30/2016
17308FAD1	5,538	5,386	152	5,386	5,387	9/30/2016
18976GAV8	4,200	4,012	188	4,012	3,935	9/30/2016
225470A86	2,002	2,001	1	2,001	1,897	9/30/2016
225470M67	1,195	1,165	30	1,165	850	9/30/2016
251511AC5	2,081	1,995	86	1,995	1,951	9/30/2016
251511AF8	3,348	3,169	179	3,169	3,083	9/30/2016
32051GED3	342	301	41	301	276	9/30/2016
32051GZR9	8,655	8,462	193	8,462	8,549	9/30/2016
33882TAD2	4,464	4,349	115	4,349	4,712	9/30/2016
36185MBN1	889	871	18	871	826	9/30/2016
3622ELAG1	1,751	1,739	12	1,739	1,684	9/30/2016
3622MPAT5	4,374	4,184	190	4,184	4,191	9/30/2016
3623416X2	3,345	3,273	72	3,273	3,261	9/30/2016
362375AF4	9,230	9,120	110	9,120	8,833	9/30/2016
466247ZQ9	3,438	3,429	9	3,429	3,431	9/30/2016
46628LAQ1	1,460	1,393	67	1,393	1,300	9/30/2016

NOTE 23 – LOAN-BACKED AND STRUCTURED SECURITY IMPAIRMENTS (continued)

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR

(1) CUSIP[1,2]	(2) Amortized Cost Before Current Period OTTI	(3) Projected Cash Flows	(4) Current Period Recognized OTTI	(5) Amortized Cost After OTTI	(6) Fair Value	(7) Financial Statement Reporting Period
General Account (continued)						
46630MAG7	371	369	2	369	372	9/30/2016
576434V84	11,134	11,112	22	11,112	10,922	9/30/2016
61748HLF6	2,014	1,992	22	1,992	1,758	9/30/2016
61749EAH0	1,298	1,293	5	1,293	1,183	9/30/2016
649603AQ0	2,142	2,074	68	2,074	1,929	9/30/2016
69337GAL7	2,300	2,220	80	2,220	1,836	9/30/2016
73316PEZ9	421	420	1	420	416	9/30/2016
76110HP29	9,895	9,526	369	9,526	9,527	9/30/2016
76110HS34	2,099	1,905	194	1,905	1,914	9/30/2016
86359B5U1	6,663	6,486	177	6,486	6,385	9/30/2016
92977YBN0	1,719	1,681	38	1,681	1,497	9/30/2016
939344AM9	58	51	7	51	48	9/30/2016
93934FCE0	1,786	1,712	74	1,712	1,684	9/30/2016
93935YAA8	1,067	1,023	44	1,023	1,042	9/30/2016
94983PAG3	5,759	5,587	172	5,587	5,278	9/30/2016
94983UAB3	1,913	1,898	15	1,898	1,879	9/30/2016
94984MAG9	3,542	3,383	159	3,383	3,303	9/30/2016
00011#AA1	3,713	3,713	—	3,713	1,503	6/30/2016
000112AA0	2,955	2,955	—	2,955	1,934	6/30/2016
05947UD88	9,082	7,948	1,134	7,948	7,950	6/30/2016
05947US25	11,748	9,751	1,997	9,751	9,753	6/30/2016
12627HAK6	1,846	1,842	4	1,842	1,555	6/30/2016
12628LAJ9	1,218	1,200	18	1,200	970	6/30/2016
12629EAD7	80	80	—	80	71	6/30/2016
12668BFB4	205	11	194	11	323	6/30/2016
16163HAG6	5,792	5,509	283	5,509	5,745	6/30/2016
251511AC5	2,162	2,136	26	2,136	2,006	6/30/2016
251511AF8	3,476	3,435	41	3,435	3,169	6/30/2016
251513AV9	309	307	2	307	290	6/30/2016
251513BC0	1,443	1,420	23	1,420	1,352	6/30/2016
33883AAC4	4,197	4,176	21	4,176	2,625	6/30/2016
33883CAC0	4,105	4,105	—	4,105	2,363	6/30/2016
3622E8AC9	388	386	2	386	349	6/30/2016
3622ELAG1	1,803	1,796	7	1,796	1,680	6/30/2016
3622EUAF3	965	944	21	944	872	6/30/2016
362375AF4	9,608	9,475	133	9,475	8,942	6/30/2016
36828QLA2	519	518	1	518	483	6/30/2016
456606GK2	220	220	—	220	213	6/30/2016
466247ZQ9	3,688	3,681	7	3,681	3,662	6/30/2016
46630MAG7	383	377	6	377	362	6/30/2016
576434V84	11,751	11,751	—	11,751	11,452	6/30/2016
61749EAH0	1,369	1,338	31	1,338	1,190	6/30/2016
61750YAB5	66	64	2	64	67	6/30/2016

NOTE 23 – LOAN-BACKED AND STRUCTURED SECURITY IMPAIRMENTS (continued)

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR

(1) CUSIP[1,2]	(2) Amortized Cost Before Current Period OTTI	(3) Projected Cash Flows	(4) Current Period Recognized OTTI	(5) Amortized Cost After OTTI	(6) Fair Value	(7) Financial Statement Reporting Period
General Account (continued)						
61751JAH4	914	886	28	886	890	6/30/2016
61751JAJ0	908	880	28	880	890	6/30/2016
61752RAH5	457	436	21	436	428	6/30/2016
61752RAJ1	678	646	32	646	642	6/30/2016
73316PEZ9	570	570	—	570	562	6/30/2016
76110HS34	2,013	2,013	—	2,013	1,801	6/30/2016
933637AJ9	2,102	2,077	25	2,077	2,102	6/30/2016
93934FCS9	3,963	3,844	119	3,844	3,898	6/30/2016
93934FLW0	1,266	1,241	25	1,241	1,251	6/30/2016
BNL0KAV80	18,382	16,911	1,471	16,911	18,401	6/30/2016
000112AA0	878	878	—	878	566	3/31/2016
02147XAS6	977	905	72	905	970	3/31/2016
059469AF3	3,145	3,044	101	3,044	2,792	3/31/2016
05948KP52	3,433	3,419	14	3,419	3,310	3/31/2016
05951FAK0	196	187	9	187	170	3/31/2016
05951KAZ6	163	160	3	160	148	3/31/2016
05951KBA0	3,897	3,814	83	3,814	3,678	3/31/2016
07386HXZ9	2,046	2,028	18	2,028	1,931	3/31/2016
12489WNN0	1,249	1,249	—	1,249	1,223	3/31/2016
12544ABN4	5,680	5,171	509	5,171	5,436	3/31/2016
12628LAJ9	1,256	1,253	3	1,253	1,013	3/31/2016
12668AMN2	1,165	1,129	36	1,129	1,160	3/31/2016
12668AY25	2,715	2,695	20	2,695	2,701	3/31/2016
12668AYU3	3,738	3,433	305	3,433	3,684	3/31/2016
12668BKG7	2,675	2,615	60	2,615	2,667	3/31/2016
126694DT2	2,127	2,101	26	2,101	2,049	3/31/2016
15132ELF3	897	885	12	885	862	3/31/2016
15132ELH9	7	6	1	6	—	3/31/2016
16163HAG6	6,065	5,951	114	5,951	5,966	3/31/2016
17309BAB3	89	84	5	84	87	3/31/2016
18976GAV8	4,542	4,530	12	4,530	4,260	3/31/2016
251513AV9	326	323	3	323	294	3/31/2016
251513BC0	1,522	1,506	16	1,506	1,372	3/31/2016
33883CAC0	4,327	4,327	—	4,327	1,811	3/31/2016
3622ELAG1	1,873	1,834	39	1,834	1,700	3/31/2016
3622EUAF3	984	978	6	978	887	3/31/2016
362375AF4	9,940	9,838	102	9,838	8,935	3/31/2016
456606GK2	304	303	1	303	290	3/31/2016
45660LSY6	5,427	5,371	56	5,371	5,319	3/31/2016
55265K4V8	271	266	5	266	252	3/31/2016
55265K4W6	115	113	2	113	105	3/31/2016
61748HLF6	2,381	2,236	145	2,236	1,972	3/31/2016

NOTE 23 – LOAN-BACKED AND STRUCTURED SECURITY IMPAIRMENTS (continued)

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR

(1) CUSIP[1,2]	(2) Amortized Cost Before Current Period OTTI	(3) Projected Cash Flows	(4) Current Period Recognized OTTI	(5) Amortized Cost After OTTI	(6) Fair Value	(7) Financial Statement Reporting Period
General Account (continued)						
61749EAH0	1,428	1,405	23	1,405	1,299	3/31/2016
61750YAB5	71	67	4	67	68	3/31/2016
69336QAL6	4,228	3,899	329	3,899	4,194	3/31/2016
73316PEZ9	705	700	5	700	689	3/31/2016
76114CAD8	3,790	3,641	149	3,641	3,734	3/31/2016
76114QAC9	6,492	6,258	234	6,258	6,291	3/31/2016
78477AAA5	2,142	2,142	—	2,142	1,946	3/31/2016
933634AF4	1,728	1,700	28	1,700	1,625	3/31/2016
93934FCS9	4,176	4,146	30	4,146	4,094	3/31/2016
94980GAK7	169	167	2	167	164	3/31/2016
BNL0KAV80	20,060	18,588	1,472	18,588	18,424	3/31/2016
Subtotal- General Account	XXX	XXX	**28,115**	XXX	XXX	
Guaranteed Separate Accounts						
059469AF3	2,411	2,372	39	2,372	2,235	12/31/2016
12627HAK6	1,655	1,614	41	1,614	1,459	12/31/2016
12628KAF9	1,559	1,492	67	1,492	1,437	12/31/2016
12628LAJ9	1,515	1,474	41	1,474	1,247	12/31/2016
16163LAR3	370	358	12	358	352	12/31/2016
16165MAE8	1,335	1,246	89	1,246	1,303	12/31/2016
251511AC5	1,217	1,196	21	1,196	1,187	12/31/2016
3622ELAG1	1,749	1,734	15	1,734	1,629	12/31/2016
61749EAH0	676	664	12	664	610	12/31/2016
86361PAF3	798	788	10	788	749	12/31/2016
94983UAB3	240	233	7	233	232	12/31/2016
05950PAH6	199	196	3	196	191	12/31/2016
05951KAZ6	730	708	22	708	645	12/31/2016
32052MAH4	1,137	1,018	119	1,018	1,107	12/31/2016
3622E8AC9	723	679	44	679	688	12/31/2016
36244SAC2	1,647	1,602	45	1,602	1,626	12/31/2016
059469AF3	2,515	2,487	28	2,487	2,350	9/30/2016
073875AN6	1,067	1,041	26	1,041	1,003	9/30/2016
12627HAK6	1,764	1,716	48	1,716	1,585	9/30/2016
12628KAF9	1,667	1,600	67	1,600	1,529	9/30/2016
12628LAJ9	1,555	1,552	3	1,552	1,252	9/30/2016
16163LAR3	395	384	11	384	368	9/30/2016
16165MAE8	1,431	1,365	66	1,365	1,333	9/30/2016
251511AC5	1,314	1,260	54	1,260	1,232	9/30/2016
32056JAG9	408	368	40	368	404	9/30/2016
3622ELAG1	1,798	1,786	12	1,786	1,726	9/30/2016
46630MAG7	1,485	1,477	8	1,477	1,486	9/30/2016

NOTE 23 – LOAN-BACKED AND STRUCTURED SECURITY IMPAIRMENTS (continued)

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR

(1) CUSIP[1,2]	(2) Amortized Cost Before Current Period OTTI	(3) Projected Cash Flows	(4) Current Period Recognized OTTI	(5) Amortized Cost After OTTI	(6) Fair Value	(7) Financial Statement Reporting Period
Guaranteed Separate Accounts (continued)						
61749EAH0	692	690	2	690	631	9/30/2016
61751DAE4	178	177	1	177	177	9/30/2016
64352VGK1	574	571	3	571	566	9/30/2016
649603AQ0	2,142	2,074	68	2,074	1,929	9/30/2016
86361PAF3	806	802	4	802	755	9/30/2016
94983UAB3	255	253	2	253	251	9/30/2016
05950PAH6	228	223	5	223	212	6/30/2016
12627HAK6	1,840	1,837	3	1,837	1,555	6/30/2016
12628KAF9	1,713	1,713	—	1,713	1,566	6/30/2016
12628LAJ9	1,625	1,600	25	1,600	1,293	6/30/2016
251511AC5	1,366	1,349	17	1,349	1,267	6/30/2016
3622E8AC9	775	773	2	773	699	6/30/2016
3622ELAG1	1,851	1,843	8	1,843	1,722	6/30/2016
46630MAG7	1,531	1,508	23	1,508	1,448	6/30/2016
59023RAJ8	831	791	40	791	831	6/30/2016
61749EAH0	730	713	17	713	634	6/30/2016
61751DAE4	184	182	2	182	175	6/30/2016
61751JAH4	1,143	1,107	36	1,107	1,112	6/30/2016
61751JAJ0	1,135	1,100	35	1,100	1,112	6/30/2016
86361PAF3	858	816	42	816	769	6/30/2016
059469AF3	2,840	2,748	92	2,748	2,522	3/31/2016
05950PAH6	232	229	3	229	212	3/31/2016
05951KAZ6	816	800	16	800	738	3/31/2016
073875AN6	1,227	1,172	55	1,172	1,130	3/31/2016
12628LAJ9	1,674	1,671	3	1,671	1,351	3/31/2016
17309BAB3	436	413	23	413	425	3/31/2016
3622ELAG1	1,923	1,883	40	1,883	1,742	3/31/2016
61749EAH0	762	749	13	749	693	3/31/2016
61751DAE4	193	188	5	188	180	3/31/2016
45660LMZ9	651	646	5	646	600	3/31/2016
863579UU0	799	781	18	781	768	3/31/2016
86361PAF3	929	905	24	905	832	3/31/2016
933634AF4	1,730	1,702	28	1,702	1,625	3/31/2016
Subtotal-Guaranteed Separate Accounts	**XXX**	**XXX**	**1,610**	**XXX**	**XXX**	
Grand Total	**XXX**	**XXX**	**$ 29,725**	**XXX**	**XXX**	

1 Only the impaired lots within each CUSIP are included within this table.

2 CUSIP amounts less than $1 thousand within this table are shown as zero.

NEW YORK LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS
(STATUTORY BASIS)

DECEMBER 31, 2015 and 2014

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Independent Auditor's Report

To the Board of Directors of New York Life Insurance Company:

We have audited the accompanying statutory financial statements of New York Life Insurance Company (the "Company"), which comprise the statutory statements of financial position as of December 31, 2015 and 2014, and the related statutory statements of operations, of changes in surplus, and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to the financial statements, the financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America are material.

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Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2015 and 2014, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services described in Note 2.

Emphasis of Matter

As disclosed in Note 11 to the financial statements, the Company has significant transactions with its affiliates. Because of these relationships, it is possible that the terms of the transactions are not the same as those that would result from transactions among wholly unrelated parties.

PricewaterhouseCoopers LLP

March 10, 2016

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF FINANCIAL POSITION

	December 31, 2015	December 31, 2014
	(in millions)	
Assets		
Bonds	$ 86,178	$ 73,566
Common and preferred stocks	9,440	9,626
Mortgage loans	14,601	11,831
Policy loans	10,410	8,866
Limited partnerships and other invested assets	9,486	14,031
Cash, cash equivalents and short-term investments	4,392	1,341
Derivatives	1,064	891
Real estate	1,426	509
Other investments	219	45
Total cash and invested assets	137,216	120,706
Deferred and uncollected premiums	1,836	1,723
Investment income due and accrued	1,250	1,310
Funds held by reinsurer - affiliated	4,255	4,366
Other assets	6,670	6,353
Separate accounts assets	12,327	11,809
Total assets	$ 163,554	$ 146,267
Liabilities and Surplus		
Liabilities:		
Policy reserves	$ 98,772	$ 89,453
Deposit funds	15,384	13,993
Dividends payable to policyholders	1,789	1,625
Policy claims	797	719
Borrowed money	503	505
Amounts payable under security lending agreements	578	554
Derivatives	459	418
Funds held under coinsurance	4,598	—
Other liabilities	6,002	5,652
Interest maintenance reserve	593	500
Asset valuation reserve	2,260	2,438
Separate accounts liabilities	12,323	11,804
Total liabilities	144,058	127,661
Surplus:		
Surplus notes	1,992	1,992
Unassigned surplus	17,504	16,614
Total surplus	19,496	18,606
Total liabilities and surplus	$ 163,554	$ 146,267

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF OPERATIONS

	Years Ended December 31, 2015	2014
	(in millions)	
Income		
Premiums	$ 20,400	$ 13,935
Net investment income	5,968	5,521
Other income	830	600
Total income	27,198	20,056
Benefits and expenses		
Benefit payments:		
Death benefits	3,588	3,374
Annuity benefits	1,169	1,154
Health and disability insurance benefits	225	216
Surrender benefits	2,316	2,295
Payments on matured contracts	3,856	4,075
Other benefit payments	294	275
Total benefit payments	11,448	11,389
Additions to reserves	9,348	3,607
Net transfers to (from) separate accounts	120	(56)
Operating expenses	3,881	2,550
Total benefits and expenses	24,797	17,490
Gain from operations before dividends and federal income taxes	2,401	2,566
Dividends to policyholders	1,923	1,687
Gain from operations before federal income taxes	478	879
Federal income taxes	327	(23)
Net gain from operations	151	902
Net realized capital losses, after tax and transfers to interest maintenance reserve	(303)	(54)
Net (loss) income	$ (152)	$ 848

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF CHANGES IN SURPLUS

	December 31,	
	2015	2014
	(in millions)	
Surplus, beginning of year	$ 18,606	$ 17,854
Net (loss) income	(152)	848
Change in net unrealized gains on investments	404	1,055
Change in reserve valuation basis	—	36
Change in nonadmitted assets	(245)	(1,152)
Prior period correction	(142)	48
Change in accounting principles	127	—
Change in net deferred income tax	492	814
Change in asset valuation reserve	178	(20)
Change in liability for pension and postretirement plans	232	(877)
Other adjustments, net	(4)	—
Surplus, end of year	$ 19,496	$ 18,606

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2015	2014
	(in millions)	
Cash flow from operating activities:		
Premiums received	$ 16,003	$ 13,862
Net investment income received	5,439	5,059
Other	620	383
Total received	22,062	19,304
Benefits and other payments	11,219	11,319
Net transfers to (from) separate accounts	114	(58)
Operating expenses	3,348	2,593
Dividends to policyholders	1,770	1,529
Federal income taxes paid (received)	622	(26)
Total paid	17,073	15,357
Net cash from operating activities	4,989	3,947
Cash flow from investing activities:		
Proceeds from investments sold	7,494	5,368
Proceeds from investments matured or repaid	29,349	23,835
Cost of investments acquired	(39,554)	(33,758)
Net change in policy loans and premium notes	(166)	(238)
Net cash used in investing activities	(2,877)	(4,793)
Cash flow from financing and miscellaneous activities:		
Net borrowings (repayments) under repurchase agreements	—	(348)
Other changes in borrowed money	(1)	(4)
Net inflows from deposit contracts	520	1,365
Net change in amounts payable under security lending agreements	24	—
Other miscellaneous sources (uses)	396	(152)
Net cash from financing and miscellaneous activities	939	861
Net increase in cash, cash equivalents and short-term investments	3,051	15
Cash, cash equivalents and short-term investments, beginning of year	1,341	1,326
Cash, cash equivalents and short-term investments, end of year	$ 4,392	$ 1,341

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF CASH FLOWS (supplemental)

	Years Ended December 31,	
	2015	2014
	(in millions)	
Supplemental disclosures of cash flow information:		
Non-cash activities during the year not included in the		
Statutory Statements of Cash Flows:		
Assets assumed through reinsurance transaction	$ 9,751	$ —
Liability for funds withheld on coinsurance	$ 4,650	$ —
Madison Capital Funding LLC investment (other invested assets) and note funding agreement (bonds)	$ 2,294	$ —
Transfer of assets between investment types	$ 1,665	$ 2,652
Bond to be announced commitments-purchased/sold	$ 799	$ 2,165
Net deposits on deposit-type contracts assumed through reinsurance transaction	$ 799	$ —
Capitalized interest on bonds and other invested assets	$ 175	$ 151
Depreciation/amortization on fixed assets	$ 130	$ —
Merger/spinoff/exchange/conversion/transfer of equity investment to equity investment	$ 29	$ 45
Other	$ 58	$ 166

See accompanying notes to financial statements.

NOTE 1 – NATURE OF OPERATIONS

New York Life Insurance Company (the "Company”), a mutual life insurance company domiciled in New York State, and its subsidiaries offer a wide range of insurance and investment products and services including life insurance, long-term care, annuities, pension products, mutual funds, and other investments and investment advisory services. Through certain affinity programs, the Company has an exclusive endorsement from AARP to sell life insurance and fixed immediate and deferred annuities to members of AARP and underwrites group life and disability programs for other professional and affinity organizations. The Company’s primary business operations are its Insurance and Agency Group and its Investments Group. The Insurance and Agency Group operations are conducted primarily through the Company and its wholly owned U.S. insurance subsidiary, New York Life Insurance and Annuity Corporation (“NYLIAC”). The Company and NYLIAC offer their insurance and annuity products in all 50 states of the United States of America (“U.S.”) and the District of Columbia, primarily through the Company’s career agency force. In addition, NYLIAC also distributes products through third-party banks, brokers and independent financial advisors. The Company's wholly owned U.S. insurance subsidiary, NYLIFE Insurance Company of Arizona ("NYLAZ") is licensed in all states except New York and Maine, but ceased all sales operations in May 2011. Through its indirectly wholly owned subsidiary, Seguros Monterrey, S.A. de C.V. ("SMNYL") (a wholly owned subsidiary of New York Life Enterprises ("NYLE")), the Company markets individual life and health insurance and investment products in Mexico. The Investments Group activities are conducted primarily through the Company, NYLIAC, NYL Investors LLC (“NYL Investors”), Madison Capital Funding LLC ("MCF") and various investment advisory subsidiaries of the Company’s wholly owned subsidiary, New York Life Investment Management Holdings LLC (“NYL Investments”). NYLIFE LLC is a wholly owned subsidiary of the Company, and is a holding company for certain non-insurance subsidiaries of the Company. NYLIFE LLC, through its subsidiaries, offers various securities products, securities brokerage, financial planning and investment advisory services, trust services and capital financing.

NOTE 2 – BASIS OF PRESENTATION

The accompanying financial statements have been prepared using accounting practices prescribed by the New York State Department of Financial Services (“NYSDFS” or “statutory accounting practices”), which is a comprehensive basis of accounting other than accounting principles generally accepted in the U.S. (“U.S. GAAP”).

NYSDFS recognizes only statutory accounting practices prescribed or permitted by the State of New York for determining and reporting the financial position and results of operations of an insurance company and for determining its solvency under New York Insurance Law. The National Association of Insurance Commissioners’ (“NAIC”) Accounting Practices and Procedures Manual (“NAIC SAP”) has been adopted as a component of prescribed practices by the State of New York. Prescribed statutory accounting practices include state laws and regulations. Permitted statutory accounting practices encompass accounting practices that are not prescribed; such practices differ from state to state, may differ from company to company within a state, and may change in the future. The Company does not have any permitted practices.

NOTE 2 - BASIS OF PRESENTATION (continued)

A reconciliation of the Company's net income at December 31, 2015 and 2014 between practices prescribed by the State of New York and NAIC SAP is shown below (in millions):

	2015	2014
Net income, New York basis	$ (152)	$ 848
State prescribed practices:		
1. NYSDFS Circular Letter No. 11 (2010) impact on deferred premiums*	(11)	(3)
2. NYSDFS Seventh Amendment to Regulation No. 172 admitted unearned reinsurance premium**	2	1
Net income, NAIC SAP	$ (143)	$ 850

A reconciliation of the Company's capital and surplus at December 31, 2015 and 2014 between practices prescribed by the State of New York and NAIC SAP is shown below (in millions):

	2015	2014
Capital and surplus, New York basis	$ 19,496	$ 18,606
State prescribed practices:		
1. NYSDFS Circular Letter No. 11 (2010) impact on deferred premiums*	(116)	(105)
2. NYSDFS Seventh Amendment to Regulation No. 172 admitted unearned reinsurance premium**	43	42
Capital and surplus, NAIC SAP	$ 19,569	$ 18,669

* NYSDFS Circular Letter No. 11 (2010) clarified the accounting for deferred premium assets when reinsurance is involved.

** NYSDFS Regulation 172 was amended to allow for the admission of an unearned reinsurance premium asset.

Prior Period Correction

The Company discovered an error, dating back to 2004, relating to reserves for its increasing premium term products. The Company had been reserving for these products under NAIC guidelines as opposed to the more conservative New York State guidelines. To correct this error, the Company increased term reserves by $142 million and recorded a prior period correction that decreased statutory surplus by the same amount.

In connection with the audit of prior year tax returns, the Company settled a tax position which resulted in a $48 million benefit to surplus. Therefore, the 2013 statutory financial statements should have reflected the benefit of this settlement. In 2014, the Company has reduced current income taxes payable by $48 million and has recorded a prior period correction that increased statutory surplus by the same amount.

NOTE 2 - BASIS OF PRESENTATION (continued)

Statutory vs. U.S. GAAP Basis of Accounting

Financial statements prepared under NAIC SAP vary from those prepared under U.S. GAAP. The primary differences that apply to the financial statements of the Company are as follows:

- non-public majority owned subsidiaries are generally carried at net equity value with earnings of such subsidiaries recognized in net investment income only when dividends are declared, whereas under U.S. GAAP, subsidiaries are consolidated with their earnings recognized in net income when earned, and dividends from such subsidiaries are eliminated in consolidation;

- the costs related to acquiring insurance contracts (principally commissions), policy issue expenses and sales inducements, are charged to income in the period incurred, whereas under U.S. GAAP, these costs are deferred when related to the successful sales and amortized over the periods benefited;

- life insurance reserves are based on different assumptions than they are under U.S. GAAP and dividends on participating policies are recognized for the full year when approved by the board of directors of the Company (the "Board of Directors"), whereas under U.S. GAAP, they are accrued when earned by policyholders;

- life insurance companies are required to establish an asset valuation reserve ("AVR") by a direct charge to surplus to offset potential investment losses, whereas under U.S. GAAP, no AVR is recognized;

- investments in bonds are generally carried at amortized cost or values as prescribed by the NYSDFS, whereas under U.S. GAAP, investments in bonds that are classified as available for sale or trading are carried at fair value, with changes in fair value of bonds classified as available for sale reflected in equity, and changes in fair value of bonds classified as trading are reflected in earnings;

- realized gains and losses resulting from changes in interest rates are deferred in the interest maintenance reserve ("IMR") and amortized into investment income over the remaining life of the investment sold, whereas under U.S. GAAP, the gains and losses are recognized in income at the time of sale;

- deferred income taxes exclude state income taxes and are admitted to the extent they can be realized within three years subject to a 15% limitation of capital and surplus with changes in the net deferred tax reflected as a component of surplus, whereas under U.S. GAAP, deferred income taxes include federal and state income taxes and changes in the deferred tax are reflected in either earnings or other comprehensive income;

- a tax loss contingency is required to be established if it is more likely than not that a tax position will not be sustained upon examination by taxing authorities. If a loss contingency is greater than 50 percent of the tax benefit associated with a tax position, the loss contingency is increased to 100 percent, whereas under U.S. GAAP the amount of the benefit for any uncertain tax position is the largest amount that is greater than 50 percent likely of being realized upon settlement;

- reinsurance accounting assessment is based on a criteria that differs from the criteria under U.S. GAAP, and assets and liabilities are reported net of reinsurance, whereas under U.S. GAAP, assets and liabilities are reported gross of reinsurance; also, under U.S. GAAP, certain reinsurance assumed by the Company is accounted for at fair value based on the election of the fair value option, whereas this treatment is not allowed under statutory reporting;

NOTE 2 - BASIS OF PRESENTATION (continued)

- U.S. GAAP requires that for certain reinsurance agreements, whereby assets are retained by the ceding insurer (such as funds withheld or modified coinsurance) and a return is paid based on the performance of underlying investments, then the liabilities for these reinsurance arrangements must be adjusted to reflect the fair value of the invested assets; NAIC SAP does not contain a similar requirement;

- certain assets, such as intangible assets, overfunded pension plan assets, furniture and equipment, and unsecured receivables are considered nonadmitted and excluded from assets, whereas they are included in assets under U.S. GAAP subject to a valuation allowance, as appropriate;

- contracts that have any mortality and morbidity risk, regardless of significance, and contracts with life contingent annuity purchase rate guarantees are classified as insurance contracts, whereas under U.S. GAAP, only contracts that have significant mortality or morbidity risk are classified as insurance contracts otherwise they are accounted for in a manner consistent with the accounting for interest bearing or other financial instruments;

- goodwill held by an insurance company is admitted subject to a 10% limitation on surplus and amortized over the useful life of the goodwill, not to exceed 10 years, and goodwill held by non-insurance subsidiaries is assessed in accordance with U.S. GAAP, subject to certain limitations for holding companies and foreign insurance subsidiaries, whereas under U.S. GAAP, goodwill, which is considered to have an indefinite useful life, is tested for impairment and losses are recorded, only when goodwill is deemed impaired;

- fair value is required to be used in the determination of the expected return on the plan assets component of the net periodic benefit cost of pension and other postretirement obligations, whereas under U.S. GAAP, the market-related value of plan assets is used. The market-related value of plan assets can be either fair value or a calculated value that recognizes asset gains or losses over a period not to exceed five years;

- Effective January 1, 2013, the NAIC SAP adopted U.S. GAAP guidance for pension and other postretirement benefit plans which resulted in two temporary differences: (i) the transition from the accrued liability for other postretirement benefits is scheduled to be phased-in over the period of 7 years (i.e., 2019), and (ii) the additional liability recognized as of January 1, 2013, related to non-vested participants, will be amortized into net periodic benefit cost over the remaining future service to the vesting date of the individual plans;

- surplus notes are included as a component of surplus, whereas under U.S. GAAP, they are presented as a liability;

- corporate securities deemed to be other-than-temporarily impaired are written down to fair value, whereas under U.S. GAAP, if certain conditions are met, credit impairments on corporate securities are recorded based on the net present value of future cash flows expected to be collected, discounted at the current book yield. Also, if certain conditions are met, the non-credit portion of the impairment on a loan-backed or structured security is not accounted for whereas under U.S. GAAP, if certain conditions are met, the non-credit portion of the impairment on a debt security is recorded through other comprehensive income. A non-credit loss exists when the fair value of a security is less than the present value of projected future cash flows expected to be collected;

- undistributed income and capital gains and losses for limited partnerships and limited liability companies are reported in surplus as unrealized gains or losses, whereas under U.S. GAAP, in many cases, i.e. under

NOTE 2 - BASIS OF PRESENTATION (continued)

specialized accounting treatment for investment companies, unrealized gains and losses are included in net investment income;

- contracts that contain an embedded derivative are not bifurcated between components and are accounted for consistent with the host contract, whereas under U.S. GAAP, either the contract is recorded at fair value with changes in the fair value included in earnings or the embedded derivative needs to be bifurcated from the host contract and accounted for separately;

- certain derivative instruments are carried at amortized cost, whereas under U.S. GAAP, all derivative instruments are carried at fair value; and

- changes in the fair value of derivative instruments not carried at amortized cost are recorded as unrealized capital gains or losses and reported as changes in surplus, whereas under U.S. GAAP, these changes are generally reported through earnings unless they qualify and are designated for cash flow or net investment hedge accounting.

The effects on the financial statements of the above variances between NAIC SAP and U.S. GAAP are material to the Company.

NOTE 2 - BASIS OF PRESENTATION (continued)

The following table reconciles the Company's statutory capital and surplus determined in accordance with statutory accounting practices with consolidated New York Life equity, excluding non-controlling interests, determined on a U.S. GAAP basis at December 31, 2015 and 2014 (in millions):

	2015	2014
Capital and surplus	$ 19,496	$ 18,606
AVR	2,260	2,438
Capital and surplus and AVR	21,756	21,044
Adjustments to statutory basis for:		
Mark-to-market on investments, pre-tax and deferred acquisition cost ("DAC") asset	6,023	11,397
DAC asset	6,856	5,680
Removal of AVR of domestic insurance companies	931	893
Removal of IMR of domestic insurance companies	769	748
Inclusion of statutory accounting nonadmitted assets	797	720
Sales inducement asset	661	654
Policyholders' dividend liability	543	503
Inclusion of goodwill in excess of statutory limitations	283	342
Net assets of separate accounts	150	306
Appropriated retained earnings of consolidated variable interest entities	—	—
Liability for pension and other postretirement benefits	(80)	(297)
Reclassification of surplus notes to liabilities	(1,990)	(1,990)
Net adjustment for deferred taxes	(2,511)	(3,767)
Differences in reserve valuation bases for future policy benefits and policyholders' account balances	(3,508)	(4,717)
Other	87	(83)
Total adjustments	9,011	10,389
Total consolidated New York Life U.S. GAAP equity, excluding non-controlling interests	$ 30,767	$ 31,433

NOTE 2 - BASIS OF PRESENTATION (continued)

The following table reconciles the Company's statutory net income determined in accordance with statutory accounting practices with consolidated New York Life net income determined on a U.S. GAAP basis for the years ended December 31, 2015 and 2014 (in millions):

	2015	2014
Net gain from operations	$ 151	$ 902
Net realized capital gains (losses)	(303)	(54)
Net income	(152)	848
Adjustments to statutory net income for:		
Net income from subsidiaries	915	1,248
Inclusion of GAAP net investment gains (losses)	(203)	766
Net capitalization of DAC	191	170
Dividends to policyholders	154	91
Removal of IMR capitalization, net of amortization	(21)	52
Inclusion of deferred income taxes	388	(91)
Differences in reserve valuation bases for future policy benefits and policyholders' account balances	321	(129)
Fair value adjustment of certain liabilities	54	(350)
Inclusion of GAAP earnings of limited partnerships, net of distributions	(303)	(427)
Other	142	48
Total adjustments	1,638	1,378
Total consolidated New York Life U.S. GAAP net income	$ 1,486	$ 2,226

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Management is also required to disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from those estimates.

Investments

Investments are valued in accordance with methods and values prescribed by the NYSDFS.

Income from investments, including amortization of premium, accrual of discount and similar items, is recorded within net investment income, unless otherwise stated herein.

Bonds other than loan-backed and structured securities are stated at amortized cost using the interest method. Bonds in or near default (rated NAIC 6) are stated at the lower of amortized cost or fair value. Refer to Note 9 - Fair Value Measurements, for discussion of valuation methods for bonds.

Loan-backed and structured securities, which are included in bonds, are valued at amortized cost using the interest method including current assumptions of projected cash flows. Loan-backed and structured securities in or near default (rated NAIC 6) are stated at the lower of amortized cost or fair value. Amortization of premium or accretion of discount from the purchase of these securities considers the estimated timing and amount of cash flows of the underlying loans, including prepayment assumptions based on data obtained

from external sources or internal estimates. Projected future cash flows are updated monthly, and the amortized cost and effective yield of the securities are adjusted as necessary to reflect historical prepayment experience and changes in estimated future prepayments. For high credit quality loan-backed and structured securities (those rated AA or above at the date of acquisition), the adjustments to amortized cost are recorded as a charge or credit to net investment income in accordance with the retrospective method. For those that are not of high credit quality (those rated below AA at date of acquisition), as well as certain floating rate securities and securities with the potential for a loss of a portion of the original investment due to contractual prepayments (e.g., interest only securities), the effective yield is adjusted prospectively for any changes in estimated cash flows. Refer to Note 9 - Fair Value Measurements, for discussion of valuation methods for bonds.

Preferred stocks in “good standing” (NAIC designation of 1 to 3) are valued at amortized cost. Preferred stocks “not in good standing” (NAIC designation of 4 to 6) are valued at the lower of amortized cost or fair value. Refer to Note 9 - Fair Value Measurements, for discussion of valuation methods for preferred stocks.

Common stocks include the Company's investments in unaffiliated stocks and mutual funds, affiliated mutual and other investment funds where the Company owns more than 10% of the outstanding fund shares and the following direct, wholly owned U.S. insurance subsidiaries: NYLIAC and NYLAZ.

Investments in common stocks of U.S. insurance subsidiaries are carried at the value of their audited underlying U.S. statutory surplus. Unaffiliated common stocks and unaffiliated mutual funds are carried at fair value. Affiliated mutual and other investment funds are carried based on their audited U.S. GAAP equity. In the absence of an admissible audit, the entire investment is nonadmitted. Unrealized gains and losses are reflected in surplus, net of deferred taxes. Refer to Note 9 - Fair Value Measurements, for a discussion of valuation methods for unaffiliated common stocks.

The Company also has investments in non-insurance subsidiaries organized as limited liability companies. These investments are carried as an asset provided the entity’s U.S. GAAP equity is audited. In the absence of an admissible audit, the entire investment is nonadmitted. Each of the Company’s non-insurance subsidiary limited liability companies, except NYLIFE LLC and NYL Investors, has a U.S. GAAP audit and are stated as follows: (1) foreign insurance subsidiaries that have U.S. GAAP audits are stated at U.S. GAAP equity adjusted for certain assets that are disallowed under statutory accounting practices, otherwise the investment is nonadmitted; (2) non-insurance subsidiaries are carried at U.S. GAAP equity unless they are engaged in certain transactions that are for the benefit of the Company or its affiliates and receive 20% or more of their revenue from the Company or its affiliates. In this case, non-insurance subsidiaries are carried at U.S. GAAP equity adjusted for the same items as foreign insurance subsidiaries; (3) all other assets and liabilities in a downstream holding company are accounted for in accordance with the appropriate NAIC SAP guidance.

Dividends and distributions from subsidiaries other than those deemed a return of capital (both in the form of common stock and limited liability companies) are recorded as a component of net investment income when declared and changes in the equity of subsidiaries (both in the form of common stock and limited liability companies) are recorded as unrealized gains or losses in surplus, net of deferred taxes.

The cost basis of bonds and equity securities is adjusted for impairments in value that are deemed to be other than temporary. An other-than-temporary loss is recognized in net income when it is anticipated that the amortized cost will not be recovered. Factors considered in evaluating whether a decline in value is other than temporary include: (1) whether the decline is substantial; (2) the duration that the fair value has been less than cost; (3) the financial condition and near-term prospects of the issuer; and (4) the Company’s ability and intent to retain the investment for the period of time sufficient to allow for an anticipated recovery in value.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

When a bond (other than loan-backed and structured securities), preferred stock or common stock is deemed other-than-temporarily impaired, the difference between the investments' amortized cost and its fair value is recognized as a realized loss and reported in net income if the loss is credit related, or deferred in the IMR if interest related for bonds.

For loan-backed and structured securities, the entire difference between the security's amortized cost and its fair value is recognized in net income only when the Company (a) has the intent to sell the security or (b) it does not have the intent and ability to hold the security to recovery. If neither of these two conditions exists, a realized loss is recognized in net income for the difference between the amortized cost basis of the security and the net present value of projected future cash flows expected to be collected. The net present value is calculated by discounting the Company's best estimate of projected future cash flows at the effective interest rate implicit in the loan-backed or structured security prior to impairment.

The determination of cash flow estimates in the net present value is subjective and methodologies will vary, depending on the type of security. The Company considers all information relevant to the collectability of the security, including past events, current conditions, and reasonably supportable assumptions and forecasts in developing the estimate of cash flows expected to be collected. This information generally includes, but may not be limited to, the remaining payment terms of the security, estimated prepayment speeds, defaults, recoveries upon liquidation of the underlying collateral securing the notes, the financial condition of the issuer(s), credit enhancements and other third-party guarantees. In addition, other information, such as industry analyst reports and forecasts, sector credit ratings, the financial condition of the bond insurer for insured fixed income securities and other market data relevant to the collectability may also be considered, as well as the expected timing of the receipt of insured payments, if any. The estimated fair value of the collateral may be used to estimate recovery value if the Company determines that the security is dependent on the liquidation of the collateral for recovery.

The new cost basis of an impaired security is not adjusted for subsequent increases in estimated fair value. In periods subsequent to the recognition of an other-than-temporary impairment ("OTTI"), the impaired loan-backed or structured security is accounted for as if it had been purchased on the measurement date of the impairment. Accordingly, the discount (or reduced premium) based on the new cost basis may be accreted (or amortized) into net investment income in future periods based on prospective changes in cash flow estimates, to reflect adjustments to the effective yield.

Mortgage loans on real estate are carried at unpaid principal balances, net of discounts and premiums and specific valuation allowances, and are secured. Specific valuation allowances are established for the excess carrying value of the mortgage loan over the estimated fair value of the collateral as an unrealized loss in surplus, when it is probable that based on current information and events, the Company will be unable to collect all amounts due under the contractual terms of the loan agreement . Fair value of the collateral is estimated by performing an internal or external current appraisal. If impairment is deemed to be other-than-temporary, which can include a loan modification that qualifies as a troubled debt restructuring ("TDR"), a direct write-down is recognized as a realized loss reported in net income, and a new cost basis for the individual mortgage loan, which is equal to the fair value of the collateral, less costs to obtain and sell, is established. Refer to Note 9 - Fair Value Measurements, for discussion of valuation methods for mortgage loans.

The Company accrues interest income on mortgage loans to the extent it is deemed collectible. The Company places loans on non-accrual status, and ceases to recognize interest income when management determines that the collection of interest and repayment of principal is not probable. Any accrued but uncollected interest is reversed out of interest income once a loan is put on non-accrual status. Interest payments received on mortgage loans where interest payments have been deemed uncollectible, are recognized on a cash basis

and recorded as interest income. If any mortgage loan has any investment income due and accrued that is 90 days past due and collectible, the investment income shall continue to accrue but all accrued interest related to the mortgage loan is reported as a nonadmitted asset, until such time that it has been paid or is deemed uncollectible.

Real estate includes properties that are directly-owned real estate properties and single real estate property investments that are directly and wholly-owned through a limited liability company and meet certain criteria as defined in Statements of Statutory Accounting Principles ("SSAP") No. 40R, "Real Estate" ("SSAP 40R"). Real estate held for the production of income and home office properties are stated at cost less accumulated depreciation and encumbrances. Real estate held for sale is stated at the lower of cost less accumulated depreciation or fair value, less encumbrances and estimated costs to sell, which may result in an OTTI recognized as a realized loss in net income. Depreciation of real estate held for the production of income and home office properties is calculated using the straight-line method over the estimated lives of the assets, generally 40 years. Costs of permanent improvements are depreciated over their estimated useful life.

Policy loans are stated at the aggregate balance due. The excess of the unpaid balance of a policy loan that exceeds the cash surrender value is nonadmitted.

Limited partnerships and limited liability companies which have admissible audits as set forth in SSAP No. 97, "Investments in Subsidiary, Controlled and Affiliated Entities ("SCA"), A Replacement of SSAP No. 88" (“SSAP 97”), are carried at the underlying audited equity of the investee. The cost basis of limited partnerships is adjusted for impairments in value deemed to be other-than-temporary, with the difference between cost and carrying value, which approximates fair value, recognized as a realized loss reported in net income. The new cost basis of an impaired limited partnership is not adjusted for subsequent increases in the underlying audited equity of the investee. The Company nonadmits the entire investment when an admissible audit is not performed. Dividends and distributions from limited partnerships and limited liability companies, other than those deemed a return of capital, are recorded in net investment income. Undistributed earnings are included in unrealized gains and losses and are reflected in surplus, net of deferred taxes.

Low-Income Housing Tax Credit (“LIHTC”) investments, which are included in limited partnerships and other invested assets, are recorded at proportional amortized cost as set forth in SSAP No. 93, "Accounting for Low Income Housing Tax Credit Property Investments" (“SSAP 93”), and include remaining unfunded commitments. The carrying value of the investment is amortized into income in proportion to the actual and projected future amounts of tax credits and deductible losses. The amortization is recorded through net investment income.

Derivative instruments that qualify and are designated for hedge accounting, under SSAP No. 86, “Accounting for Derivative Instruments and Hedging Activities” (“SSAP 86”), are valued in a manner consistent with the items being hedged. Periodic payments and receipts on these derivatives are recorded on an accrual basis within net investment income for hedges of fixed income securities, other income for hedges of liabilities, and net realized capital gains and losses for hedges of net investments in foreign operations. Net realized gains and losses are recognized upon termination or maturity of these contracts in a manner consistent with the hedged item and when subject to the IMR, are transferred to the IMR, net of taxes.

Derivative instruments that do not qualify or are not designated for hedge accounting are carried at fair value and changes in fair value are recorded in surplus as unrealized gains and losses, net of deferred taxes. Periodic payments and receipts on these derivatives are recorded on an accrual basis within net investment income for hedges of fixed income securities and other income for hedges of liabilities and net realized capital gains and losses for hedges of foreign net investments and credit default swaps. Upon termination or maturity the gains or losses on these contracts are recognized in net realized capital gains and losses, net of taxes. Realized

gains or losses on terminated or matured derivatives, which are subject to the IMR, are transferred to the IMR, net of taxes.

Short-term investments consist of securities with remaining maturities of one year or less, but greater than three months at the time of acquisition and are carried at amortized cost, which approximates fair value. Cash and cash equivalents include cash on hand, amounts due from banks and highly liquid debt instruments that have original maturities of three months or less at date of purchase and are stated at amortized cost.

All acquisitions of securities are recorded in the financial statements on a trade date basis except for the acquisitions of private placement bonds, which are recorded on the funding date.

The AVR is used to stabilize surplus from fluctuations in the market value of bonds, stocks, mortgage loans, real estate, limited partnerships and other investments. Changes in the AVR are accounted for as direct increases or decreases in surplus. The IMR captures interest related realized gains and losses on sales (net of taxes) of bonds, preferred stocks, mortgage loans, interest related other-than-temporary impairments (net of taxes) and realized gains or losses (net of taxes) on terminated interest rate related derivatives which are amortized into net income over the expected years to maturity of the investments sold or the item being hedged using the grouped method. An interest related other-than-temporary impairment occurs when the Company has the intent to sell an investment at the reporting date, before recovery of the cost of the investment. For loan-backed and structured securities, the non-interest related other-than-temporary impairment is booked to the AVR, and the interest related portion to the IMR.

Loaned Securities and Repurchase Agreements

The Company enters into securities lending agreements whereby certain investment securities are loaned to third-parties. Securities loaned are treated as financing arrangements. With respect to securities loaned, in order to reduce the Company’s risk under these transactions, the Company requires initial cash collateral equal to 102% of the fair value of domestic securities loaned. The Company records an offsetting liability in amounts payable under security lending agreements in the accompanying Statutory Statements of Financial Position. The Company monitors the fair value of securities loaned with additional collateral obtained as necessary. The borrower of the loaned securities is permitted to sell or repledge those securities.

The Company enters into dollar roll repurchase agreements to sell and repurchase securities. Assets to be repurchased are the same, or substantially the same, as the assets sold. The Company agrees to sell securities at a specified price and repurchase the securities at a lower price. The Company receives cash in the amount of the sales proceeds and establishes a liability equal to the repurchase amount. The difference between the sale and repurchase amounts represents deferred income which is earned over the life of the agreement. The liability for repurchasing the assets is included in borrowed money in the accompanying Statutory Statements of Financial Position.

The Company enters into tri-party repurchase agreements (also known as reverse repurchase agreements) to purchase and resell securities . The Company receives securities as collateral, having a fair value at least equal to 102% of the purchase price paid by the Company for the securities and the Company’s designated custodian takes possession of this collateral. The Company is not permitted to sell or repledge these securities. The collateral is not recorded on the Company’s financial statements. However, if the counterparty defaults, the Company would then exercise its rights with respect to the collateral, including a sale of the collateral. The fair value of the securities held as collateral is monitored daily and additional collateral is obtained, where appropriate, to protect against credit exposure.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Premiums and Related Expenses

Life premiums are recognized as revenue when due. Annuity considerations are recognized as revenue when received. Commissions and other costs associated with acquiring new business are charged to operations as incurred. Premiums on guaranteed interest contracts ("GICs") with purchase rate guarantees, which introduce an element of mortality risk, are recorded as income when received. Amounts received or paid under contracts without mortality or morbidity risk are recorded directly in the accompanying Statutory Statements of Financial Position as an adjustment to deposit funds and are not reflected in the accompanying Statutory Statements of Operations.

Dividends to Policyholders

The liability for dividends to policyholders consists principally of dividends expected to be paid during the subsequent year. The allocation of dividends is approved annually by the Board of Directors and is determined by means of formulas, which reflect the relative contribution of each group of policies to divisible surplus.

Policy Reserves

Policy reserves are based on mortality tables and valuation interest rates, which are consistent with statutory requirements and are designed to be sufficient to provide for contractual benefits. The Company holds reserves greater than those developed under the minimum statutory reserving rules when the valuation actuary determines that the minimum statutory reserves are inadequate. Actual results could differ from these estimates and may result in the establishment of additional reserves. The valuation actuary monitors actual experience and, where circumstances warrant, revises assumptions and the related estimates for policy reserves. Refer to Note 12 - Insurance Liabilities, for a discussion of reserves in excess of minimum NAIC requirements.

Federal Income Taxes

Current federal income taxes are charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year and any adjustments to such estimates from prior years. Deferred federal income tax assets ("DTAs") and deferred federal income tax liabilities ("DTLs") are recognized for expected future tax consequences of temporary differences between statutory and taxable income. Temporary differences are identified and measured using a balance sheet approach whereby statutory and tax balance sheets are compared. Changes in DTAs and DTLs are recognized as a separate component of surplus (except for the net deferred tax asset related to unrealized gains, which is included in unrealized gains and losses). Net DTAs are admitted to the extent permissible under NAIC SAP. Gross DTAs are reduced by a statutory valuation allowance, if any; if it is more likely than not that some portion or all of the gross DTA will not be realized. The Company is required to establish a tax loss contingency if it is more likely than not that a tax position will not be sustained. The amount of the contingency reserve is management's best estimate of the amount of the original tax benefit that could be reversed upon audit, unless the best estimate is greater than 50% of the original tax benefit, in which case the reserve is equal to the entire tax benefit.

The Company files a consolidated federal income tax return with certain of its domestic insurance and non-insurance subsidiaries. The consolidated income tax liability is allocated among the members of the group in accordance with a tax allocation agreement. This tax allocation agreement provides that each member of the group is allocated its share of the consolidated tax provision or benefit, determined generally on a separate company basis, but may, where applicable, recognize the tax benefits of net operating losses or capital losses

utilizable by the consolidated group. Intercompany tax balances are settled quarterly on an estimated basis with a final settlement occurring within 30 days of the filing of the consolidated tax return.

Separate Accounts

The Company has established both non-guaranteed and guaranteed separate accounts with varying investment objectives which are segregated from the Company's general account and are maintained for the benefit of separate accounts policyholders. The Company has market value guaranteed separate accounts, for which supplemental separate account assets are used to fund the excess of the actuarial liability for future guaranteed payments over the market value of the assets. For these separate accounts, separate account assets are primarily invested in bonds, common stocks, mutual funds, limited partnerships and hedge funds and are generally stated at market value. The Company also has a guaranteed separate account maintained on a book value basis. For this book value basis separate account, the assets are invested primarily in fixed income securities and are carried at amortized cost, adjusted for impairments deemed to be other than temporary. The Company has non-guaranteed separate accounts, which primarily include the Company's retirement and pension plans assets and are invested in common stock, limited partnerships, hedge funds and short-term securities.

The liability for separate accounts represents policyholders' interests in the separate accounts assets, excluding liabilities representing due and accrued transfers to the general account. The liability for non-guaranteed and guaranteed market value separate accounts represents policyholders' interests in the separate accounts assets, including accumulated net investment income and realized and unrealized gains and losses on those assets. For the book value guaranteed separate account, the liability represents amounts due to policyholders pursuant to the terms of the contract.

Funds held under Coinsurance

Funds held under coinsurance primarily represent balances payable related to certain reinsurance assumed contracts that were partially retroceded. The balances are determined based on the percent of the liabilities retroceded, including certain insurance related payables and receivables as stipulated by the reinsurance agreements. Refer to Note 13 - Reinsurance, for additional discussion on assumed reinsurance.

Other Assets and Liabilities

Other assets primarily consist of cash value on corporate owned life insurance, net DTA, current tax receivable, receivables from subsidiaries and affiliates, and interest in annuity contracts. Corporate owned life insurance is carried at cash surrender value with changes in cash surrender value reported in other income in the accompanying Statutory Statements of Operations.

Other liabilities consist primarily of accrued expenses, amounts withheld by the Company, employee benefit plan liabilities, derivative liabilities, current tax liabilities, and obligations under structured settlement agreements.

Nonadmitted Assets

Under statutory accounting practices, certain assets are designated as nonadmitted assets and are not included in the accompanying Statutory Statements of Financial Position since these assets are not permitted by the NYSDFS to be taken into account in determining the Company's financial condition. Nonadmitted assets often include furniture and equipment, agents' debit balances, DTA not realizable within three years, receivables over 90 days old, and overfunded plan assets on qualified benefit plans. Changes to nonadmitted

assets are reported as a direct adjustment to surplus in the accompanying Statutory Statements of Changes in Surplus.

Fair Value of Financial Instruments and Insurance Liabilities

Fair value of various assets and liabilities are included throughout the notes to the financial statements. Specifically, fair value disclosure of investments held is reported in Note 6 - Investments. Fair values for derivative instruments are included in Note 7 - Derivative Instruments and Risk Management. Fair values for insurance liabilities are reported in Note 12 - Insurance Liabilities. The aggregate fair value of all financial instruments summarized by type is included in Note 9 - Fair Value Measurements.

Contingencies

Amounts related to contingencies are accrued if it is probable that a liability has been incurred and an amount is reasonably estimable.

At the inception of a guarantee (except unlimited guarantees and guarantees made to or on behalf of wholly owned subsidiaries), the Company recognizes an initial liability at fair value for the obligations it has undertaken, regardless of the probability of performance under the guarantee. This includes guarantees made on behalf of affiliates other than wholly owned subsidiaries unless the guarantee is deemed unlimited.

Foreign Currency Translation and Transactions

The Company's Canadian insurance operations are stated in Canadian dollars, with a single foreign currency adjustment of the net value reflected in unrealized gains and losses as a component of surplus. For all other foreign currency items, income and expenses are translated at the average exchange rate for the period while items on the accompanying Statutory Statements of Financial Position are translated using the spot rate in effect at the date of the statements. Changes in the accompanying Statutory Statements of Financial Position asset and liability values due to fluctuations in foreign currency exchange rates are recorded as unrealized capital gains and losses in surplus until the asset is sold or exchanged or the liability is settled. Upon settlement, previously recorded unrealized capital gains and losses are reversed, and the foreign exchange gain or loss for the entire holding period is recorded as a realized capital gain or loss in net income. In addition, the impact of translating foreign insurance operations to U.S. dollars is included in limited partnerships and other invested assets with the change reported as an unrealized gain or loss.

Benefit Plans

The Company maintains various tax-qualified and non-qualified plans that provide defined benefit pension and other postretirement benefits covering eligible U.S. employees and agents. A December 31st measurement date is used for all defined benefit pension and other postretirement benefit plans.

The Company recognizes the funded status of each of the pension and postretirement plans on the accompanying Statutory Statements of Financial Position, subject to the deferral provision of new guidance adopted in 2013. The funded status of a plan is measured as the difference between plan assets at fair value and the projected benefit obligation ("PBO") for pension plans or the accumulated postretirement benefit obligation ("APBO") for other postretirement plans. The Company elected to phase in the initial impact of the new guidance over a period not to exceed ten years.

The PBO is defined as the actuarially calculated present value of vested and non-vested pension benefits accrued based on service accruals through the measurement date and anticipated future compensation levels. This is the basis upon which pension liabilities and net periodic benefit cost are determined. The PBO of the

defined benefit pension plans is determined using a variety of actuarial assumptions, from which actual results may vary.

The APBO represents the actuarially calculated present value of other postretirement benefits attributed to employee services rendered through the measurement date. This is the valuation basis upon which postretirement benefit liabilities and net periodic postretirement benefit cost are determined. The APBO is determined using a variety of actuarial assumptions, from which actual results may vary.

For pension and postretirement benefits, the Company recognizes the net periodic benefit cost as an expense in the Statutory Statements of Operations.

Net periodic benefit cost is determined using management estimates and actuarial assumptions to derive service cost, interest cost, and expected return on plan assets for a particular year. Net periodic benefit cost also includes the applicable amortization of any prior service cost (credit) arising from the increase (decrease) in prior years' benefit costs due to plan amendments. These costs are amortized into net periodic benefit cost over the expected service years of employees whose benefits are affected by such plan amendments. Actual experience related to plan assets and/or the benefit obligations may differ from that originally assumed when determining net periodic benefit cost for a particular period and future assumptions may change, resulting in gains or losses. To the extent such aggregate gains or losses exceed 10 percent of the greater of the benefit obligations or the market value of assets of the plan; they are amortized into net periodic benefit cost over the expected service years of employees expected to receive benefits under the plans.

The obligations and expenses associated with these plans require an extensive use of assumptions such as the discount rate, expected rate of return on plan assets, rate of future compensation increases, healthcare cost trend rates, as well as assumptions regarding participant demographics such as rate and age at retirements, withdrawal rates, and mortality. Management, in consultation with its external consulting actuarial firm, determines these assumptions based upon a variety of factors such as historical performance of the plan and its assets, currently available market and industry data, and expected benefit payout streams. The assumptions used may differ materially from actual results due to, among other factors, changing market and economic conditions and changes in participant demographics.

The Company also sponsors tax-qualified defined contribution plans for substantially all U.S. employees and agents. The defined contribution plan for employees matches a portion of employees' contributions. Accordingly, the Company recognizes compensation cost for current matching contributions. The defined contribution plan for agents provides for discretionary Company contributions for eligible agents. Accordingly, the Company recognizes compensation cost for current discretionary contributions. As all contributions are transferred timely to the trust for these plans, no liability for matching or discretionary contributions is recognized in the accompanying Statutory Statements of Financial Position.

The Company also maintains for certain eligible participants a non-qualified unfunded arrangement that credits deferral amounts and matching contributions with respect to compensation in excess of the amount that may be taken into account under the tax-qualified defined contribution plan because of applicable Internal Revenue Service ("IRS") limits. Accordingly, the Company recognizes compensation cost for current matching contributions and holds a liability for these benefits, which is included in other liabilities in the accompanying Statutory Statements of Financial Position.

The Company provides certain benefits to eligible employees during employment for paid absences and after employment but before retirement. A liability for these benefits is accrued when the benefit is incurred.

NOTE 4 – BUSINESS RISKS AND UNCERTAINTIES

In periods of extreme volatility and disruption in the securities and credit markets, and under certain interest rate scenarios, the Company could be subject to disintermediation risk and/or reduction in net interest spread or profit margins.

The Company's investment portfolio consists principally of fixed income securities as well as mortgage loans, policy loans, limited partnerships, preferred and common stocks and equity real estate. The fair value of the Company's investments varies depending on economic and market conditions and the interest rate environment.

With respect to investments in mortgage loans, mortgage-backed securities and other securities subject to prepayment and/or call risk, significant changes in prevailing interest rates and/or geographic conditions may adversely affect the timing and amount of cash flows on these investments, as well as their related values. In addition, the amortization of market premium and accretion of market discount for mortgage-backed securities is based on historical experience and estimates of future payment experience underlying mortgage loans. Actual prepayment timing will differ from original estimates and may result in material adjustments to asset values and amortization or accretion recorded in future periods.

Certain of the Company's investments lack liquidity such as privately placed fixed income securities, leveraged leases, equity real estate and other limited partnership interests. The Company also holds certain investments in asset classes that are liquid but may experience significant market fluctuations, such as mortgage-backed and other asset-backed securities. If the Company were to require significant amounts of cash on short notice in excess of cash on hand and the Company's portfolio of liquid investments, the Company could have difficulty selling these investments in a timely manner, need to sell them for less than the Company otherwise would have been able to realize, or both.

In periods of high or increasing interest rates, life insurance policy loans and surrenders and withdrawals may increase as policyholders seek investments with higher perceived returns. This could result in cash outflows requiring the Company to sell invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which could cause the Company to suffer realized investment losses. In addition, when interest rates rise, the Company may face competitive pressure to increase crediting rates on certain insurance and annuity contracts, and such changes may occur more quickly than corresponding changes to the rates earned on the Company's general account investments.

During periods of low or declining interest rates, the Company is contractually obligated to credit a fixed minimum rate of interest on certain of the Company's life insurance and annuity policies. Should yields on new investments decline to levels below these guaranteed minimum rates for a long enough period, the Company may be required to credit interest to policyholders at a higher rate than the rate of return the Company earns on the Company's portfolio of investments supporting those products, thus generating losses.

Although management of the Company employs a number of asset/liability management strategies to minimize the effects of interest rate volatility, no guarantee can be given that it will be successful in managing the effects of such volatility.

The Company establishes and carries reserves to pay future policyholder benefits and claims. The process of calculating reserve amounts for an insurance organization involves the use of a number of estimates and assumptions including those related to mortality (the relative incidence of death), morbidity (the incidence rate of a disease or medical condition) and interest rates (the rates expected to be paid or received on financial instruments, including insurance or investment contracts). Since the Company cannot precisely determine

the amount or timing of actual future benefits and claims, actual results could differ significantly from those assumed. Deviations from one or more of these estimates and assumptions could have a material adverse effect on the Company's results of operations or financial condition.

The Company sets prices for many of its insurance and annuity products based upon expected claims and payment patterns, using assumptions for mortality, morbidity, persistency (how long a contract stays in force) and interest rates. In addition to the potential effect of natural or man-made disasters, significant changes in mortality could emerge gradually over time, due to changes in the natural environment, the health habits of the insured population, effectiveness of treatment for disease or disability, or other factors. In addition, the Company could fail to accurately provide for changes in other pricing assumptions, including changes in interest and inflation rates.

Significant negative deviations in actual experience from the Company's pricing assumptions could have a material adverse effect on the profitability of its products. The Company's earnings are significantly influenced by the claims paid under its insurance contracts and will vary from period to period depending upon the amount of claims incurred. There is only limited predictability of claims experience within any given month or year. The Company's future experience may not match its pricing assumptions or its past results. Accordingly, its results of operations and financial condition could be materially adversely affected.

Issuers or borrowers whose securities or loans the Company holds, customers, trading counterparties, counterparties under swaps and other derivative contracts, reinsurers, clearing agents, exchanges, clearing houses and other financial intermediaries and guarantors may default on their obligations to the Company due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons. In addition, the underlying collateral supporting the Company's structured securities, including mortgage-backed securities, may deteriorate or default causing these structured securities to incur losses.

Weak equity market performance may adversely affect the Company's subsidiaries' sales of variable products, mutual funds or investment management products, cause potential purchasers of the Company's products to refrain from new or additional investments, and may cause current customers to surrender or redeem their current products and investments.

Revenues of the Company's subsidiaries from variable products, mutual funds and other investment management businesses are to a large extent based on fees related to the value of assets under management (except for NYLIAC's Elite Annuity product, where future revenue is based on adjusted premium payments). Consequently, poor equity market performance reduces fee revenues. The level of assets under management could also be negatively affected by withdrawals or redemptions.

NYLIAC issues certain variable products with various types of guaranteed minimum benefit features. This subsidiary establishes reserves for the expected payments resulting from these features. This subsidiary bears the risk that payments may be higher than expected as a result of significant, sustained downturns in the stock market. This subsidiary also bears the risk that additional reserves may be required if partial surrender activity increases significantly for some annuity products during the period when account values are less than guaranteed amounts.

The risk based capital ("RBC") ratio is the primary measure by which regulators and rating agencies evaluate the capital adequacy of the Company. RBC is determined by statutory rules that consider risks related to the type and quality of invested assets, insurance-related risks associated with the Company's products, interest-rate risk and general business risks. Disruptions in the capital markets could increase equity and credit losses and reduce the Company's statutory surplus and RBC ratio. To the extent that the Company's statutory capital resources are deemed to be insufficient to maintain a particular rating by one or more rating agencies, the

Company may seek to improve its capital position, including through operational changes and potentially seeking outside capital.

The Company faces significant competition.

The Company faces strong competition in its Insurance and Agency Group and its Investments Group businesses. The Company's ability to compete is based on a number of factors, including product features, investment performance, service, price, distribution capabilities, scale, commission structure, name recognition and financial strength ratings. Industry consolidation, including acquisition of insurance and other financial service companies in the U.S. by international companies, could result in larger competitors with strong financial resources, marketing and distribution capabilities and brand identities.

Rating agencies assign the Company financial strength and claims paying ability ratings, based on their evaluations of the Company's ability to meet its financial obligations. These ratings indicate a rating agency's view of an insurance company's ability to meet its obligations to its insureds. In certain of the Company's markets, ratings are important competitive factors of insurance companies. Rating organizations continue to review the financial performance and condition of insurers, including the Company. A significant downgrade in the Company's ratings could materially and adversely affect its competitive position in the life insurance market and increase its cost of funds. In addition, downgrades of the sovereign credit rating of the U.S. would likely result in a corresponding downgrade of the financial strength rating of the Company by certain rating agencies, which could have an adverse effect on the Company's results of operations.

The Company's risk management policies and procedures may leave it exposed to unidentified or unanticipated risks, which could negatively affect the Company's business.

The Company has devoted significant resources to develop and periodically update its risk management policies and procedures and expects to do so in the future. However, the Company's policies and procedures to identify, monitor and manage risks may not be fully effective. Many of the methods used by the Company to manage risk and exposures are based on the use of observed historical market behavior or statistics based on historical models. As a result, these methods may not predict future exposures, which could be significantly greater than the historical measures indicate. Other risk management methods depend on the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that is publicly available or is otherwise accessible to the Company, which may not always be accurate, complete, up-to-date or properly evaluated. Moreover, the Company is subject to the risk of inadequate performance of contractual obligations by third-party vendors of products and services that are used in its businesses or to whom the Company outsources certain business functions, as well as the risk of past or future misconduct by employees of its vendors and service providers, which could result in violations of law by the Company, regulatory sanctions and/or reputational or financial harm. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not always be fully effective.

Regulatory developments in the markets in which the Company operates could affect the Company's business.

Although the federal government does not directly regulate the business of insurance, federal legislation and administrative policies in several areas, including pension regulation, financial services regulation, derivatives, health care regulation, federal taxation, and Employee Retirement Income Security Act of 1974 ("ERISA") including the rules applying to fiduciaries, can significantly and adversely affect the insurance industry and the Company. There are a number of current or potential regulatory measures that may affect the insurance industry. The Company is unable to predict whether any changes will be made, whether any

administrative or legislative proposals will be adopted in the future, or the effect, if any, such proposals would have on the Company.

The attractiveness to the Company's customers of many of its products is due, in part, to favorable tax treatment. Current federal income tax laws generally permit the tax-deferred accumulation of earnings on the premiums paid by the holders of annuities and life insurance products. Taxes, if any, are payable generally on income attributable to a distribution under the contract for the year in which the distribution is made. Death benefits under life insurance contracts are generally received free of federal income tax. Changes to the favorable tax treatment may reduce the attractiveness of the Company's products to its customers.

The Company's international operations, conducted primarily through NYL Investments and SMNYL, face certain political, legal, operating, tax and other risks generally not encountered in its U.S. operations. The Company faces the risk of discriminatory regulation, nationalization or expropriation of assets, price controls and exchange controls or other restrictions that could prevent it from transferring funds from these operations out of the countries in which it operates or converting local currencies it holds into U.S. dollars or other currencies. In addition, the Company relies on local staff, including sales forces, in these countries and may encounter labor problems resulting from workers' associations, trade unions and protective labor laws in some countries.

Fluctuations in currency values affect the translation of operating results into the Company's financial statements. In Mexico, SMNYL sells U.S. dollar denominated products, which subjects SMNYL to foreign exchange risk. For example, when the foreign currency weakens, the cost of products generally increases and may result in reduced sales volume and higher policy surrenders. This risk can impact both the financial condition and results of operations of SMNYL. Furthermore, SMNYL's businesses in Mexico operate in a market that has at times been subject to severe economic and financial disruptions, including significant currency devaluations and more volatile growth rates.

The Company's international businesses are also subject to the risk of changes in laws and regulations or the interpretation thereof in those jurisdictions in which they conduct business. Any such change could have an adverse effect on these businesses and on the Company.

A computer system failure or security breach could disrupt the Company's business, damage its reputation and adversely impact its profitability.

The Company relies on computer systems to conduct business, including customer service, marketing and sales activities, customer relationship management and producing financial statements. While the Company has policies, procedures, automation and backup plans and facilities designed to prevent or limit the effect of failure, its computer systems may be vulnerable to disruptions or breaches as the result of natural disasters, man-made disasters, criminal activity, pandemics, or other events beyond its control. The failure of the Company's computer systems for any reason could disrupt its operations, result in the loss of customer business and adversely impact its profitability.

The Company retains confidential information on its computer systems, including customer information and proprietary business information. Any compromise of the security of the Company's computer systems that results in the disclosure of personally identifiable customer information could damage the Company's reputation, expose the Company to litigation, increase regulatory scrutiny and require it to incur significant technical, legal and other expenses.

NOTE 5 – RECENT ACCOUNTING PRONOUNCEMENTS

Changes in Accounting Principles

Accounting changes adopted to conform to the provisions of NAIC SAP or other state prescribed accounting practices are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is generally reported as an adjustment to unassigned surplus in the period of the change in accounting principle. Generally, the cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods.

In 2015, the NAIC provided clarification on the accounting for prepayment penalties on bonds. Specifically, the NAIC proposed changes to SSAP No. 26, "Bonds, Excluding Loan-Backed and Structured Securities" ("SSAP 26"), and SSAP No. 43R, "Loan-Backed and Structured Securities", to clarify that a prepayment penalty represents the amount of proceeds received over the par value of the bond and that such amount should be recorded in investment income. Historically, the Company had reported prepayment penalties as realized gains and deferred them in the IMR based on the Company's interpretation of the IMR instructions. Based on the new clarification from the NAIC, a cumulative effect of change in accounting principle was recorded at January 1, 2015 to remove any unamortized amounts from the IMR related to prepayment penalties. The cumulative impact of the change increased surplus by $112 million at January 1, 2015.

In December 2014, the NAIC adopted new guidance for single real estate property investments, that are directly and wholly-owned through a limited liability company and met certain criteria, which requires an insurance company to account for such investments as a real estate investment as opposed to using the equity method. The guidance became effective January 1, 2015. As a result of the adoption of this guidance, the Company transferred $654 million of real estate previously held in limited liability companies from other invested assets to real estate, and recorded a change in accounting principle that increased statutory surplus by $15 million, resulting in a real estate value of $669 million.

Adoption of New Accounting Pronouncements

In November and December 2015, the NAIC adopted revisions to SSAP 97 for foreign insurance subsidiaries and non-insurance SCA entities meeting the revenue and activity test to include additional adjustments to their U.S. GAAP equity used in determining their carrying value. The revisions also require disclosure in the parent insurance company's financial statements of the permitted or prescribed practices reflected in the investment in an insurance subsidiary. In addition, a new disclosure is required of the balance sheet value (admitted and nonadmitted) and information received from the NAIC in response on the SCA entities filing with the NAIC (e.g. date and type of filing, NAIC valuation amount, whether resubmission of filing is required) for all common stock SCA investments except domestic insurance companies. The guidance became effective upon adoption and did not have a material impact on the Company's financial statements. The new disclosure on common stock SCA investments has been included in Note 6 - Investments.

In June 2015, the NAIC adopted revisions to include the 2012 Individual Annuity Mortality Table in Appendix A-821, Annuity Mortality Table for Use in Determining Reserve Liabilities for Annuities, effective January 1, 2015. The new guidance was effective prospectively upon the Company's adoption.

In March 2015, the NAIC adopted revisions to SSAP No. 69, "Statement of Cash Flow", which clarify that the cash flow statement should be limited to transactions involving "cash", which is defined to include cash, cash equivalents and short-term investments, and to expand the disclosure to include non-cash operating

items. The guidance became effective December 31, 2015 and did not have a material effect on the Company's financial statements and note disclosures.

In June 2014, the NAIC adopted revisions to SSAP 26*,* which required new disclosures for bonds that meet the definition of a structured note. The NAIC has defined a structured note as a direct debt issuance by a corporation, municipality, or government entity, ranking pari passu with the issuer's other debt issuance of equal seniority where either (1) the coupon and/or principal payments are linked, in whole or in part, to prices or payment streams from index or indices, or assets deriving their value from other than the issuer's credit quality, or the coupon and/or principal payments are leveraged by a formula that is different from either a fixed coupon, or (2) a non-leveraged floating rate coupon linked to an interest rate index, including but not limited to LIBOR or the prime rate. The new disclosure requirement became effective December 31, 2014 and did not have a material effect on the Company's financial statements and note disclosures.

In December 2013, the NAIC adopted significant new disclosures related to Federal Home Loan Bank ("FHLB") transactions. The required disclosures covers classification of FHLB capital stocks, borrowing capacity, and collateral pledged to FHLB. The guidance became effective for quarterly and annual reporting beginning January 1, 2014. The required disclosures are included in Note 12 - Insurance Liabilities.

Future Adoption of New Accounting Pronouncements

In 2014, the NAIC adopted revisions to incorporate changes to Appendix A-010, Minimum Reserve Standard for Individual and Group Health Insurance Contracts to require the use of the 2012 table, and the related Actuarial Guideline 47, Application of Company Experience in the Calculation of Claim Reserves Under the 2012 Group Long-Term Disability Valuation Table. The effective date of the guidance is January 1, 2017, on a prospective basis, with early adoption permitted. The Company plans to adopt the guidance on its required effective date.

In December 2015, the NAIC adopted revisions to clarify the definition of synthetic guaranteed investment contracts to exclude contingent deferred annuity and modify the valuation requirements for synthetic guaranteed investment contracts issued to pooled funds. The effective date of the guidance is January 1, 2016 and the changes are to be applied to inforce business. The Company plans to adopt the guidance on its required effective date. The Company is still assessing the impact of this guidance on the Company's financial statements.

NOTE 6 – INVESTMENTS

Bonds

The carrying value and estimated fair value of bonds at December 31, 2015 and 2014, by contractual maturity were as follows (in millions):

	2015		2014	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Due in one year or less	$ 2,607	$ 2,645	$ 2,788	$ 2,856
Due after one year through five years	15,626	16,471	12,750	13,802
Due after five years through ten years [1]	24,428	24,787	18,012	19,267
Due after ten years	22,924	25,552	20,375	24,656
Mortgage and asset-backed securities:				
U.S. agency mortgage and asset-backed securities	8,746	9,328	8,737	9,461
Non-agency mortgage-backed securities	5,204	5,266	5,822	6,024
Non-agency asset-backed securities	6,643	6,722	5,082	5,223
Total	$ 86,178	$ 90,771	$ 73,566	$ 81,289

[1] Includes an affiliated bond issued by MCF to the Company in 2015 with a carrying and fair value of $1,786 million. Refer to Note 11 - Related Party Transactions for a more detailed discussion of related party investments.

Refer to Note 9 - Fair Value Measurements, for discussion of valuation methods for bonds. Expected maturities may differ from contractual maturities because issuers and borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

NOTE 6 – INVESTMENTS (continued)

At December 31, 2015 and 2014, the distribution of gross unrealized gains and losses on bonds was as follows (in millions):

	2015			
	Carrying Amount	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Treasury	$ 1,946	$ 292	$ 4	$ 2,234
U.S. government corporations and agencies	5,636	1,171	1	6,806
U.S. agency mortgage and asset-backed securities	8,746	623	41	9,328
Foreign governments	1,019	203	—	1,222
U.S. corporate	42,587	2,749	705	44,631
Foreign corporate	12,611	484	319	12,776
Non-agency residential mortgage-backed securities	1,340	54	23	1,371
Non-agency commercial mortgage-backed securities	3,864	63	32	3,895
Non-agency asset-backed securities	6,643	182	103	6,722
Affiliated bonds	1,786	—	—	1,786
Total	$ 86,178	$ 5,821	$ 1,228	$ 90,771

	2014			
	Carrying Amount	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Treasury	$ 835	$ 325	$ —	$ 1,160
U.S. government corporations and agencies	5,481	1,427	—	6,908
U.S. agency mortgage and asset-backed securities	8,737	759	35	9,461
Foreign governments	1,035	242	—	1,277
U.S. corporate	34,921	4,050	177	38,794
Foreign corporate	11,653	843	54	12,442
Non-agency residential mortgage-backed securities	1,690	76	27	1,739
Non-agency commercial mortgage-backed securities	4,132	162	9	4,285
Non-agency asset-backed securities	5,082	227	86	5,223
Total	$ 73,566	$ 8,111	$ 388	$ 81,289

NOTE 6 – INVESTMENTS (continued)

Common and Preferred Stocks

The following tables represent the carrying value and change in unrealized gains (losses) of common and preferred stocks at December 31, 2015 and 2014 (in millions):

	2015		2014	
	Carrying Value	Unrealized Gains (Losses)	Carrying Value	Unrealized Gains (Losses)
Insurance subsidiaries	$ 8,237	$ 488	$ 7,749	$ 932
Unaffiliated common stock	844	(80)	1,384	(152)
Affiliated common stock	300	(45)	430	—
Preferred stock	59	—	63	—
Total	$ 9,440	$ 363	$ 9,626	$ 780

Affiliated common stock includes investments in affiliated mutual and other investment funds. At December 31, 2015, the Company did not have any investments in affiliated mutual funds that were nonadmitted. At December 31, 2014, the Company had $25 million investments in affiliated mutual funds that were nonadmitted.

The following table provides details of the Company's affiliated common stock investments, excluding insurance subsidiaries, at December 31, 2015 (in millions):

Description of SCA Investment (Excluding 8.b.i Entities)	Gross Amounts	Nonadmitted Amount	Admitted Asset Amount	Date of Filing to NAIC	Type of NAIC Filing (Sub-1, Sub-2, or Resubmission of Disallowed Filing)	NAIC Response Received (Yes/ No)	NAIC Valuation (Amount)	NAIC Disallowed Entity's Valuation Method, Resubmission Required (Yes/ No)
Candriam GF High Yield Corporate Bonds	$ 76	$ —	$ 76	12/10/2015	Sub-1	Yes	Note 1	No
Samsung US Dynamic Asset Allocation Trust H	152	—	152	12/7/2015	Sub-2	Yes	$260 - Note 2	No
IQ 50 Percent Hedged FTSE Japan ETF	24	—	24	12/10/2015	Sub-1	Yes	Note 1	No
IQ 50 Percent Hedged FTSE Europe ETF	24	—	24	12/10/2015	Sub-1	Yes	Note 1	No
IQ 50 Percent Hedged FTSE International ETF	24	—	24	12/10/2015	Sub-1	Yes	Note 1	No
Total	$ 300	$ —	$ 300					

Note 1 - Per the NAIC, a value will be approved when the audited financial statements are submitted with the Sub-2 filing.

Note 2 - The NAIC's Samsung valuation was provided prior to sales that occurred subsequent to the filing date.

NOTE 6 – INVESTMENTS (continued)

Mortgage Loans

The Company's mortgage loans are diversified by property type, location and borrower, and are collateralized by the related property. The maximum and minimum lending rates for new commercial mortgage loans funded during 2015 were 6.5% and 1.93% and funded during 2014 were 6.41% and 1.66%, respectively. The maximum percentage of any one commercial loan to the value of the security at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages, was 92.4% (average percentage was 53%). The maximum percentage of any residential loan to the value of the security at the time of the loan was 80% (average percentage was 36.3%). The Company has no significant credit risk exposure to any one individual borrower.

At December 31, 2015 and 2014, the distribution of the mortgage loan portfolio by property type and geographic location was as follows ($ in millions):

	2015		2014	
	Carrying Amount	% of Total	Carrying Amount	% of Total
Property type:				
Office buildings	$ 4,811	32.96%	$ 3,756	31.75%
Apartment buildings	3,742	25.63	3,345	28.28
Retail facilities	3,631	24.87	3,134	26.49
Industrial	2,207	15.11	1,433	12.12
Hotels	142	0.97	142	1.20
Residential	12	0.08	16	0.14
Other	56	0.38	5	0.02
Total	$ 14,601	100.00%	$ 11,831	100.00%

	2015		2014	
	Carrying Amount	% of Total	Carrying Amount	% of Total
Geographic location:				
South Atlantic	$ 3,955	27.09%	$ 3,063	25.89%
Central	3,246	22.23	2,491	21.05
Pacific	3,027	20.73	2,568	21.71
Middle Atlantic	3,010	20.62	2,623	22.17
New England	1,278	8.75	996	8.42
Other	85	0.58	90	0.76
Total	$ 14,601	100.00%	$ 11,831	100.00%

At December 31, 2015, $44 million of mortgage loans were past due 90 days and over. There were no mortgage loans past due in 2014.

The Company maintains a watchlist of mortgage loans that may potentially be impaired. The general guidelines analyzed to include commercial loans within the watchlist are loan-to-value ratio ("LTV"), asset performance such as debt service coverage ratio, lease rollovers, income and expense hurdles, major tenant or borrower issues, the economic climate, and catastrophic events, among others. Loans placed on the

NOTE 6 – INVESTMENTS (continued)

watchlist generally take priority in being revalued in the Company's inspection/evaluation commercial loan program that revalues properties securing commercial loans.

LTV is deemed as one of the key mortgage loan indicators to assess credit quality and to assist in identifying problem loans. At December 31, 2015 and 2014, LTVs on the Company's mortgage loans were as follows (in millions):

	2015							
Loan to Value % (By Class)	**Office Bldgs**	**Apartment Bldgs**	**Retail Facilities**	**Industrial**	**Hotel**	**Residential**	**Other**	**Total**
Above 95%	$ —	$ —	$ —	$ 43	$ —	$ —	$ —	$ 43
91% to 95%	—	—	—	—	—	—	—	—
81% to 90%	73	—	—	—	—	—	—	73
71% to 80%	128	308	377	38	10	1	—	862
below 70%	4,610	3,434	3,254	2,126	132	11	56	13,623
Total	$ 4,811	$ 3,742	$ 3,631	$ 2,207	$ 142	$ 12	$ 56	$ 14,601

	2014							
Loan to Value % (By Class)	**Office Bldgs**	**Apartment Bldgs**	**Retail Facilities**	**Industrial**	**Hotel**	**Residential**	**Other**	**Total**
Above 95%	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
91% to 95%	—	—	—	—	—	—	—	—
81% to 90%	126	—	242	6	—	—	—	374
71% to 80%	70	278	176	96	10	1	—	631
below 70%	3,560	3,067	2,716	1,331	132	15	5	10,826
Total	$ 3,756	$ 3,345	$ 3,134	$ 1,433	$ 142	$ 16	$ 5	$ 11,831

There were no impaired mortgage loans at December 31, 2014. Impaired mortgage loans at December 31, 2015 were as follows (in millions):

	2015					
	Impaired Loans with Allowance for Credit Losses	**Related Allowance**	**Impaired Loans without Allowance for Credit Losses**	**Average Recorded Investment**	**Interest Income Recognized**	**Interest Income on a Cash Basis during the Period**
Residential	$ —	$ —	$ —	$ —	$ —	$ —
Commercial	—	—	43	51	—	—
Total	$ —	$ —	$ 43	$ 51	$ —	$ —

NOTE 6 – INVESTMENTS (continued)

Real Estate

At December 31, 2015 and 2014, the carrying amount of the Company's real estate portfolio consisted of the following (in millions):

	2015	2014
Properties for Company use	$ 280	$ 270
Investment property	1,111	202
Acquired through foreclosure	35	37
Total real estate	$ 1,426	$ 509

Accumulated depreciation on real estate at December 31, 2015 and 2014 was $448 million and $394 million, respectively. Depreciation expense for the years ended December 31, 2015 and 2014 was $47 million and $20 million, respectively, and was recorded as an investment expense, a component of net investment income in the accompanying Statutory Statements of Operations.

During 2015, the Company recognized $2 million in realized gains on the disposition of investment property. The Company recognized $2 million and $1 million of impairment losses on its real estate investment portfolio for the years ended December 31, 2015 and 2014, respectively.

In addition to the above, the Company owns real estate in certain LLC structures, which are included within "Limited partnerships and other invested assets" in the accompanying Statutory Statements of Financial Position, of $683 million and $1,301 million for the years ended December 31, 2015 and 2014, respectively. Due to changes in accounting rules in 2015, $654 million of assets previously reported within "Limited partnerships and other invested assets" are now reported as Investment property above as discussed in Note 5 - Recent Accounting Pronouncements.

Limited Partnerships and Other Invested Assets

The carrying value of limited partnerships and other invested assets at December 31, 2015 and 2014 consists of the following (in millions):

	2015	2014
Limited partnerships and limited liability companies	$ 6,524	$ 7,251
Affiliated non-insurance subsidiaries	1,741	1,831
New York Life Short Term Fund ("NYL STIF")	—	1,610
Other invested assets	143	510
LIHTC investments	351	451
Loans to affiliates	727	2,378
Total limited partnerships and other invested assets	$ 9,486	$ 14,031

Limited partnerships and limited liability companies primarily consist of limited partnership interests in leveraged buy-out funds, real estate and other private equity investments. Net unrealized gains (losses) of $199 million and $(12) million were recorded on these investments for the years ended December 31, 2015 and 2014, respectively. In addition, there were unrealized foreign exchange gains (losses) recorded of $(79) million and $(44) million for the years ended December 31, 2015 and 2014, respectively. Net investment

income of $742 million and $714 million was recorded on these investments for the years ended December 31, 2015 and 2014, respectively.

The Company recognized $267 million and $160 million in impairment write-downs on its investments in limited partnerships and limited liability companies during the years ended December 31, 2015 and 2014, respectively.

At December 31, 2015 and 2014, the Company had $75 million and $85 million, respectively, of investments in limited partnerships and limited liability companies that were nonadmitted, and therefore excluded from the amounts in the table above. During the years ended December 31, 2015 and 2014, the change in nonadmitted assets resulted in a $10 million and a $(15) million increase (decrease) to surplus, respectively.

Affiliated non-insurance subsidiaries consist of the Company's limited liability company investments in NYL Investments, NYL Investors, NYLE and NYLIFE LLC. At December 31, 2015, affiliated non-insurance subsidiaries also include the Company's equity investment in MCF. Refer to Note 11 - Related Party Transactions for a more detailed discussion of the Company's transactions with related parties. The Company records its share of gains or losses from these investments as unrealized gains or losses. In 2015 and 2014, the Company recorded net unrealized gains (losses) of $(113) million and $140 million, respectively. At December 31, 2015 and 2014, the Company had $17 million and $24 million of investments in direct non-insurance subsidiaries that were nonadmitted, respectively, and therefore excluded from the amounts in the table above.

The NYL STIF was substantially liquidated in 2015. The NYL STIF primarily invested in short-term U.S. government and agency securities, certificates of deposit, floating rate notes, commercial paper, repurchase agreements and asset-backed securities. The Company now invests directly in short-term instruments, which are included with cash, cash equivalents and short-term investments in the accompanying Statutory Statements of Financial Position.

Other invested assets consist primarily of mortgage loan investment funds, loans to Company sponsored collateralized loan obligations in the warehouse stage, investments in surplus notes and other investments with characteristics of debt. Investments in the mortgage loan funds were repaid in 2015. Net investment income of $9 million and $20 million was recorded on these investments for the years ended December 31, 2015 and 2014, respectively.

The Company receives tax credits related to its investments in LIHTC partnerships. The Company's unexpired tax credits on its investments in LIHTC expire within a range of less than one year to 9 years. The Company's investment in LIHTC partnerships includes $21 million and $34 million of unfunded commitments at December 31, 2015 and 2014, respectively. During 2015 and 2014, the Company recorded amortization on these investments under the proportional amortized cost method of $97 million and $108 million, respectively. The Company recorded tax credits and other tax benefits on these investments of $122 million and $134 million for 2015 and 2014, respectively. The minimum holding period required for the Company's LIHTC investments extends from 2 years to 13 years. The LIHTC investments are periodically subject to regulatory reviews by housing authorities where the properties are located. The Company is not aware of any adverse issues related to such regulatory reviews.

For loans to affiliates, refer to Note 11 - Related Party Transactions, which includes a more detailed discussion of the Company's loans to affiliates.

NOTE 6 – INVESTMENTS (continued)

Assets on Deposit or Pledged as Collateral

At December 31, 2015 and 2014, the Company's restricted assets (including pledged collateral) were as follows ($ in millions):

	2015									
	Gross Restricted								Percentage	
	Current Year									
	1	2	3	4	5	6	7	8	9	10
Restricted Asset Category	Total General Account (G/A)	G/A Supporting Separate Account (S/A) Activity (a)	Total S/A Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Collateral held under security lending agreements	$ 578	$ —	$ —	$ —	$ 578	$ 554	$ 24	$ 578	0.349%	0.353%
Subject to reverse repurchase agreements	382	—	—	—	382	182	200	382	0.231%	0.234%
Subject to dollar repurchase agreements	—	—	31	—	31	146	(115)	31	0.018%	0.019%
Letter stock or securities restricted as to sale - excluding FHLB capital stock	10	—	—	—	10	8	2	10	0.006%	0.006%
FHLB capital stock	119	—	—	—	119	110	9	119	0.072%	0.073%
On deposit with states	206	—	—	—	206	202	4	206	0.124%	0.126%
Pledged as collateral to FHLB (including assets backing funding agreements)	1,802	—	—	—	1,802	1,601	201	1,802	1.090%	1.102%
Pledged as collateral not captured in other categories	11,476	—	—	—	11,476	—	11,476	11,476	6.943%	7.017%
Total restricted assets	$ 14,573	$ —	$ 31	$ —	$ 14,604	$ 2,803	$ 11,801	$ 14,604	8.833%	8.930%

(a) Subset of column 1
(b) Subset of column 3

NOTE 6 – INVESTMENTS (continued)

See below for details of Assets Pledged as Collateral Not Captured in other categories as of December 31, 2015.

	2015									
	Gross Restricted								Percentage	
	Current Year									
	1	2	3	4	5	6	7	8	9	10
Restricted Asset Category	Total General Account (G/A)	G/A Supporting Separate Account (S/A) Activity (a)	Total S/A Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Reinsurance collateral assets[1]	$ 11,476	$ —	$ —	$ —	$ 11,476	$ —	$ 11,476	$ 11,476	6.943%	7.017%
Total pledged as collateral not captured in other categories	$ 11,476	$ —	$ —	$ —	$ 11,476	$ —	$ 11,476	$ 11,476	6.943%	7.017%

[1] Includes assets of $9,828 million which are permanently restricted and inure solely to the benefit of the reinsured policyholders.

NOTE 6 – INVESTMENTS (continued)

	2014									
	Gross Restricted							Percentage		
	Current Year									
	1	2	3	4	5	6	7	8	9	10
Restricted Asset Category	Total General Account (G/A)	G/A Supporting Separate Account (S/A) Activity (a)	Total S/A Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Collateral held under security lending agreements	$ 554	$ —	$ —	$ —	$ 554	$ 437	$ 117	$ 554	0.375%	0.379%
Subject to reverse repurchase agreements	182	—	—	—	182	152	30	182	0.123%	0.124%
Subject to dollar repurchase agreements	—	—	146	—	146	403	(257)	146	0.099%	0.100%
Letter stock or securities restricted as to sale - excluding FHLB capital stock	8	—	—	—	8	3	5	8	0.005%	0.005%
FHLB capital stock	110	—	—	—	110	116	(6)	110	0.075%	0.075%
On deposit with states	202	—	—	—	202	198	4	202	0.137%	0.138%
Pledged as collateral to FHLB (including assets backing funding agreements)	1,601	—	—	—	1,601	1,451	150	1,601	1.085%	1.095%
Total restricted assets	$ 2,657	$ —	$ 146	$ —	$ 2,803	$ 2,760	$ 43	$ 2,803	1.899%	1.916%

(a) Subset of column 1
(b) Subset of column 3

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

The Company uses derivative instruments to manage interest rate and currency risk. These derivative instruments include foreign currency forwards, interest rate options, interest rate futures and interest rate, inflation, and foreign currency swaps. The Company does not engage in derivative instrument transactions for speculative purposes.

The Company may enter into derivative instruments either on an exchange or over-the-counter ("OTC"). Exchange traded derivatives are executed through regulated exchanges and require initial and daily variation margin collateral postings. The Company is exposed to credit risk resulting from default of the exchange.

OTC derivatives may either be cleared through a clearinghouse ("OTC-cleared") or transacted between the Company and a counterparty under bilateral agreements ("OTC-bilateral"). Similar to exchange traded futures, OTC-cleared derivatives require initial and daily variation margin collateral postings. When transacting OTC-cleared derivatives, the Company is exposed to credit risk resulting from default of the clearinghouse and/or default of the Futures Commission Merchant (e.g. clearinghouse agent).

When transacting OTC-bilateral derivatives, the Company is exposed to the potential default of its OTC-bilateral counterparty. The Company deals with a large number of highly rated OTC-bilateral counterparties, thus limiting its exposure to any single counterparty. The Company has controls in place to monitor credit exposures of OTC-bilateral counterparties by limiting transactions within specified dollar limits and continuously assessing the creditworthiness of its counterparties. The Company uses master netting agreements and adjusts transaction levels, when appropriate, to minimize risk. The Company's policy is to not offset amounts recognized on the accompanying Statutory Statements of Financial Position for derivatives executed with the same counterparty under the same master netting agreement with the associated collateral.

Credit risk is managed by entering into transactions with creditworthy counterparties and obtaining collateral where appropriate. All of the net credit exposure for the Company from derivative contracts is with investment-grade counterparties. For OTC-cleared and exchange traded derivatives, the Company obtains collateral through variation margin which is adjusted daily based on the parties' net derivative position.

For OTC-bilateral derivatives, the Company obtains collateral in accordance with the terms of credit support annexes ("CSAs") negotiated as part of the master agreements entered into with most OTC-bilateral counterparties.

The CSA defines the terms under which collateral is transferred between the parties in order to mitigate credit risk arising from "in the money" derivative positions. The CSA requires that an OTC-bilateral counterparty post collateral to secure its anticipated derivative obligation, taking into account netting arrangements. In a few cases, these CSAs provide that the counterparties are not required to post collateral below a specified threshold; however, the agreements governing these bilateral relationships also include credit contingent provisions whereby the threshold declines on a sliding scale with declines in the OTC-bilateral counterparties' ratings. In addition, certain of the Company's contracts require that if the Company's (or its counterparty's) credit rating were to fall below a specified rating assigned by a credit rating agency, the other party could request immediate payout on all transactions under the contracts or full collateralization of the positions there under. Cash collateral is invested in short-term investments. The aggregate fair value of all OTC-bilateral derivative instruments with credit-risk related contingent features that are in a net liability position at December 31, 2015 was $67 million for which the Company has posted collateral with a fair value of $67 million. If the credit contingent features had been triggered at December 31, 2015, the Company estimates that it would not have had to post additional collateral for a one notch downgrade in the Company's

credit rating but would have had to post less than $1 million for a downgrade that would trigger full collateralization.

The Company may be exposed to credit-related losses in the event that an OTC-bilateral counterparty fails to perform its obligations under its contractual terms. In contractual arrangements with OTC-bilateral counterparties that do not include netting provisions, in the event of default, credit exposure is limited to the positive fair value of derivatives at the reporting date. In contractual arrangements with OTC-bilateral counterparties that include netting provisions, in the event of default, credit exposure is limited to the net fair value, if positive, of all derivatives at the reporting date. At December 31, 2015, the Company held collateral for derivatives of $705 million, including $12 million of securities. Fair value of derivatives in a net asset position, net of collateral, was $37 million at December 31, 2015.

Interest Rate Risk Management

The Company enters into various types of interest rate derivatives primarily to minimize exposure to fluctuations in interest rates on assets and liabilities held by the Company.

Interest rate swaps are used by the Company to hedge interest rate risk for individual and portfolios of assets and liabilities, as well as forecasted purchases of fixed rate securities. Interest rate swaps are agreements with other parties to exchange, at specified intervals, the difference between interest amounts calculated by reference to an agreed upon notional value. Generally, no cash is exchanged at the onset of the contract and no principal payments are made by either party.

Interest rate caps and swaptions are used by the Company to hedge disintermediation risk of increasing interest rates on policyholder liability obligations. Under these contracts, the Company will receive payments from counterparties when interest rates exceed an agreed upon strike price.

Inflation swaps are used by the Company to hedge inflation risk of certain policyholder liabilities linked to the U.S. Consumer Price Index.

Interest rate (Treasury) futures are used by the Company to manage duration of the Company's fixed income portfolio. Interest rate futures are exchange traded contracts to buy or sell a bond at a specific price at a future date.

Interest rate options are used by the Company to hedge the risk of increasing interest rates on policyholder liabilities. Under these contracts, the Company will receive payments from counterparties should an agreed upon interest rate level be reached and payments will continue to increase under the option contract until an agreed upon interest rate ceiling is reached.

Currency Risk Management

The primary purpose of the Company’s foreign currency hedging activities is to protect the value of foreign currency denominated assets and liabilities, which the Company has acquired or incurred or anticipates acquiring or incurring, and net investments in foreign subsidiaries from the risk of changes in foreign exchange rates.

Foreign currency swaps are agreements with other parties to exchange, at specified intervals, principal and interest in one currency for the same in another, at a fixed exchange rate, which is generally set at inception and calculated by reference to an agreed upon notional value. Generally, only principal payments are exchanged at the onset and the end of the contract.

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

Foreign currency forwards involve the exchange of foreign currencies at a specified future date and at a specified price. No cash is exchanged at the time the agreement is entered into.

Hedge Effectiveness

To qualify for hedge accounting, the hedge relationship is designated and formally documented at inception detailing the particular risk management objective and strategy for the hedge, including the item and risk that is being hedged, the derivative that is being used, and how effectiveness is assessed.

A derivative must be highly effective in accomplishing the objective of offsetting either changes in fair value or cash flows for the risk being hedged. The Company formally assesses effectiveness of its hedging relationships both at the hedge inception and on an ongoing basis in accordance with its risk management policy. The hedging relationship is considered highly effective if the changes in fair value or discounted cash flows of the hedging instrument are within 80-125% of the inverse changes in the fair value or discounted cash flows of the hedged item.

The Company discontinues hedge accounting prospectively if: (1) it is determined that the derivative is no longer highly effective in offsetting changes in the fair value or cash flows of a hedged item, (2) the derivative expires or is sold, terminated, or exercised, (3) it is probable that the forecasted transaction for which the hedge was entered into will not occur, or (4) management determines that the designation of the derivative as a hedge instrument is no longer appropriate.

The following tables present the notional amount, gross fair value and carrying value of derivative instruments that are qualifying and designated for hedge accounting, by type of hedge designation, and those that are not designated for hedge accounting at December 31, 2015 and 2014 (in millions):

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

			2015			
	Primary Risk Exposure	Notional Amount[1]	Fair Value[2]		Carrying Value[3]	
Derivative type			**Asset**	**Liability**	**Asset**	**Liability**
Derivatives qualifying and designated						
Cash flow hedges:						
Foreign currency swaps	Currency	$ 593	$ 77	$ 44	$ 76	$ 43
Interest rate swaps	Interest	314	42	—	—	—
Net investment hedges:						
Foreign currency forwards	Currency	75	9	—	10	—
Total derivatives qualifying and designated		$ 982	$ 128	$ 44	$ 86	$ 43
Derivatives not designated						
Interest rate options	Interest	$ 69,000	$ 18	$ —	$ 18	$ —
Foreign currency forwards	Currency	566	22	1	22	1
Foreign currency swaps	Currency	5,235	305	172	305	172
Futures	Interest	175	—	—	—	—
Inflation swaps	Interest	366	—	81	—	81
Interest rate caps	Interest	1,568	1	—	1	—
Interest rate swaps	Interest	5,267	596	162	596	162
Swaptions	Interest	14,503	36	—	36	—
Total derivatives not designated		$ 96,680	$ 978	$ 416	$ 978	$ 416
Total derivatives		$ 97,662	$ 1,106	$ 460	$ 1,064	$ 459

1 Notional amount of derivative instruments generally does not represent the amount exchanged between the parties engaged in the transaction.

2 For a discussion of valuation methods for derivative instruments refer to Note 9 – Fair Value Measurements.

3 The carrying value of all derivatives is reported within Derivatives in the accompanying Statutory Statements of Financial Position.

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

			2014			
			Fair Value[2]		Carrying Value[3]	
Derivative type	**Primary Risk Exposure**	**Notional Amount[1]**	**Asset**	**Liability**	**Asset**	**Liability**
Derivatives qualifying and designated						
Cash flow hedges:						
Foreign currency swaps	Currency	$ 1,341	$ 102	$ 113	$ 106	$ 111
Interest rate swaps	Interest	386	76	—	—	—
Net investment hedges:						
Foreign currency forwards	Currency	81	5	—	5	—
Total derivatives qualifying and designated		$ 1,808	$ 183	$ 113	$ 111	$ 111
Derivatives not designated						
Interest rate options	Interest	$ 54,000	$ 21	$ —	$ 21	$ —
Foreign currency forwards	Currency	608	43	1	43	1
Foreign currency swaps	Currency	2,719	108	82	108	82
Futures	Interest	166	—	—	—	—
Inflation swaps	Interest	366	—	63	—	63
Interest rate caps	Interest	2,268	1	—	1	—
Interest rate swaps	Interest	5,279	554	161	554	161
Swaptions	Interest	17,570	53	—	53	—
Total derivatives not designated		$ 82,976	$ 780	$ 307	$ 780	$ 307
Total derivatives		$ 84,784	$ 963	$ 420	$ 891	$ 418

1 Notional amount of derivative instruments generally does not represent the amount exchanged between the parties engaged in the transaction.
2 For a discussion of valuation methods for derivative instruments refer to Note 9 - Fair Value Measurements.
3 The carrying value of all derivatives is reported within Derivatives in the accompanying Statutory Statements of Financial Position.

Cash Flow Hedges

The Company's cash flow hedges primarily include hedges of floating rate securities and foreign currency denominated assets and liabilities. Derivative instruments used in cash flow hedges that meet criteria indicating that they are highly effective are valued and reported in a manner that is consistent with the hedged asset or liability.

The Company designates and accounts for the following qualified cash flow hedges*:* (1) interest rate swaps used to convert floating rate investments to fixed rate investments; (2) foreign currency swaps used to hedge the foreign currency cash flow exposure of foreign currency denominated investments and liabilities; and (3) interest rate swaps to hedge the interest rate risk associated with forecasted transactions.

NOTE 7 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT (continued)

The following table presents the effects of derivatives in cash flow hedging relationships for the years ended December 31, 2015 and 2014 (in millions):

Derivative Type	Gain or (Loss) Recognized in Surplus[1]		Gain or (Loss) Recognized in Net Realized Capital Gains (Losses)		Gain or (Loss) Recognized in Net Investment Income		Gain or (Loss) Recognized in Other Income	
	2015	2014	2015	2014	2015	2014	2015	2014
Foreign currency swaps	$ 95	$ (135)	$ (115)	$ 12	$ 2	$ 1	$ (8)	$ (11)
Interest rate swaps	—	—	—	—	2	2	—	—
Total	$ 95	$ (135)	$ (115)	$ 12	$ 4	$ 3	$ (8)	$ (11)

[1] The amount of gain or (loss) recognized in surplus is reported within change in net unrealized gains (losses) on investments in the accompanying Statutory Statements of Changes in Surplus.

Derivatives Not Designated

The following table provides the classification and amount of gains and losses on derivative instruments not designated for hedge accounting for the years ended December 31, 2015 and 2014 (in millions):

Derivative Type	Gain or (Loss) Recognized in Surplus[1]		Gain or (Loss) Recognized in Net Realized Capital Gains (Losses)		Gain or (Loss) Recognized in Net Investment Income		Gain or (Loss) Recognized in Other Income	
	2015	2014	2015	2014	2015	2014	2015	2014
Credit default swaps	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Foreign currency forwards	(20)	54	67	(5)	—	—	—	—
Foreign currency swaps	58	(51)	(37)	1	14	5	8	19
Futures		—	(3)	(3)	—	—	—	—
Inflation swaps	(19)	(59)	—	—	—	—	(11)	(4)
Interest rate caps	1	(3)	—	—	(2)	(2)	—	—
Interest rate options	1	(59)	—	—	(15)	(14)	—	—
Interest rate swaps	42	375		(1)	41	36	8	10
Swaptions	10	(39)	—	—	(27)	(30)	—	—
Total	$ 73	$ 218	$ 27	$ (8)	$ 11	$ (5)	$ 5	$ 25

[1] The amount of gain or (loss) recognized in surplus is reported as a change in net unrealized gains (losses) on investments in the accompanying Statutory Statements of Changes in Surplus.

NOTE 8 – SEPARATE ACCOUNTS

Separate Accounts Activity

The Company utilizes separate accounts to record and account for assets and liabilities for particular lines of business and/or transactions. The Company reported separate accounts assets and liabilities from the following product lines:

Employee benefit plans (group annuity)
Funding agreements

The Company has market value guaranteed separate accounts for which supplemental separate account assets are used to fund the excess of the actuarial liability for future guaranteed payments over the market value of the assets.

In accordance with the domiciliary state procedures for approving items within the separate accounts, the classification of the separate accounts listed above is subject to Section 4240 of the New York State Insurance Law. In addition, the separate accounts listed above are supported through affirmative approval of the plans of operations by the Superintendent of Financial Services of the State of New York ("Superintendent").

The assets legally and not legally insulated from the general account at December 31, 2015 and 2014 are attributed to the following products or transactions (in millions):

	2015		2014	
Product or Transaction	Legally Insulated Assets	Separate Accounts Assets (Not Legally Insulated)[2]	Legally Insulated Assets	Separate Accounts Assets (Not Legally Insulated)[3]
Employee benefit plans (group annuity)	$ 10,459	$ 261	$ 10,137	$ 194
Funding agreements	1,563	30	1,442	23
Supplemental account[1]	—	14	—	13
Total	$ 12,022	$ 305	$ 11,579	$ 230

[1] The supplemental account is used to fund the excess of the actuarial liability for future guaranteed payments over the market value of the guaranteed separate account assets. The Company evaluates separate accounts surplus quarterly and transfers funds to (or from) the supplemental separate account as necessary. These transfers are reported as net transfers to separate accounts in the accompanying Statutory Statements of Operations.

[2] Separate accounts assets classified as not legally insulated assets support $31 million of borrowed funds, $270 million of payables for securities, $3 million of surplus, $1 million of transfers to the general account due or accrued (net).

[3] Separate accounts assets classified as not legally insulated assets support $145 million of borrowed funds, $116 million of payables for securities, $5 million of surplus, $(1) million of transfers to the general account due or accrued (net) and $(35) million of remittances and items not allocated.

At December 31, 2015 and 2014, there were no separate accounts securities lending arrangements.

NOTE 8 – SEPARATE ACCOUNTS (continued)

Guaranteed Separate Accounts

The Company maintained assets in guaranteed separate accounts at December 31, 2015 and 2014 as follows (in millions):

	2015	2014
Market value separate accounts[1]	$ 4,630	$ 4,252
Book value separate accounts	4,152	3,731
Total guaranteed separate accounts assets	$ 8,782	$ 7,983

[1] Includes assets maintained in the supplemental account of $14 million and $13 million at December 31, 2015 and 2014, respectively.

Certain market value separate accounts provide a minimum guaranteed interest rate, and for other market value separate accounts, the guarantee is tied to an index. For the accounts which provide a minimum guaranteed interest rate, at contract discontinuance, the contract holder is entitled to an immediate payout of market value, or an installment payout of the guaranteed amount, or for certain contracts, a lump sum payout of the guaranteed amount at the end of a specified number of years, as set forth in the contract. For accounts where the guarantee is tied to an index, at contract discontinuance, and given 10 days notice, if the market value is greater than the guaranteed amount the contract holder is entitled to the guaranteed amount plus one-half of the excess performance and the Company reflects its share of the amount in surplus. If the market value of the assets is less than the guaranteed amount, the contract holder is entitled to an immediate payout of market value, or an installment payout of the guaranteed amount. The excess performance is retained in the separate accounts, until a withdrawal is made or the contract is terminated. For the years ended December 31, 2015 and 2014, the Company reflected changes of $1 million and less than $1 million, respectively, related to undistributed gains and (losses) on these contracts in other adjustments, net, in the accompanying Statutory Statements of Changes in Surplus.

The book value separate account guarantees principal and interest during active status and at contract discontinuance the contract holder is entitled to a book value payout if 12 months advance notice is provided. Alternatively, the contract holder may elect discontinuance with at least 10 days notice and receive an immediate lump sum payment subject to a termination adjustment factor (tied to an external index). The factor will not be greater than 1.

At December 31, 2015 and 2014, the general account of the Company did not have a maximum guarantee for separate accounts liabilities. To compensate the general account for the risk taken for minimum guarantees in certain contracts, the separate account has paid risk charges of $14 million and $13 million for the years ended December 31, 2015 and 2014, respectively.

At December 31, 2015 and 2014, the general account of the Company did not make any payments toward separate accounts guarantees.

Non-Guaranteed Separate Accounts

The Company currently maintains non-guaranteed separate accounts with assets of $3,544 million and $3,826 million at December 31, 2015 and 2014, respectively. Separate accounts funding non-guaranteed benefits provide no guarantee of principal or interest, and payout is at fair value at contract discontinuance.

NOTE 8 – SEPARATE ACCOUNTS (continued)

Information regarding the separate accounts of the Company at and for the years ended December 31, 2015 and 2014 is as follows (in millions):

	2015				
	Indexed	Non-Indexed Guarantee less than or equal to 4%	Non-Indexed Guarantee more than 4%	Non-Guaranteed Separate Accounts	Total
Premiums and considerations	$ —	$ 1,951	$ —	$ (196)	$ 1,755
Reserves:					
For accounts with assets at:					
Fair value	$ 152	$ 4,191	$ —	$ 3,541	$ 7,884
Amortized cost	—	4,134	—	—	4,134
Total reserves	$ 152	$ 8,325	$ —	$ 3,541	$ 12,018
By withdrawal characteristics:					
With fair value adjustment	$ —	$ 4,134	$ —	$ —	$ 4,134
At fair value	152	4,191	—	3,541	7,884
Total reserves	$ 152	$ 8,325	$ —	$ 3,541	$ 12,018

	2014				
	Indexed	Non-Indexed Guarantee less than or equal to 4%	Non-Indexed Guarantee more than 4%	Non-Guaranteed Separate Accounts	Total
Premiums and considerations	$ —	$ 1,367	$ —	$ 307	$ 1,674
Reserves:					
For accounts with assets at:					
Fair value	$ 152	$ 3,843	$ —	$ 3,821	$ 7,816
Amortized cost	—	3,759	—	—	3,759
Total reserves	$ 152	$ 7,602	$ —	$ 3,821	$ 11,575
By withdrawal characteristics:					
With fair value adjustment	$ —	$ 3,759	$ —	$ —	$ 3,759
At fair value	152	3,843	—	3,821	7,816
Total reserves	$ 152	$ 7,602	$ —	$ 3,821	$ 11,575

NOTE 8 – SEPARATE ACCOUNTS (continued)

The following is a reconciliation of net transfers from the general account to the separate accounts (in millions):

	2015	2014
Transfers as reported in the Separate Accounts Statement:		
Transfers to separate accounts	$ 1,645	$ 1,578
Transfers from separate accounts	(1,531)	(1,641)
Net transfers to (from) separate accounts	114	(63)
Reconciling adjustments:		
Reinsurance assumed	6	7
Net transfers to (from) separate accounts as reported on the Company's Statutory Statements of Operations	$ 120	$ (56)

NOTE 9 – FAIR VALUE MEASUREMENTS

The Company's financial assets and liabilities have been classified, for disclosure purposes, based on a hierarchy defined by SSAP No. 100, "Fair Value Measurements." Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are based on the inputs to the valuation as follows:

Level 1 Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market. Active markets are defined as a market in which many transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices in active markets for similar assets or liabilities; quoted prices in markets that are not active for identical or similar assets or liabilities, or other model driven inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Valuations are generally obtained from third-party pricing services for identical or comparable assets or liabilities or through the use of valuation methodologies using observable market inputs.

Level 3 Instruments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions in pricing the asset or liability. Pricing may also be based upon broker quotes that do not represent an offer to transact. Prices are determined using valuation methodologies such as option pricing models, discounted cash flow models and other similar techniques. Non-binding broker quotes, which are utilized when pricing service information is not available, are reviewed for reasonableness based on the Company's understanding of the market, and are generally

considered Level 3. To the extent the internally developed valuations use significant unobservable inputs, they are classified as Level 3.

Determination of Fair Value

The Company has an established and well-documented process for determining fair value. Security pricing is applied using a hierarchy approach whereby publicly available prices are first sought from nationally recognized third-party pricing services. For most private placement securities, the Company applies a matrix-based pricing methodology, which uses spreads derived from third-party benchmark bond indices. For private placement securities that cannot be priced through these processes, the Company uses internal models and calculations. All other securities are submitted to independent brokers for prices. The Company performs various analyses to ascertain that the prices represent fair value. Examples of procedures performed include, but are not limited to, back testing recent trades, monitoring of trading volumes, and performing variance analysis of monthly price changes using different thresholds based on asset type. The Company also performs an annual review of all third-party pricing services. During this review, the Company obtains an understanding of the process and sources used by the pricing service to ensure that they maximize the use of observable inputs, the pricing service's frequency of updating prices, and the controls that the pricing service uses to ensure that their prices reflect market assumptions. The Company also selects a sample of securities and obtains a more detailed understanding from each pricing service regarding how they derived the price assigned to each security. Where inputs or prices do not reflect market participant assumptions, the Company will challenge these prices and apply different methodologies that will enhance the use of observable inputs and data. The Company may use non-binding broker quotes or internal valuations to support the fair value of securities that go through this formal price challenge process. At December 31, 2015, the Company did not challenge any prices it received from third-party pricing services. At December 31, 2014, the Company challenged the price it received from third-party pricing services on securities with a book value of $1 million and a market value of $1 million. The Company used its internal valuations to determine the fair value of these securities.

In addition, the Company has a pricing committee that provides oversight over the Company's prices and fair value process for securities. The committee is comprised of representatives from the Company's Investment Management group, Controller's, Compliance and Security Operations. The committee meets quarterly and is responsible for the review and approval of the Company's valuation procedures. The committee is also responsible for the review of pricing exception reports as well as the review of significant inputs used in the valuation of assets that are valued internally.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The following tables present the carrying amounts and estimated fair value of the Company's financial instruments at December 31, 2015 and 2014 (in millions):

	2015					
	Fair Value	Carrying Amount	Level 1	Level 2	Level 3	Not Practicable
Assets:						
Bonds	$ 90,771	$ 86,178	$ —	$ 87,524	$ 3,247	$ —
Preferred stocks	73	59	—	56	17	—
Common stocks[1]	844	844	721	—	123	—
Mortgage loans	15,014	14,601	—	—	15,014	—
Cash, cash equivalents and short-term investments	4,392	4,392	275	4,117	—	—
Derivatives	1,106	1,064	—	1,106	—	—
Derivatives collateral	76	76	—	76	—	—
Other invested assets[1]	1,264	1,221	—	696	568	—
Investment income due and accrued	1,250	1,250	—	1,250	—	—
Separate accounts assets	12,315	12,327	2,667	8,813	835	—
Total assets	$ 127,105	$ 122,012	$ 3,663	$ 103,638	$ 19,804	$ —
Liabilities:						
Deposit fund contracts:						
GICs (including funding agreements)	$ 12,869	$ 12,849	$ —	$ —	$ 12,869	$ —
Annuities certain	89	82	—	—	89	—
Dividends accumulations and other deposit funds	2,163	2,163	—	—	2,163	—
Supplemental contracts	178	178	—	—	178	—
Continued interest accounts	112	112	—	—	112	—
Premiums paid in advance	89	89	—	89	—	—
Derivatives	460	459	—	460	—	—
Derivatives collateral	699	699	—	699	—	—
Borrowed money	503	503	—	503	—	—
Amounts payable under security lending agreements	578	578	—	578	—	—
Separate accounts liabilities - deposit type contracts	1,563	1,563	—	1,563	—	—
Total liabilities	$ 19,303	$ 19,275	$ —	$ 3,892	$ 15,411	$ —

[1] Excludes investments accounted for under the equity method.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

	2014					
	Fair Value	Carrying Amount	Level 1	Level 2	Level 3	Not Practicable
Assets:						
Bonds	$ 81,289	$ 73,566	$ —	$ 79,977	$ 1,312	$ —
Preferred stocks	78	63	—	66	12	—
Common stocks[1]	1,384	1,384	1,269	—	115	—
Mortgage loans	12,655	11,831	—	—	12,655	—
Cash, cash equivalents and short-term investments	1,341	1,341	36	1,305	—	—
Derivatives	963	891	—	963	—	—
Derivatives collateral	43	43	—	43	—	—
Other invested assets[1]	3,251	3,340	—	721	2,530	—
Investment income due and accrued	1,310	1,310	—	1,310	—	—
Separate accounts assets	11,833	11,809	2,821	8,155	857	—
Total assets	$ 114,147	$ 105,578	$ 4,126	$ 92,540	$ 17,481	$ —
Liabilities:						
Deposit fund contracts:						
GICs (including funding agreements)	$ 12,379	$ 12,245	$ —	$ —	$ 12,379	$ —
Annuities certain	117	106	—	—	117	—
Dividends accumulations and other deposit funds	1,340	1,340	—	—	1,340	—
Continued interest accounts	151	151	—	—	151	—
Supplemental contracts	151	151	—	—	151	—
Premiums paid in advance	86	86	—	86	—	—
Derivatives	420	418	—	420	—	—
Derivatives collateral	601	601	—	601	—	—
Borrowed money	505	505	—	505	—	—
Amounts payable under security lending agreements	554	554	—	554	—	—
Separate accounts liabilities - deposit type contracts	1,442	1,442	—	1,442	—	—
Total liabilities	$ 17,746	$ 17,599	$ —	$ 3,608	$ 14,138	$ —

1 Excludes investments accounted for under the equity method.

Bonds

Securities priced using a pricing service are generally classified as Level 2. The pricing service generally uses a discounted cash-flow model or market approach to determine fair value on public securities. Typical inputs used by these pricing services include, but are not limited to: benchmark yields, reported trades, issuer spreads, bids, offers, benchmark securities, estimated cash flows and prepayment speeds.

Private placement securities are primarily priced using a matrix-based pricing methodology, which uses spreads derived from third-party benchmark bond indices. Specifically, the Barclays Credit Index is used

for investment-grade securities and the Citi High Yield Cash Index is used for below investment-grade securities. These indices are two widely recognized, reliable and well regarded benchmarks by participants in the financial services industry, which represent the broader U.S. public bond markets. The spreads derived from each matrix are adjusted for liquidity. The liquidity premium is standardized and based on market transactions.

Certain private placement securities that cannot be priced using the matrix pricing described above, are priced by an internally developed discounted cash flow model or are priced based on internal calculations. The model uses observable inputs with a discount rate based off spreads of comparable public bond issues, adjusted for liquidity, rating and maturity. The Company assigns a credit rating for private placement securities based upon internal analysis. The liquidity premium is usually based on market transactions. These securities are classified as Level 2.

For some of the private placement securities priced through the model, the liquidity adjustments may not be based on market data, but rather, calculated internally. If the impact of the liquidity adjustment, which usually requires the most judgment, is not significant to the overall value of the security, the security is still classified as Level 2. If it is deemed to be significant, the security is classified as Level 3.

The valuation techniques for most Level 3 bonds are generally the same as those described in Level 2. However, if the investments are less liquid or are lightly traded, there is generally less observable market data, and therefore these investments will be classified as Level 3. Circumstances where observable market data are not available may include events such as market illiquidity and credit events related to the security. In addition, certain securities are priced based upon internal valuations using significant unobservable inputs. If a security could not be priced by a third-party vendor or through internal pricing models, broker quotes are received and reviewed by each investment analyst. These inputs may not be observable. Therefore, Level 3 classification is determined to be appropriate.

Included in bonds is an affiliated bond from MCF with a carrying value and a fair value of $1,786 million. The fair value of this security is calculated internally and may include inputs that may be not observable. Therefore, this security is classified as Level 3.

Preferred stocks

Preferred stocks are valued using prices from third-party pricing services, which generally use a discounted cash flow model or a market approach to arrive at the security's fair value. These securities are classified as Level 2. Preferred stocks classified as Level 3 are valued based on internal valuations where significant inputs are deemed to be unobservable.

Common stocks

These securities are mostly comprised of exchange traded U.S. and foreign common stock and mutual funds. The fair value of these securities is primarily based on unadjusted quoted prices in active markets that are readily and regularly available and are classified as Level 1. Common stocks priced through an internal valuation where significant inputs are deemed to be unobservable, including securities issued by government organizations where fair value is fixed, are classified as Level 3.

Mortgage loans

The estimated fair value of mortgage loans is determined based upon the present value of the expected cash flows discounted at an interpolated treasury yield plus a spread. The spread is based on management's

judgment and assumptions and it takes into account property type, LTV and remaining term of each loan. The spread is a significant component of the pricing inputs. These investments are classified as Level 3.

Cash, cash equivalents, short-term investments and investment income due and accrued

Cash on hand is classified as Level 1. Cash overdrafts (i.e. outstanding checks) are classified as Level 2. Due to the short-term maturities of cash equivalents, short term investments, and investment income due and accrued, carrying value is presumed to approximate fair value and is classified as Level 2.

Derivatives

The fair value of derivative instruments is generally derived using valuation models, except for derivatives that are exchange-traded, which are valued using quoted prices in an active market. Where valuation models are used, the selection of a particular model depends upon the contractual terms of, and specific risks inherent in the instrument, as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments. Valuation model inputs include contractual terms, yield curves, foreign exchange rates, equity prices, credit curves, measures of volatility and other factors. Exchange-traded derivatives are classified as Level 1. OTC derivatives that trade in liquid markets, where model inputs are observable for substantially the full term, are classified as Level 2.

Derivatives - collateral

The carrying value of these instruments approximates fair value since these assets and liabilities are generally short-term in nature.

Other invested assets

Other invested assets are principally comprised of loans receivable from MCF, NYL Investments, NYL Investors and Cordius. The loans receivable from MCF were repaid in 2015. Other invested assets also include LIHTC investments and investments in mortgage loan funds. The fair value of the loan receivable from NYL Investments is based on a discounted cash flow calculation using a market yield based on comparable public data and therefore, classified as Level 2. The fair value of the MCF loans, the NYL Investors loan, the Cordius loan and the LIHTC investments is based on a discounted cash flow calculation using a discount rate that is determined internally (refer to Note 11 - Related Party Transactions, for details on intercompany investments and Note 6 - Investments, for details on LIHTC investments). These investments are classified as Level 3 because the discount rate used is based on management's judgment and assumptions. The fair value of investments in mortgage loan funds is determined based on the same methodology described above under mortgage loans. These are also classified as Level 3. These loans were repaid in 2015. For certain other investments included in this line, carrying value is deemed to approximate fair value due to the short-term nature of the investment. These investments are classified as Level 2.

Separate accounts assets

Separate accounts assets reported as Level 1 in the fair value hierarchy are mostly comprised of exchange traded funds, common stocks and actively traded open-end mutual funds with a daily net asset value ("NAV"). The NAV can be observed by redemption and subscription transactions between third-parties, or may be obtained from third-party asset managers. Common stocks are generally traded on an exchange. Separate accounts assets reported as Level 2 relate to investments in U.S. government and treasury securities, corporate bonds and mortgage-backed securities. These separate accounts assets are valued and assigned within the fair value hierarchy, consistent with the methodologies described herein for similar financial instruments held within the general account of the Company.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The separate accounts also invest in limited partnerships and hedge fund investments. These investments are valued based on the latest NAV received. When the hedge fund can be redeemed at NAV, at the measurement date, or in the near-term (90 days or less) it is classified as Level 2. The following table provides further information about the Level 2 hedge funds in which the separate accounts invest (in millions):

Category of Investment	Investment Strategy	Fair Value at 12/31/2015	Fair Value at 12/31/2014	Unfunded Commitments at 12/31/2015	Redemption Frequency	Redemption Notice Period
Hedge fund	Long/short equity	$ 132	$ 126	$ —	Quarterly, Monthly	90 days or less
Hedge fund	Global macro, distressed securities, and multi-strategy	76	67	—	Quarterly, Monthly	90 days or less
		$ 208	$ 193	$ —		

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

Limited partnership and hedge fund investments that are restricted with respect to transfer or withdrawal of greater than 90 days, are classified as Level 3. The following tables provide further information about these investments (in millions):

Category of Investment	Investment Strategy	Fair Value at 12/31/2015	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge fund	Long/short equity	$ 180	$ —	Annual, Semi-annual, Quarterly	45 - 90 days (Assets subject to lock-up periods)
Hedge fund	Distressed securities, multi-strategy, global macro and merger arbitrage	202	—	Annual, Semi-annual, Quarterly, Monthly	45 - 150 days (Assets subject to lock-up periods)
Private equity	Leverage buyout and mezzanine financing	431	331	N/A	N/A
		$ 813	$ 331		

Category of Investment	Investment Strategy	Fair Value at 12/31/2014	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge fund	Long/short equity	$ 184	$ —	Annual, Semi-annual, Quarterly	45 - 90 days (Assets subject to lock-up periods)
Hedge fund	Distressed securities, multi-strategy, global macro and merger arbitrage	225	—	Annual, Semi-annual, Quarterly, Monthly	60 - 150 days (Assets subject to lock-up periods)
Private equity	Leverage buyout and mezzanine financing	403	245	N/A	N/A
		$ 812	$ 245		

Deposit fund contracts

For funding agreements backing medium term notes, fair values are based on available market prices for the notes. For other funding agreements and annuities certain liabilities, fair values are estimated using discounted cash flow calculations based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued.

For all other deposit funds, dividend accumulations, continued interest accounts, and supplemental contracts, the fair value is estimated to be equal to the account value since they can be withdrawn at anytime and without prior notice.

Premiums paid in advance

For premiums paid in advance, the carrying value of the liability approximates fair value.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

Borrowed money

Borrowed money consists of intercompany borrowings, repurchase agreements and other financing arrangements. Due to the short-term nature of the transactions, the carrying value approximates fair value. The Company had no repurchase agreements at December 31, 2015 and 2014.

Amounts payable under securities lending

Amounts due under securities lending consists of cash collateral received under securities lending agreements. Due to the short-term nature of the transactions, the carrying value approximates fair value.

Separate accounts liabilities – deposit type contracts

For deposit type contracts, which are funding agreements, the proceeds from which are invested primarily in fixed income securities, the carrying value of the liability approximates the fair value of the invested assets. These assets are valued using the same methods described for separate accounts assets and are classified as Level 2.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The following tables represent the balances of assets and liabilities measured and carried at fair value at December 31, 2015 and 2014 (in millions):

	2015			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets at fair value				
Bonds				
U.S. corporate	$ —	$ 15	$ —	$ 15
Non-agency commercial mortgage-backed securities	—	—	4	4
Non-agency asset-backed securities	—	—	15	15
Total bonds	—	15	19	34
Common stocks	721	—	123	844
Preferred stocks				
Redeemable preferred stocks	—	—	—	—
Non-redeemable preferred stocks	—	2	1	3
Total preferred stocks	—	2	1	3
Derivative assets				
Interest rate swaps	—	596	—	596
Foreign currency swaps	—	305	—	305
Swaptions	—	36	—	36
Foreign currency forwards	—	22	—	22
Interest rate options	—	18	—	18
Interest rate caps	—	1	—	1
Total derivative assets	—	978	—	978
Separate accounts assets	2,667	4,693	814	8,174
Total assets at fair value	$ 3,388	$ 5,688	$ 957	$ 10,033
Liabilities at fair value				
Derivative liabilities				
Foreign currency swaps	$ —	$ 172	$ —	$ 172
Interest rate swaps	—	162	—	162
Inflation swaps	—	81	—	81
Foreign currency forwards	—	1	—	1
Total derivative liabilities	—	416	—	416
Separate accounts liabilities - derivatives[1]	—	—	—	—
Total liabilities at fair value	$ —	$ 416	$ —	$ 416

[1] Separate accounts contract holder liabilities are not included in the table as they are reported at contract value and not fair value in the Company's statutory financial statements.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

	2014			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets at fair value				
Bonds				
U.S. corporate	$ —	$ 19	$ —	$ 19
Non-agency commercial mortgage-backed securities	—	18	4	22
Non-agency asset-backed securities	—	—	28	28
Total bonds	—	37	32	69
Common stocks	1,269	—	115	1,384
Preferred stocks				
Redeemable preferred stocks	—	1	—	1
Non-redeemable preferred stocks		3	1	4
Total preferred stocks	—	4	1	5
Derivative assets				
Interest rate swaps	—	554	—	554
Interest rate caps	—	1	—	1
Swaptions	—	53	—	53
Foreign currency swaps	—	108	—	108
Foreign currency forwards	—	43	—	43
Interest rate options	—	21	—	21
Total derivative assets	—	780	—	780
Separate accounts assets	2,821	4,425	832	8,078
Total assets at fair value	$ 4,090	$ 5,246	$ 980	$ 10,316
Liabilities at fair value				
Derivative liabilities				
Interest rate swaps	$ —	$ 161	$ —	$ 161
Inflation swaps	—	63	—	63
Foreign currency swaps	—	82	—	82
Foreign currency forwards	—	1	—	1
Total derivative liabilities	—	307	—	307
Separate accounts liabilities - derivatives[1]	—	—	—	—
Total liabilities at fair value	$ —	$ 307	$ —	$ 307

[1] Separate accounts contract holder liabilities are not included in the table as they are reported at contract value and not fair value in the Company's statutory financial statements.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The tables below present a reconciliation of Level 3 assets and liabilities for the year ended December 31, 2015 and 2014 (in millions):

2015

	Balance at 1/01/2015	Transfers into Level 3	Transfers out of Level 3	Total gains or (losses) included in Net Income	Total gains or (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at 12/31/2015
Bonds:										
Non-agency CMBS	$ 4	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 4
Non-agency ABS	28	5	—	(3)	(10)	—	—	—	(5)	15
Total bonds	32	5	—	(3)	(10)	—	—	—	(5)	19
Common stocks	115	—	—	—	(1)	41		(32)		123
Non-redeemable preferred stocks	1	—	—	—	—	—	—	—	—	1
Separate accounts assets[1]	832	27	(77)	53	(24)	145	—	(142)	—	814
Total	$ 980	$ 32	$ (77)	$ 50	$ (35)	$ 186	$ —	$ (174)	$ (5)	$ 957

[1] The total gains or (losses) included in surplus for separate accounts assets are offset by an equal amount for separate accounts liabilities, which results in a net zero impact on surplus for the Company.

2014

	Balance at 1/01/2014	Transfers into Level 3	Transfers out of Level 3	Total gains or (losses) included in Net Income	Total gains or (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at 12/31/2014
Bonds:										
Non-agency CMBS	$ 5	$ —	$ (2)	$ —	$ 1	$ —	$ —	$ —	$ —	$ 4
Non-agency ABS	11	6	—	—	(1)	14	—	—	(2)	28
Total bonds	16	6	(2)	—	—	14	—	—	(2)	32
Common stocks	124	—	—	—	(3)	34	—	(40)	—	115
Non-redeemable preferred stocks	—	—	—	—	—	1	—	—	—	1
Separate accounts assets[1]	806	30	(37)	74	(25)	146	—	(162)	—	832
Total	$ 946	$ 36	$ (39)	$ 74	$ (28)	$ 195	$ —	$ (202)	$ (2)	$ 980

[1] The total gains or (losses) included in surplus for separate accounts assets are offset by an equal amount for separate accounts liabilities, which results in a net zero impact on surplus for the Company.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

Transfers between levels

Transfers between levels may occur due to changes in valuation sources, or changes in the availability of market observable inputs, which generally are caused by changes in market conditions such as liquidity, trading volume or bid-ask spreads, or as a result of a security measured at amortized cost at the beginning of the period, but measured at estimated fair value at the end of the period, or vice versa due to a ratings downgrade or upgrade. For the separate accounts, transfers are mostly related to changes in the redemption restrictions of limited partnerships and hedge fund investments. The Company's policy is to assume the transfer occurs at the beginning of the period.

Transfers between Levels 1 and 2

During the years ended December 31, 2015 and 2014, there were no transfers between Levels 1 and 2.

Transfers into and out of Level 3

The Company's basis for transferring assets and liabilities into and out of Level 3 is based on changes in the observability of data, a change in the security's measurement, or changes in redemption restrictions of certain separate accounts investments.

Transfers in and out of Level 3 were primarily due to changes in the redemption periods for certain limited partnerships and hedge funds in which the separate accounts invest.

Transfers into Level 3 were $32 million for the year ended December 31, 2015, which includes $5 million of securities that were measured at fair value at the end of the period. Transfers out of Level 3 were $59 million for the year ended December 31, 2015, which includes less than $1 million of securities which are measured at amortized cost at the end of the period. Transfers into Level 3 were $36 million for the year ended December 31, 2014, which includes $6 million of securities which are measured at fair value at the end of the period. Transfers out of Level 3 totaled $39 million for the year ended December 31, 2014, which includes $2 million of securities which were measured at amortized cost at the end of the period.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The table below presents the balances of Level 3 assets and liabilities measured at fair value with their corresponding pricing sources at December 31, 2015 and 2014 (in millions):

	2015		
	Internal[1]	External[2]	Total
Assets at fair value			
Bonds:			
Non-agency asset-backed securities	$ —	$ 15	$ 15
Non-agency commercial mortgage-backed securities	—	4	4
Total bonds	—	19	19
Preferred stocks	1	—	1
Common stocks	123	—	123
Separate accounts assets	—	814	814
Total assets at fair value	$ 124	$ 833	$ 957

1 Represents valuations reflecting both internally-derived and market inputs, as well as third-party pricing inputs that are deemed to be unobservable. See below for additional information related to internally-developed valuation for significant items in the above table.

2 Represents unadjusted prices from independent pricing services and independent non-binding broker quotes where pricing inputs are not readily available.

	2014		
	Internal[1]	External[2]	Total
Assets at fair value			
Bonds:			
Non-agency asset-backed securities	$ —	$ 28	$ 28
Non-agency commercial mortgage-backed securities	—	4	4
Total bonds	—	32	32
Preferred stocks	1	—	1
Common stocks	115	—	115
Separate accounts assets	—	832	832
Total assets at fair value	$ 116	$ 864	$ 980

1 Represents valuations reflecting both internally-derived and market inputs, as well as third-party pricing inputs that are deemed to be unobservable. See below for additional information related to internally-developed valuation for significant items in the above table.

2 Represents unadjusted prices from independent pricing services and independent non-binding broker quotes where pricing inputs are not readily available.

The Company did not have any liabilities categorized as Level 3 for the years ended December 31, 2015 and 2014.

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The table below presents quantitative information on significant internally priced Level 3 assets and liabilities at December 31, 2015 and 2014 (in millions):

	2015				
	Fair Value		Valuation Techniques	Unobservable Input	Range (Weighted Average)
Assets:					
Common stocks	$	123	FHLB of NY stock		
			Market comparable	Revenue multiple	18.4X
			Market comparable	Price to book multiple	0.7X

	2014				
	Fair Value		Valuation Techniques	Unobservable Input	Range (Weighted Average)
Assets:					
Common stocks	$	115	FHLB of NY stock		
			Market comparable	EBITDA[1] multiple	8.8X
			Market comparable	Price to book multiple	1.1X

[1] EBITDA = Earnings before interest, taxes, depreciation and amortization

The following is a description of the sensitivity to changes in unobservable inputs of the estimated fair value of the Company's Level 3 assets included above, for which we have access to the valuation inputs, as well as the sensitivity to changes in unobservable inputs of the Level 3 assets that are valued based on external pricing information.

Common stocks

The Company's Level 3 common stock investments mostly relate to the Company's holdings in the FHLB of NY's stock as described in Note 12 - Insurance Liabilities. As prescribed in the FHLB of NY's capital plan, the par value of the capital stock is $100 and all capital stock is issued, redeemed, repurchased or transferred at par value. Since there is not an observable market for the FHLB of NY stock, these securities have been classified as Level 3. For the other common stock investments included in Level 3, the valuation is performed using market comparables such as EBITDA multiples, revenue multiples or price to book multiples. An increase in the value of these inputs would result in an increase in fair value with the reverse being true for decreases in the value of these inputs.

NOTE 10 – INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES

The components of net investment income for the years ended December 31, 2015 and 2014 were as follows (in millions):

	2015	2014
Bonds	$ 3,747	$ 3,583
Mortgage loans	653	585
Affiliated common stocks	8	27
Unaffiliated common and preferred stocks	48	60
Real estate	172	102
Limited partnerships and LIHTC investments	645	606
Affiliated subsidiaries	350	225
Policy loans	505	475
Other invested assets[1]	136	131
Short-term investments	3	1
Derivatives	15	(2)
Other investments	8	6
Gross investment income	6,290	5,799
Investment expenses	(471)	(396)
Net investment income	5,819	5,403
Amortization of IMR	149	119
Net investment income, including IMR	$ 5,968	$ 5,522

[1] Includes income on loans to affiliates of $125 million and $109 million for 2015 and 2014, respectively.

Due and accrued investment income is excluded from surplus when amounts are over 90 days past due or collection is uncertain.

Proceeds from investments in bonds sold were $4,504 million and $3,586 million for the years ended December 31, 2015 and 2014, respectively.

NOTE 10 – INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES (continued)

For the years ended December 31, 2015 and 2014, realized capital gains and losses on sales computed under the specific identification method and OTTI were as follows (in millions):

	2015		2014	
	Gains	Losses	Gains	Losses
Bonds	$ 315	$ 177	$ 336	$ 44
Mortgage loans	—	—	3	—
Common and preferred stocks	226	209	199	57
Real estate	2	2	—	1
Limited partnerships and other investments	21	297	31	165
Derivatives	313	401	193	189
Other - primarily foreign exchange	121	—	17	28
Total	$ 998	$ 1,086	$ 779	$ 484
Net realized capital gains (losses) before tax and transfers to IMR	$ (88)		$ 295	
Less:				
Capital gains tax expense	87		178	
Net realized capital gains after-tax transferred to IMR	128		171	
Net realized capital losses after-tax and transfers to IMR	$ (303)		$ (54)	

The following table provides a summary of OTTI losses included as realized capital losses for the years ended December 31, 2015 and 2014 (in millions):

	2015	2014
Limited partnerships and other investments	$ 267	$ 160
Bonds	129	27
Common and preferred stocks	3	3
Real estate	2	1
Total	$ 401	$ 191

Refer to Note 23 - Loan-Backed and Structured Security Impairments for a list with each loan-backed and structured security at a CUSIP level where the present value of cash flows expected to be collected is less than the amortized cost basis during the current year.

NOTE 10 – INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES (continued)

The following tables present the Company's gross unrealized losses and fair values for bonds and equities aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2015 and 2014 (in millions):

	2015					
	Less than 12 Months		Greater than 12 Months		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses*
Bonds						
U.S. Treasury	$ 399	$ 4	$ —	$ —	$ 399	$ 4
U.S. government corporations & agencies	24	1	9	—	33	1
U.S. agency mortgage and asset-backed securities	1,023	26	349	15	1,372	41
Foreign governments	27	—	—	—	27	—
U.S. corporate	12,531	614	1,270	94	13,801	708
Foreign corporate	5,011	285	255	34	5,266	319
Non-agency residential mortgage-backed securities	221	3	319	19	540	22
Non-agency commercial mortgage-backed securities	1,648	28	198	4	1,846	32
Non-agency asset-backed securities	3,059	55	897	65	3,956	120
Total bonds	$ 23,943	$ 1,016	$ 3,297	$ 231	$ 27,240	$ 1,247
Equity securities (unaffiliated)						
Common stocks	$ 364	$ 29	$ 1	$ —	$ 365	$ 29
Preferred stocks	10	1	1	—	11	1
Total equity securities	374	30	2	—	376	30
Total	$ 24,317	$ 1,046	$ 3,299	$ 231	$ 27,616	$ 1,277

* Includes unrealized losses of $19 million related to NAIC 6 rated bonds included in the statutory carrying amount.

NOTE 10 – INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES (continued)

	2014					
	Less than 12 Months		Greater than 12 Months		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses*
Bonds						
U.S. Treasury	$ —	$ —	$ —	$ —	$ —	$ —
U.S. government corporations & agencies	84	1	762	34	845	35
U.S. agency mortgage and asset-backed securities	9	—	4	—	13	—
Foreign governments	7	—	2	—	9	—
U.S. corporate	3,732	123	1,268	55	5,000	178
Foreign corporate	1,011	38	594	16	1,605	54
Non-agency residential mortgage-backed securities	175	2	393	25	568	27
Non-agency commercial mortgage-backed securities	322	2	208	8	530	10
Non-agency asset-backed securities	938	10	1,053	83	1,991	93
Total bonds	$ 6,278	$ 176	$ 4,284	$ 221	$ 10,561	$ 397
Equity securities (unaffiliated)						
Common stocks	$ 206	$ 26	$ —	$ —	$ 206	$ 26
Preferred stocks	4	—	1	—	5	—
Total equity securities	210	26	1	—	211	26
Total	$ 6,488	$ 202	$ 4,285	$ 221	$ 10,772	$ 423

* Includes unrealized losses of $9 million related to NAIC 6 rated bonds included in the statutory carrying amount.

At December 31, 2015, the gross unrealized loss on bonds and equity securities was comprised of approximately 4,080 and 548 different securities, respectively. Of the total amount of bond unrealized losses, $835 million or 67% is related to unrealized losses on investment grade securities. Investment grade is defined as a security having a credit rating from the NAIC of 1 or 2; a rating of Aaa, Aa, A or Baa from Moody's or a rating of AAA, AA, A or BBB from Standard & Poor's ("S&P"); or a comparable internal rating if an externally provided rating is not available. Unrealized losses on bonds with a rating below investment grade represent $412 million or 33% of the total amount of bond unrealized losses.

The amount of gross unrealized losses for bonds where fair value had declined by 20% or more of the amortized cost, totaled $375 million. The period of time that each of these securities has continuously been below amortized cost by 20% or more consists of $292 million for six months or less, $24 million for greater than six months through 12 months, and $59 million for greater than 12 months. In accordance with the Company's impairment policy, the Company performed quantitative and qualitative analysis to determine if the decline was temporary. For those securities where the decline was considered temporary, the Company did not recognize an impairment when it had the ability and intent to hold until recovery.

NOTE 11 – RELATED PARTY TRANSACTIONS

For the years ended December 31, 2015 and 2014, the Company made the following capital contributions to its insurance and holding company subsidiaries (in millions):

	2015	2014
MCF	$ 681	$ —
NYLIFE LLC	19	7
NYL Investments	—	250
NYL Investors	—	6
Total	$ 700	$ 263

During 2015 and 2014, the Company received a return of capital from the following insurance and holding company subsidiaries (in millions):

	2015	2014
NYL Investments	$ 684	$ 406
NYLE	—	150
Total	$ 684	$ 556

In 2015, the Company recorded dividend distributions from NYL Investments and NYL Investors of $275 million and $75 million, respectively. Of the $275 million dividend distribution from NYL Investments, $89 million was accrued and will be received in 2016. In 2014, the Company recorded accrued dividend distributions from NYL Investments and NYL Investors of $200 million and $25 million, respectively, which were received in 2015.

The Company had a loan agreement with NYLE associated with proceeds deposited with the Company from excess capital in a principal amount of $75 million. NYLE did not have an immediate need for the cash and as a result, loaned the proceeds to the Company to earn a return of 4.07% less an investment management fee of six basis points. The investment income earned on the loan balance was capitalized to the loan. The loan agreement was terminated effective March 31, 2014. During 2014, the Company made coupon interest payments of $1 million.

Prior to December 31, 2015, the Company had two revolving loan agreements with MCF, which was a wholly-owned subsidiary of NYL Investments. One agreement was initially entered into on April 16, 2001 (as amended from time to time, the "Prior MCF Loan Agreement"), under which the Company provided funding to MCF for lending and equity investment commitments entered into by MCF primarily prior to January 1, 2010. The other agreement was entered into on April 30, 2010 (as amended from time to time, the "New MCF Loan Agreement"), under which the Company provided funding to MCF for lending and equity investment commitments entered into by MCF on or after January 1, 2010. The aggregate amount advanced by the Company to MCF under the Prior and New MCF Loan Agreements, when aggregated with all other funding provided to or on behalf of MCF by the Company, could not exceed 2.75% of the Company's statutory cash and invested assets as stated on the Company's most recent quarterly statements. All outstanding advances made to MCF under the Prior and New MCF Loan Agreements, together with unpaid interest or accrued return thereon, were due in full on July 1, 2025. At December 31, 2014, the Company had outstanding loans receivable from MCF under the Prior MCF Loan Agreement and the New MCF Loan Agreement of $214 million and $1,765 million, respectively. These amounts are included with other invested assets in the accompanying Statutory Statements of Financial Position. During 2014, the Company recorded

interest payments from MCF under the Prior and New MCF Loan Agreements of $16 million and $89 million, respectively, which were included in net investment income in the accompanying Statutory Statements of Operations. During 2015, the Company recorded interest payments from MCF under the Prior and New Loan Agreements of $9 million and $97 million, respectively. On December 31, 2015, all amounts outstanding under the Prior and New MCF Loan Agreements, together with unpaid interest or accrued return thereon, were paid in full and the loan agreements were terminated.

On December 31, 2015, the Company entered into a note funding agreement with MCF and NYLIAC (the "MCF Note Agreement") and acquired a variable funding note from MCF (the "Note"). The Note, which is reported as a bond in the accompanying Statutory Statements of Financial Position, had an outstanding balance for the Company of $1,786 million at December 31, 2015. At the same time, the Company acquired a membership interest in, and made an equity capital contribution to, MCF, and MCF became a direct subsidiary of the Company. At December 31, 2015, the Company's equity investment in MCF was $659 million, which represents 55% of MCF's equity; the remainder of MCF's equity is owned by NYLIAC. Pursuant to the MCF Note Agreement and variable funding note issued thereunder, the Company and NYLIAC may provide an aggregate of up to $4,700 million in funding to MCF for lending and equity investment commitments, as well as for business expenses. All outstanding advances made to MCF under the MCF Note Agreement, together with unpaid interest thereon, will be due in full on December 31, 2025.

Effective June 28, 2013, the Company and New York Life Capital Corporation ("NYLCC"), a wholly owned subsidiary of NYLIFE LLC, entered into revolving credit facilities with a syndicate of lenders consisting of a $500 million 3-year component and a $500 million 5-year component. The 3-year facility expires June 28, 2016 and the 5-year facility expires on June 28, 2018. The Company and NYLCC are borrowers under each facility. NYLCC's commercial paper capacity is $2 billion. During 2015 and 2014, the credit facility was not used, no interest was paid and no outstanding balance was due.

Effective October 1, 2014, the Company and NYL Investments entered into a term loan agreement whereby the Company agreed to loan NYL Investments a principal amount of $400 million. During 2015, the loan agreement was increased to $600 million. During 2015 and 2014, the Company recorded interest income from NYL Investments totaling $17 million and $4 million, respectively, which was included in net investment income in the accompanying Statutory Statements of Operations. At December 31, 2015, the Company had outstanding loans receivable from NYL Investments of $600 million, which is included with other invested assets in the accompanying Statutory Statements of Financial Position.

On September 22, 2014, NYL Investments entered into a loan agreement with Cordius, a Société d'Investissement à Captial Variable (a "SICAV"). A SICAV is an open-ended collective investment product common in Western Europe and is similar to an open-ended mutual fund in the U.S. Under this agreement, NYL Investments issued a loan to Cordius for €50 million. The loan was assigned to the Company on May 1, 2015 and subsequently canceled and replaced by a loan agreement for €100 million entered into on August 19, 2015 between the Company and Cordius. The loan is a variable rate instrument due on September 30, 2017 with a carrying value translated in U.S. dollars of $109 million at December 31, 2015. The loan is included with other invested assets in the accompanying Statutory Statements of Financial Position. During 2015, the Company recorded interest income on the loan totaling less than $1 million, which was included in net investment income in the accompanying Statutory Statements of Operations.

On March 24, 2015, the Company entered into a loan agreement with NYL Investors. The loan is a variable rate loan with a maturity date of April, 2027. The outstanding loan balance at December 31, 2015 was $19 million. The loan is included in other invested assets in the accompanying Statutory Statements of Financial Position. During 2015, the Company recorded interest income on the loan totaling $2 million, which was included in net investment income in the accompanying Statutory Statements of Operations.

NOTE 11 – RELATED PARTY TRANSACTIONS (continued)

On April 1, 2000, the Company entered into an Investment Advisory and Administrative Services Agreements with New York Life Investment Management LLC ("NYLIM"), as amended from time to time, to receive investment advisory and administrative services from NYLIM. On March 31, 2014, NYLIM assigned its rights and obligations under this agreement to NYL Investors. At December 31, 2015 and 2014, the total cost to the Company for these services amounted to $162 million and $150 million, respectively. The terms of the agreements require that these amounts be settled in cash within 90 days.

Under various written agreements, the Company has agreed to provide certain of its direct and indirect subsidiaries with certain services and facilities including but not limited to the following: accounting, tax and auditing services, legal services, actuarial services, electronic data processing operations, and communications operations. The Company is reimbursed for the identified costs associated with these services and facilities. Such costs amounting to $1,148 million and $1,030 million for each of the years ended December 31, 2015 and 2014, respectively, were incurred by the Company and billed to its subsidiaries. The terms of the agreements require that these amounts be settled in cash within 90 days.

At December 31, 2015 and 2014, the Company reported a net amount of $251 million and $296 million, respectively, due from subsidiaries and affiliates. The terms of the underlying agreements generally require that these amounts be settled in cash within 90 days.

In connection with a $150 million land acquisition of a fee simple estate in land underlying an office building and related improvements and encumbered by a ground lease located at 1372 Broadway, New York, New York by the Company (73.8% interest) and NYLIAC (26.2% interest), the Company and NYLIAC entered into a Tenancy In Common Agreement dated June 11, 2012 in which the agreement sets forth the terms that govern, in part, each entity's interest in the property.

NYLIAC's interests in commercial mortgage loans (and, in one instance, a single asset real estate owned property acquired through foreclosure ("REO Property")) are held in the form of participations in mortgage loans originated or acquired by the Company (and, in the case of the REO Property, a participation in the ownership of the REO Property ("REO Ownership Interest"). During 2015, the Company purchased NYLIAC's REO Ownership Interest). Under the participation agreement for the mortgage loans, it is agreed between the Company and NYLIAC that NYLIAC's proportionate interest (as evidenced by a participation certificate) in the underlying mortgage loan, including without limitation, the principal balance thereof, all interest which accrues thereon, and all proceeds generated there from, will be pari passu with the Company's and pro rata based upon the respective amounts funded by the Company and NYLIAC in connection with the applicable mortgage loan origination or acquisition. Consistent with the participation arrangement, all mortgage loan documents name the Company (and not both NYLIAC and the Company) as the lender but are held for the benefit of both the Company and NYLIAC pursuant to the applicable participation agreement. The Company retains general decision making authority with respect to each mortgage loan, although certain decisions require NYLIAC's approval.

NOTE 11 – RELATED PARTY TRANSACTIONS (continued)

The Company has purchased various corporate owned life insurance policies from NYLIAC for the purpose of informally funding certain benefits for the Company's employees and agents. These policies were issued to the Company on the same terms as policies sold to unrelated customers. For the years ended December 31, 2015 and 2014, the cash surrender value of these policies amounted $3,592 million and $3,515 million, respectively, and is included with other assets in the accompanying Statutory Statements of Financial Position. During 2015 and 2014, the Company recorded income related to these policies of $82 million and $159 million, respectively, and is included in other income in the accompanying Statutory Statements of Operations.

The Company has issued $7,108 million and $6,883 million at December 31, 2015 and 2014, respectively, of single premium annuities to NYLIAC in connection with NYLIAC's obligation under structured settlement agreements. NYLIAC has directed the Company to make the payments under the annuity contracts directly to beneficiaries under the structured settlement agreements.

The Company is the assumed obligor for certain structured settlement agreements with unaffiliated insurance companies, beneficiaries and other non-affiliated entities. To satisfy its obligations under these agreements, the Company owns single premium annuities issued by NYLIAC. The obligations are based upon the actuarially determined present value of expected future payments. Interest rates used in establishing such obligations range from 5.50% to 8.75%. The Company has directed NYLIAC to make the payments under the annuity contracts directly to the beneficiaries under the structured settlement agreements. At both December 31, 2015 and 2014, the carrying value of the annuity contracts and the corresponding obligations amounted to $148 million.

In the ordinary course of business, the Company enters into reinsurance agreements with its subsidiaries and affiliates. Material reinsurance agreements have been disclosed in Note 13 – Reinsurance.

In the ordinary course of business, the Company enters into numerous arrangements with its affiliates. In addition, in the ordinary course of business, the Company may enter into guarantees and/or keepwells between itself and its affiliates.

NOTE 12 – INSURANCE LIABILITIES

Policy reserves, deposit funds and policy claims at December 31, 2015 and 2014 were as follows (in millions):

	2015	2014
Life insurance reserves	$ 73,151	$ 64,686
Annuity reserves and supplementary contracts with life contingencies	22,079	21,389
Accident and health reserves (including long term care)	3,542	3,378
Total policy reserves	98,772	89,453
Deposit funds	15,384	13,993
Policy claims	797	719
Total policy reserves, deposit funds and claim liabilities	$ 114,953	$ 104,165

Life Insurance Reserves

Reserves for life insurance policies are maintained principally using the 1941, 1958, 1980 and 2001 Commissioners' Standard Ordinary ("CSO") Mortality Tables and the 1958 and 1980 Commissioners' Extended Term ("CET") Mortality Tables under the net level premium method, the Commissioners' Reserve Valuation Method ("CRVM"), or Modified Preliminary Term ("MPT") with valuation interest rates ranging from 2.0% to 6.0%.

The tabular interest for life insurance has been determined by formula as described in the NAIC instructions.

The tabular less actual reserve released has been determined by formula as described in the NAIC instructions.

The tabular cost for individual life insurance for seven year term, for certain survivorship whole life policies, and for ancillary coverage has been determined by formula as described in the NAIC instructions. For all other coverages, including the bulk of individual life, the tabular cost has been determined from the basic data for the calculation of policy reserves.

The Company has established policy reserves (excluding the effects of reinsurance) on contracts issued January 1, 2001 and later that exceed the minimum amounts determined under Appendix A-820, "Minimum Life and Annuity Reserve Standards" of NAIC SAP by approximately $495 million and $530 million in 2015 and 2014, respectively. The change in direct reserves increased pre-tax net gain from operations for the year ended December 31, 2015 and 2014 by approximately $35 million and $38 million, respectively.

In addition, the Company decreased reserves by $36 million for all in-force individual term life policies at December 31, 2014. This decrease is due to multiple changes in reserve assumptions, where term conversion rates, mortality rates, interest rates, and lapse rates have been revised. NYSDFS has approved this decrease.

The Company waives deductions of deferred fractional premiums upon death of the insured and returns a portion of the final premium beyond the date of death. No surrender values are promised in excess of the total reserves. Certain substandard policies are valued on tables that are multiples of the standard table. Other substandard policies were valued as equivalent to standard lives on the basis of insurance age. Additional reserves were held on account of anticipated extra mortality for policies subject to extra premiums.

NOTE 12 – INSURANCE LIABILITIES (continued)

At December 31, 2015 and 2014, the Company had $40,227 million and $24,942 million, respectively, of insurance in-force for which the gross premiums were less than the net premiums according to the standard of valuation set by the state of New York.

Annuity Reserves and Supplementary Contracts Involving Life Contingencies

Tabular interest for group annuity contracts has been determined from the basic data for the calculation of policy reserves as described in the NAIC instructions.

Reserves for supplementary contracts involving life contingencies and annuities involving current mortality risks are based principally on 1951 Group Annuity Mortality ("GAM"), 1960 Mod. a-49, 1971 Individual Annuity Mortality ("IAM"), 1983 Table A, A2000, 2012 Individual Annuity Reserving table ("IAR") and the Commissioners' Annuity Reserve Valuation Method ("CARVM") with assumed interest rates ranging from 2.0% to 9.5%.

Generally, owners of annuities in payout status are not able to withdraw funds from their policies at their discretion.

Accident and Health Liabilities

Reserves for accident and health policies are valued consistent with interest rate and morbidity tables, where applicable.

Claim reserves and unpaid claim liabilities were $1,253 million and $1,348 million at December 31, 2015 and 2014, respectively. During 2015, $151 million was paid for incurred losses and loss adjustment expenses attributable to insured events of prior years. Additionally, during 2015, there was an $97 million favorable prior-year development, the result of ongoing analysis of recent loss development trends. Reserves remaining for prior years at December 31, 2015 were $1,100 million as a result of re-estimation of unpaid claims and claim adjustment expenses principally on long term care, group medical (discontinued in 2013), disability income and Medicare supplement insurance.

Original estimates were adjusted as additional information became known regarding individual claims. The Company had no unfavorable prior year loss development on retrospectively rated policies included in this decrease. However, the business to which it relates is subject to premium adjustments.

Deposit Funds

Deposit funds at December 31, 2015 and 2014 were as follows (in millions):

	2015	2014
GICs (including funding agreements)	$ 12,849	$ 12,245
Dividend accumulations or refunds and other deposit funds	2,163	1,340
Continued interest accounts	112	151
Annuities certain	82	106
Supplemental contracts without life contingencies	178	151
Total deposit funds	$ 15,384	$ 13,993

GICs without life contingencies issued by the Company include funding agreements issued to special purpose entities ("SPEs") and the FHLB of NY.

NOTE 12 – INSURANCE LIABILITIES (continued)

The SPEs purchase the funding agreements with the proceeds from medium term notes issued by the SPE, which have payment terms substantially identical to the funding agreements issued by the Company. At December 31, 2015 and 2014, the balance under funding agreements sold by the Company to the SPEs was $10,768 million and $10,323 million, respectively.

On February 26, 2008, the Company became a member of the FHLB of NY and began issuing funding agreements to the FHLB of NY in exchange for cash. The proceeds from the sale of these funding agreements are invested to earn a spread. The funding agreements are issued through the general account and are included in the liability for deposit funds on the accompanying Statutory Statements of Financial Position. When a funding agreement is issued, the Company is required to post collateral in the form of eligible securities including mortgage-backed, government and agency debt instruments for each of the advances received. Upon any event of default by the Company, the FHLB of NY's recovery on the collateral is limited to the amount of the Company's liability to the FHLB of NY. The amount of the Company's liability for funding agreements with the FHLB of NY was $1,802 million and $1,601 million at December 31, 2015 and 2014, respectively. The fair value of collateral posted, including interest due and accrued, was $2,493 million and $2,763 million at December 31, 2015 and 2014, respectively. At December 31, 2015 the Company's borrowing capacity with FHLB of NY was $7,600 million of which $1,802 million has been used. At December 31, 2014, the Company's borrowing capacity with the FHLB of NY was $6,759 million of which $1,601 million had been used.

The amount of FHLB of NY capital stock held, in aggregate exclusively in the Company's general account at December 31, 2015 and 2014 was as follows (in millions):

	2015	2014
Membership stock - class B	$ 38	$ 38
Activity stock	81	72
Aggregate total	$ 119	$ 110
Actual or estimated borrowing capacity as determined by the insurer	$ 7,600	$ 6,759

At December 31, 2015, membership stock is not eligible for redemption.

The amount of collateral pledged to the FHLB of NY at December 31, 2015 and 2014 was as follows (in millions):

	Fair Value	Carrying Value	Aggregate Total Borrowing
Current year total general and separate accounts	$ 2,493	$ 2,279	$ 1,802
Current year general account	$ 2,493	$ 2,279	$ 1,802
Prior year total general and separate accounts	$ 2,763	$ 2,519	$ 1,601

NOTE 12 – INSURANCE LIABILITIES (continued)

The maximum amount of collateral pledged to the FHLB of NY during the years ended December 31, 2015 and 2014 was as follows (in millions):

	Fair Value	Carrying Value	Amount Borrowed at Time of Maximum Collateral
Current year total general and separate accounts	$ 2,737	$ 2,485	$ 1,877
Current year general account	$ 2,737	$ 2,485	$ 1,877
Prior year total general and separate accounts	$ 3,222	$ 2,927	$ 1,451

The following table reflects the amount borrowed in the form of funding agreements at December 31, 2015 and 2014 (in millions):

	2015	2014
Funding agreements issued	$ 1,802	$ 1,601
Funding agreement reserve established	$ 1,802	$ 1,601
Maximum amount borrowed during the year	$ 2,101	$ 1,601

The Company does not have any prepayment obligations for these funding agreement arrangements.

The weighted average interest rate on all GICs without life contingencies was 1.58% and 1.79% at December 31, 2015 and 2014, respectively. The weighted average remaining maturity was 2 years, 2 months at both December 31, 2015 and 2014. Withdrawal prior to maturity is generally not permitted.

Withdrawal Characteristics of Annuity Reserves and Deposit Funds

The following table reflects the withdrawal characteristics of annuity reserves and deposit fund liabilities at December 31, 2015 and 2014 ($ in millions):

	2015				
	General Account	Separate Accounts with Guarantees	Separate Accounts Nonguaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	$ 9,312	$ 4,135	$ —	$ 13,447	27 %
At fair value	—	4,343	3,541	7,884	16
Total with adjustment or at fair value	9,312	8,478	3,541	21,331	43
At book value without adjustment	2,448	—	—	2,448	5
Not subject to discretionary withdrawal	25,697	—	—	25,697	52
Total annuity reserves and deposit fund liabilities	$ 37,457	$ 8,478	$ 3,541	$ 49,476	100 %

NOTE 12 – INSURANCE LIABILITIES (continued)

	2014				
	General Account	Separate Accounts with Guarantees	Separate Accounts Nonguaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	$ 8,779	$ 3,759	$ —	$ 12,538	27 %
At fair value	—	3,996	3,820	7,816	17
Total with adjustment or at fair value	8,779	7,755	3,820	20,354	44
At book value without adjustment	1,640	—	—	1,640	3
Not subject to discretionary withdrawal	24,956	—	—	24,956	53
Total annuity reserves and deposit fund liabilities	$ 35,375	$ 7,755	$ 3,820	$ 46,950	100 %

NOTE 13 – REINSURANCE

The Company enters into ceded reinsurance agreements in the normal course of its insurance business to reduce overall risk and to be able to issue life insurance policies in excess of its retention limits. The Company also participates in assumed reinsurance with third parties in acquiring additional business. Both assumed and ceded reinsurance transactions are discussed in further details below.

For the years ended December 31, 2015 and 2014, individual and group life reinsurance activity was as follows (in millions):

	2015		
	Affiliated	Unaffiliated	Total
Premiums assumed	$ 180	$ 10,893	$ 11,073
Premiums ceded	$ —	$ 4,497	$ 4,497
Benefits assumed	$ 461	$ 993	$ 1,454
Benefits ceded	$ —	$ 586	$ 586

	2014		
	Affiliated	Unaffiliated	Total
Premiums assumed	$ 156	$ 394	$ 550
Premiums ceded	$ 8	$ 307	$ 315
Benefits assumed	$ 506	$ 391	$ 897
Benefits ceded	$ 5	$ 414	$ 419

NOTE 13 - REINSURANCE (continued)

Amounts recoverable from reinsurers on paid losses, included in other assets in the accompanying Statutory Statements of Financial Position, were $15 million and $55 million at December 31, 2015 and 2014, respectively. Reinsurance recoverables for unpaid losses, included in other liabilities in the accompanying Statutory Statements of Financial Position, were $98 million and $37 million at December 31, 2015 and 2014, respectively.

Reinsurance Assumed

On July 1, 2015, the Company entered into a reinsurance transaction with John Hancock Life Insurance Company (U.S.A.) and one of its affiliates (collectively "John Hancock") where it assumed 100% of the obligations and liabilities of John Hancock's closed block of insurance policies on a coinsurance arrangement and simultaneously retroceded 40% of those obligations and liabilities to John Hancock on the funds-withheld arrangement, resulting in a net 60% quota share reinsurance. The life insurance policies reinsured by the Company primarily comprise of participating whole life insurance policies written prior to 2000.

At the date of the transaction, the Company incurred a net ceding commission of $413 million and received assets with a market value equal to John Hancock's statutory liability. All of the assets received are pledged as collateral and are contractually restricted; the majority of which are permanently restricted and must be passed back to the reinsured policyholders as future benefits or dividend payments.

The insurance related revenue from the reinsured policies, including net investment income from the permanently restricted assets, after satisfying certain related expenses and taxes, inure solely to the benefit of those reinsured policyholders and will not be available to the Company's policyholders.

NOTE 13 - REINSURANCE (continued)

The following table presents a detailed breakout of the initial impact of the John Hancock reinsurance transaction on the Company's financial statements (in millions):

Balance Sheet:	**Day 1 Impact**
Total assets	$ 11,440
Total liabilities	$ 12,021
Surplus	$ (581)
Statement of Operations:	
Income	
Premiums	$ 6,212
Net investment income	—
Other income	328
Total income	6,540
Benefits and expenses	
Benefit payments	124
Additions to reserves	5,732
Operating expenses	973
Total benefits and expenses	6,829
Loss from operations before dividends and federal income taxes	(289)
Dividends to policyholders	124
Loss from operations before federal income taxes	(413)
Federal income taxes	275
Net loss from operations	(688)
Net realized capital gains, after taxes and transfers to IMR	—
Net loss	$ (688)

At December 31, 2015, the Company held net reserves related to the John Hancock reinsurance transaction of $5,675 million (assumed reserves of $9,459 million less ceded reserves of $3,784 million).

In December 2004, the Company assumed 90% of a block of in-force life insurance business from NYLIAC. A total reserve of $5,656 million consisting of universal life and variable universal life products was assumed using a combination of coinsurance with funds withheld for the fixed portion maintained in the general account and modified coinsurance (“MODCO”) for policies in the separate accounts. Under both the MODCO and funds withheld treaties, NYLIAC retains the assets held in relation to the reserves. A $25 million ceding commission was paid by the Company at the inception of the treaty. An experience refund is paid to NYLIAC at the end of each accounting period for 100% of profits in excess of $5 million. Experience refunds paid in 2015 and 2014 were $128 million and $115 million, respectively. At December 31, 2015 and 2014, the Company held assumed reserves under coinsurance with funds withheld and MODCO of $5,452 million and $5,653 million, respectively.

NOTE 13 - REINSURANCE (continued)

Reinsurance Ceded

The Company enters into ceded reinsurance agreements in the normal course of its insurance business to reduce overall risk and to be able to issue life insurance policies in excess of its retention limits. Currently the Company cedes the mortality risk on new business for term and employees' whole life insurance policies on a quota-share yearly renewable term basis. Most of the ceded reinsurance business is on an automatic basis. The quota share currently ceded generally ranges from 50% to 80% with a minimum size policy ceded of $2 million for term and no minimum size for employees' whole life. Cases in excess of the Company's retention and certain substandard cases are ceded on a facultative reinsurance basis. The majority of the Company's facultative reinsurance is for substandard cases in which it typically cedes 90%. Generally, the Company does not have any individual life or group ceded reinsurance agreements that do not transfer risk or contain risk limiting features.

The ceding of risk does not discharge the Company from its primary obligations to policyholders. To the extent that the assuming reinsurers become unable to meet their obligations under reinsurance contracts, the Company remains contingently liable. Each reinsurer is reviewed to evaluate its financial stability before entering into each reinsurance contract and throughout the period that the reinsurance contract is in place.

Life insurance ceded was 12% of total life insurance in-force at both December 31, 2015 and 2014. The reserve reductions taken for life insurance reinsured were $4,134 million and $343 million for the years ended December 31, 2015 and 2014, respectively.

The Company has reinsurance agreements with New York Life Agents Reinsurance Company ("NYLARC"). NYLARC is a life insurance company wholly owned by NYLARC Holding Company, Inc., whose shareholders consist of the Company's top agents who meet certain criteria and who may also be agents of NYLIAC or NYLAZ. NYLARC reinsures a portion of certain life insurance products sold by its shareholders. NYLARC's purpose is to retain high production agents, and increase the volume and quality of the business that they submit to the Company and NYLIAC.

NOTE 14 – BENEFIT PLANS

Defined Benefit Plans

The Company maintains the New York Life Insurance Company Pension Plan ("Pension Plan"). The Pension Plan is a tax-qualified defined benefit pension plan covering substantially all eligible full-time and part-time employees of the Company and certain eligible employees of subsidiaries that adopt the Pension Plan. Agents are not eligible for benefits under the Pension Plan. For Pension Plan participants hired on or after January 1, 2012 and all participants who did not meet the Pension Plan's grandfathering criteria on December 31, 2011, benefits are provided under a cash balance formula. Pay credits are allocated to an account balance at the end of each year based on years of vesting service, and accounts are credited with interest at the end of each year at an interest rate based on IRS guidelines. Non-grandfathered participants with benefit accruals prior to 2012 have an opening account balance as of January 1, 2012 determined by converting their accrued benefit as of December 31, 2011 under the prior final average salary formula to a lump sum. Pension Plan participants who met the grandfathering criteria on December 31, 2011 are entitled to annual pension benefits beginning at normal retirement date equal to a percentage of their final average salary, less a Social Security offset for each active participant in the Pension Plan as of December 31, 1988.

The Company also maintains the NYLIC Retirement Plan ("Retirement Plan"). The Retirement Plan is a tax-qualified defined benefit pension plan covering substantially all eligible agents under contract with the Company or its domestic life insurance subsidiaries on or after January 1, 1982, the effective date of the

Retirement Plan. Employees who are not life insurance agents are not eligible for benefits under the Retirement Plan. Retirement Plan participants are entitled to annual pension benefits beginning at normal retirement date. In general, the benefit is based on the agent's frozen accrued benefit as of December 31, 1990 under the prior production-related benefit formula, if applicable, and their post-1990 earnings related benefit accruals. In addition, agents operating under certain contracts before 1991 may be entitled to additional benefits under the Retirement Plan.

The Pension Plan and Retirement Plan are funded solely by Company contributions. The assets of the Pension Plan and Retirement Plan are maintained in separate trusts established under each plan.

The Company also maintains the New York Life Excess Benefit Plan and the NYLIC 415 and 401(a)(17) Excess Benefit Plan ("Excess Plans"), which are non-qualified, unfunded arrangements that, subject to certain limits set forth therein, provide benefits in excess of the maximum benefits that may be paid or accrued under the Pension Plan and Retirement Plan, respectively. The Excess Plans comply with Internal Revenue Code ("IRC") Section 409A.

Grantor Trusts

The Company has established separate irrevocable grantor trusts covering certain of the Company's separate non-qualified arrangements for employees and agents to help protect non-qualified payments thereunder in the event of a change in control of the Company. The grantor trusts are not subject to ERISA.

Other Postretirement Benefits

The Group Plan for New York Life Retired Agents and Employees ("Group Plan") became effective as of January 1, 2014, and provides health and life benefits for eligible retired employees and agents (and their eligible dependents). Prior to 2014, both active and retired employees were covered under New York Life's Group Plan for New York Life Employees and both active and retired agents were covered under New York Life's Group Plan for New York Life Agents. These plans were amended to cover active employees and agents only starting in 2014, with retired employees and agents covered under the Group Plan. This change in plan documentation did not result in any substantive changes to the operation of any of the plans.

Employees are eligible for retiree health and life benefits if they are at least age 55 with 10 or more years of service with the Company or a participating subsidiary that has adopted the Group Plan, provided that they are enrolled for active health care coverage on the date they terminate employment. Agents are eligible for retiree health and life benefits if they meet certain age and service criteria on the date they terminate employment.

Employees and agents who retired prior to January 1, 1993 do not make contributions toward retiree health care coverage. All other eligible employees and agents may be required to contribute towards retiree health care coverage.

The Company pays the entire life insurance costs for retired employees and agents.

The Company has established two separate Voluntary Employees Beneficiary Association ("VEBA") Trusts, the Employees' Life and Health Benefits Trust ("Employee VEBA") and the Agents' Life and Health Benefits Trust ("Agent VEBA"). The Employee VEBA is currently exclusively used to fund a portion of the postretirement health and life benefits for retired employees under the Group Plan, and the Agent VEBA is currently exclusively used to fund a portion of the postretirement health and life benefits for retired agents under the Group Plan. The assets of the Employee VEBA are not available to fund postretirement benefits

for retired agents and the assets of the Agent VEBA are not available to fund postretirement benefits for retired employees. In addition, the Retirement Plan includes a medical-benefit component to fund a portion of the postretirement obligations for retired agents and their dependents in accordance with IRC Section 401 (h). The remaining balance of these costs is paid by the Company.

The tables below are for financial reporting purposes only and do not reflect the status of the assets of each of the Pension Plan and Retirement Plan under applicable law (in millions):

	Pension Plan Benefits			
	Overfunded		Underfunded	
Change in benefit obligation:	2015	2014	2015	2014
Benefit obligation at beginning of year	$ —	$ —	$ 7,421	$ 5,903
Service cost	—	—	170	134
Interest cost	—	—	309	290
Actuarial (gain) loss[1]	—	—	(417)	1,388
Benefits paid	—	—	(313)	(294)
Plan amendments	—	—	—	—
Benefit obligation at end of year	$ —	$ —	$ 7,170	$ 7,421

	Postretirement Plan Benefits			
	Overfunded		Underfunded	
Change in benefit obligation:	2015	2014	2015	2014
Benefit obligation at beginning of year	$ —	$ —	$ 1,647	$ 1,483
Service cost	—	—	33	29
Interest cost	—	—	69	73
Contribution by plan participants	—	—	8	8
Actuarial (gain) loss[1]	—	—	(139)	117
Benefits paid	—	—	(62)	(63)
Plan amendments[2]	—	—	(78)	—
Medicare Part D reimbursements	—	—	—	—
Benefit obligation at end of year	$ —	$ —	$ 1,478	$ 1,647

[1] Included in Actuarial loss (gain) for both pension and other postretirement benefits is the impact of updated mortality assumptions. The associated increase in aggregate benefit obligations of approximately $600 million reflects the adoption of the RP-2014 tables released by the Society of Actuaries in October 2014. The associated aggregate benefit obligation reduction in 2015 of approximately $50 million reflects an update to the MP-2015 improvement scale released by the Society of Actuaries in October 2015.

[2] Included in Plan amendments is the impact of a change to the prescription drug benefit for certain Medicare-eligible retirees which will change from a copay structure to a coinsurance structure. Also included is the impact of changes to the excise tax under the Affordable Care Act on employers who sponsor high cost health plans that postpone the effective date by two years and make any such excise tax payments tax deductible. These changes resulted in a $78 million reduction in the APBO at December 31, 2015.

The aggregate amount of the accumulated benefit obligation for defined benefit pension plans was $6,779 million for 2015 (no plans were overfunded) and $6,967 million for 2014 (no plans were overfunded).

NOTE 14 – BENEFIT PLANS (continued)

Change in plan assets:	Pension Plan Benefits 2015	Pension Plan Benefits 2014	Postretirement Plan Benefits 2015	Postretirement Plan Benefits 2014
Fair value of plan assets at beginning of year	$ 5,755	$ 5,073	$ 586	$ 556
Actual return on plan assets	209	359	8	42
Contributions by employer	43	617	42	43
Contributions by plan participants	—	—	8	8
Benefits paid	(313)	(294)	(62)	(63)
Fair value of plan assets at end of year	$ 5,694	$ 5,755	$ 582	$ 586

At December 31, 2015 and 2014, there were no overfunded pension plans.

Funded status:	Pension Plan Benefits 2015	Pension Plan Benefits 2014	Postretirement Plan Benefits 2015	Postretirement Plan Benefits 2014
Overfunded				
Assets (nonadmitted)				
Prepaid benefit costs	$ 1,664	$ 1,825	$ —	$ —
Overfunded plan assets	(1,664)	(1,825)	—	—
Total assets (nonadmitted)	$ —	$ —	$ —	$ —
Underfunded				
Liabilities recognized				
Accrued benefit costs	$ 558	$ 512	$ 633	$ 584
Liability for benefits	918	1,154	183	180
Total liabilities recognized	$ 1,476	$ 1,666	$ 816	$ 764
Unrecognized liabilities	$ —	$ —	$ 80	$ 297

Increases or decreases in the funded status are reported as direct adjustments to surplus. Any overfunded plan assets are nonadmitted. Associated Deferred Tax Assets are also recorded and admitted to the extent that contributions will be made over the next three years.

In accordance with the Company's election of the surplus deferral option permitted under SSAP 92 and SSAP 102, the Company recognized transition liabilities of $217 million at December 31, 2015 for other postretirement plan benefits with the remaining $80 million expected to be recognized over a period of at most 3 years.

NOTE 14 – BENEFIT PLANS (continued)

The components of net periodic benefit cost were as follows (in millions):

Components of net periodic benefit cost:	Pension Plan Benefits 2015	Pension Plan Benefits 2014	Postretirement Plan Benefits 2015	Postretirement Plan Benefits 2014
Service cost	$ 170	$ 134	$ 33	$ 29
Interest cost	309	290	69	73
Expected return on plan assets	(421)	(371)	(41)	(38)
Amortization of losses	185	90	16	11
Amortization of prior service cost	(2)	(2)	(10)	(10)
Amortization of nonvested prior service cost	9	16	23	26
Total net periodic benefit cost	$ 250 *	$ 157 *	$ 90 **	$ 91 **

* Includes pension plan costs billed to subsidiaries of $85 million and $54 million for the years ended December 31, 2015 and 2014, respectively. The liabilities for these plans are included with the liabilities for the corresponding plan of the Company.

** Includes postretirement costs billed to subsidiaries of $34 million and $36 million for the years ended December 31, 2015 and 2014, respectively. The liabilities for these plans are included with the liabilities for the corresponding plan of the Company.

Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost (in millions):

	Pension Plan Benefits 2015	Pension Plan Benefits 2014	Postretirement Plan Benefits 2015	Postretirement Plan Benefits 2014
Items not yet recognized as a component of net periodic cost - prior year	$ 2,979	$ 1,683	$ 477	$ 391
Net prior service cost or credit arising during the year	—	—	(78)	—
Net prior service cost or (credit) recognized	2	2	10	10
Net nonvested prior service (credit) or cost recognized	(9)	(16)	(23)	(26)
Net (gain) and loss arising during the year	(205)	1,400	(106)	113
Net gain recognized	(185)	(90)	(16)	(11)
Items not yet recognized as a component of net periodic cost - current year	$ 2,582	$ 2,979	$ 264	$ 477

Amounts in unassigned funds (surplus) expected to be recognized in the next fiscal year as components of net periodic benefit cost (in millions):

	Pension Plan Benefits 2015	Pension Plan Benefits 2014	Postretirement Plan Benefits 2015	Postretirement Plan Benefits 2014
Net nonvested prior service cost or credit	$ —	$ 9	$ 23	$ 23
Net prior service cost or credit	$ (3)	$ (2)	$ (17)	$ (10)
Net recognized gains and losses	$ 162	$ 185	$ 10	$ 16

NOTE 14 – BENEFIT PLANS (continued)

Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost (in millions):

	Pension Plan Benefits		Postretirement Plan Benefits	
	2015	2014	2015	2014
Net nonvested prior service cost or credit	$ —	$ 9	$ 191	$ 215
Net prior service cost or credit	$ (30)	$ (32)	$ (199)	$ (131)
Net recognized gains and losses	$ 2,612	$ 3,002	$ 271	$ 393

Postemployment Benefits and Compensated Absences

The Company provides certain benefits to eligible employees during employment for paid absences, and to eligible employees and agents after termination of service. These benefits include, but are not limited to, salary continuation during medical and pregnancy leaves, short-term disability-related benefits, and continuation of health care benefits.

Assumptions

Benefit obligations are reported based on certain actuarial assumptions, which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions could occur in the near term and would be material to the financial statements.

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31, 2015 and 2014:

	Pension Plan Benefits		Postretirement Plan Benefits	
	2015	2014	2015	2014
Discount rate	4.25%	5.05%	4.25%	5.05%
Expected long-term rate of return on plan assets	7.50%	7.50%	7.00%	7.00%
Rate of compensation increase:				
Employees	5.10%	4.50%	5.10%	4.50%
Agents	3.75%	3.80%	N/A	N/A

NOTE 14 – BENEFIT PLANS (continued)

Weighted-average assumptions used to determine benefit obligations as of December 31, 2015 and 2014:

	Pension Plan Benefits		Postretirement Plan Benefits	
	2015	2014	2015	2014
Discount rate	4.62%	4.25%	4.77%	4.25%
Rate of compensation increase:				
Employees	5.10%	5.10%	5.10%	5.10%
Agents	3.75%	3.75%	N/A	N/A

The discount rates used to determine the Company's pension and postretirement plan obligations were based on hypothetical AA yield curves represented by a series of spot discount rates from half a year to 99 years. The spot rate curves are derived from a direct calculation of the implied forward curve based on the included bond cash flows. Each bond issue underlying the yield curve is required to be non-callable, with a rating of AA when averaging all available ratings by Moody's Investor Services, Standard & Poor's and Fitch. Additionally, each bond must have at least $250 million par outstanding to ensure it is sufficiently marketable. Finally, the outlier bonds (i.e., those whose yields to maturity significantly deviate from the average yield in each maturity grouping) are removed. The yields are used to discount future pension and other postretirement plan cash flows at an interest rate specifically applicable to the timing of each respective cash flow. The sum of these discounted cash flows are totaled into a single present value and an equivalent weighted-average discount rate is calculated by imputing the singular interest rate that equates the total present value of the stream of future cash flows.

At the end of 2015, the Company changed its method for estimating the service and interest cost components of net periodic benefit cost for its U.S. pension and other postretirement benefit plans. Previously, the Company estimated the service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation. The new estimate utilizes a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows. The new estimate provides a more precise measurement of service and interest cost by improving the correlation between projected benefit cash flows and their corresponding spot rates. This change is accounted for as a change in accounting estimate, which is applied prospectively. For fiscal 2016, the change in estimate is expected to reduce U.S. pension and postretirement benefit cost by $73 million when compared to the prior estimate. Effective with the year-end 2015 measurement of benefit obligations, the weighted-average discount rates will differ between pension and other postretirement benefits as a result of this full yield curve approach.

The expected long-term return on assets for the Pension Plan, Retirement Plan, and the VEBA Trusts is based on (1) an evaluation of the historical behavior of the broad financial markets, (2) the plan's target asset allocation, and (3) the future expectations for returns for each asset class, modified by input from the plans' investment consultant based on the current economic and financial market conditions.

The determination of the annual rate of increase in the per capita cost of covered health care benefits is reviewed separately for medical and prescription drug plans as well as for participants under and over age 65. At December 31, 2015, these assumed future rates of increase are the same for both medical and prescription drug plans as well as for participants under and over age 65. For dental plans, the annual rate of increase in the per capita cost utilizes a single rate for all participants.

NOTE 14 – BENEFIT PLANS (continued)

In measuring the year-end 2015 obligations, the annual rate of increase in the per capita cost of covered health care medical benefits and prescription drug benefits was assumed to be 6.75% for 2016 for all participants. For the year-end 2015 measurement, the rate was assumed to decline gradually to 5.00% by 2024 for both medical and prescription drug benefits and remain at that level thereafter. For dental plans, the annual rate of increase in the per capita cost of covered health care benefits is assumed to be 5.00% for all participants for 2016 and beyond.

In measuring the year-end 2014 obligations, the annual rate of increase in the per capita cost of covered health care medical benefits and prescription drug benefits was assumed to be 7.00% for 2015 for all participants. For the year-end 2014 measurement, the rate was assumed to decline gradually to 5.00% by 2024 for both medical and prescription drug benefits and remain at that level thereafter. For dental plans, the annual rate of increase in the per capita cost of covered health care benefits is assumed to be 5.00% for all participants for 2015 and beyond.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage point increase or decrease in assumed health care cost trend rates at December 31, 2015 would have the following effects (in millions):

	2015	
	One Percent Increase	One Percent Decrease
Effect on total of service and interest cost components	$ 9	$ (7)
Effect on accumulated postretirement obligations	$ 110	$ (91)

Plan Assets

The Pension and Retirement Plan each currently invest in two group annuity contracts which are held in the separate trusts: one contract is an immediate participation guarantee contract relating to the Company's general account ("GA Contract"), and the other contract relates to pooled separate accounts ("SA Contract"). The Company is the issuer of the GA and SA Contracts. Pension Plan and Retirement Plan assets of $3,522 million and $3,648 million were included in the Company's separate account assets and liabilities at December 31, 2015 and 2014, respectively. Pension Plan and Retirement Plan assets of $1,838 million and $1,814 million were included in the Company's aggregate reserve liability at December 31, 2015 and 2014, respectively. Certain Pension Plan and Retirement Plan assets are also directly invested in third-party real estate investment funds. The plans' investment in third-party real estate investment funds totaled $334 million and $293 million at December 31, 2015 and 2014, respectively.

Under the GA contract, NYL Investors acts as the investment manager of the immediate participation guarantee contract. The GA Contract provides for the payment of an annual administrative charge based on a percentage of the assets maintained in the fixed account under the contract. Under the SA Contract, certain registered investment advisory subsidiaries of NYL Investments act as investment managers for the pooled separate accounts. The SA Contract provides for the payment of separate annual fees for the management of each separate account.

The assets of each of the VEBA Trusts are invested in the MainStay Funds, in trust owned life insurance ("TOLI") and in cash. NYLIM serves as investment manager of the MainStay Funds. The TOLI policies are corporate sponsored universal life ("CSUL") and corporate sponsored variable universal life ("CSVUL") policies issued by NYLIAC. CSVUL policy premiums are invested in certain insurance dedicated funds offered in connection with variable products for which NYLIM serves as investment advisor.

NOTE 14 – BENEFIT PLANS (continued)

The investment objectives for the Pension Plan, Retirement Plan and VEBA Trusts are: (1) to maintain sufficient income and liquidity to fund benefit payments; (2) to preserve the capital value of the plans and trusts; (3) to increase the capital value of the plans and trusts; and, (4) to earn a long-term rate of return which meets or exceeds the plans' and trusts' assumed actuarial rates of return. Under the investment policies of the Pension Plan and Retirement Plan, the plans' assets are to be invested primarily in a balanced and diversified mix of high quality equities, fixed income securities, group annuity contracts, private equity investments, real estate investments, hedge fund investments, cash equivalents, and such other assets as may be appropriate. Under the investment policies for the VEBA Trusts, the assets of the trusts are to be invested primarily in insurance contracts (variable and/or fixed) and/or mutual funds which, in turn, invest in a balanced and diversified mix of high quality equities, fixed income securities, cash equivalents, and such other assets as may be appropriate. The Investment Committees of the Board of Trustees (the "Committees") monitor and review investment performance to ensure assets are meeting investment objectives.

The Committees have established a broad investment strategy targeting an asset allocation of 60% equity securities and 40% fixed income for both the Pension Plan and Retirement Plan, and 70% equity securities and 30% fixed income for the VEBA Trusts. Diversifying each asset class by style and type further enhances this allocation. In developing this asset allocation strategy, the Committees took into account, among other factors, the information provided to them by the plans' actuary, information relating to the historical investment returns of each asset class, the correlations of those returns and input from the plans' investment consultant. The Committees regularly review the plans' asset allocations versus the targets and make adjustments as appropriate.

The weighted-average asset allocation for the Pension Plan and Retirement Plan at December 31, 2015 and 2014, and target allocations by asset category were as follows:

	Target Allocation Percentage	Percentage of Plan Assets	
	December 31,	December 31,	
Asset Category	**2015 and 2014**	**2015**	**2014**
Fixed income securities	40%	37%	37%
Equity securities	60%	63%	63%
Total	100%	100%	100%

Equity securities totaled $3,522 million and $3,648 million at December 31, 2015 and 2014, respectively.

NOTE 14 – BENEFIT PLANS (continued)

The weighted-average asset allocation for the VEBA Trusts at December 31, 2015 and 2014, and target allocations by asset category were as follows:

	Target Allocation Percentage	Percentage of VEBA Trust Assets	
	December 31,	December 31,	
Asset Category	**2015 and 2014**	**2015**	**2014**
Fixed income securities	30%	30%	28%
Equity securities	70%	70%	72%
Total	100%	100%	100%

Equity securities totaled $391 million and $404 million at December 31, 2015 and 2014, respectively.

The pooled separate accounts under the SA Contract and the third-party real estate investment funds for each of the Pension Plan and Retirement Plan invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

The fair values (refer to Note 9 – Fair Value Measurements for description of levels) of the Pension Plan and Retirement Plan assets at December 31, 2015 and 2014 are as follows (in millions):

	2015			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Fixed income investments:				
Immediate participation guarantee contract	$ —	$ —	$ 1,838	$ 1,838
Absolute return hedge fund separate account	—	—	288	288
Equity type investments:				
Private equity separate accounts	—	—	432	432
Indexed equity separate account	—	490	—	490
International equity separate account	—	905	—	905
Small cap core separate account	—	305	—	305
REIT equity separate account	—	332	—	332
Long/short equity hedge fund separate account	—	—	312	312
Large cap enhanced separate account	—	458	—	458
Morgan Stanley Prime Property Fund	—	—	137	137
JPMorgan Strategic Property Fund	—	—	72	72
Invesco Core Real Estate Fund	—	—	125	125
Total assets accounted for at fair value	$ —	$ 2,490	$ 3,204	$ 5,694

NOTE 14 – BENEFIT PLANS (continued)

	2014			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Fixed income investments:				
Immediate participation guarantee contract	$ —	$ —	$ 1,814	$ 1,814
Absolute return hedge fund separate account	—	—	291	291
High yield bond separate account	—	—	—	—
Equity type investments:				
Private equity separate accounts	—	—	403	403
Indexed equity separate account	—	682	—	682
International equity separate account	—	839	—	839
Small cap core separate account	—	326	—	326
REIT equity separate account	—	323	—	323
Long/short equity hedge fund separate account	—	—	310	310
Large cap enhanced separate account	—	474	—	474
Morgan Stanley Prime Property Fund	—	—	120	120
JPMorgan Strategic Property Fund	—	—	63	63
Invesco Core Real Estate Fund	—	—	110	110
Total assets accounted for at fair value	$ —	$ 2,644	$ 3,111	$ 5,755

NOTE 14 – BENEFIT PLANS (continued)

The tables below present a reconciliation of all Level 3 assets of the Pension Plan and Retirement Plan at December 31, 2015 and 2014 (in millions):

2015	Immediate Participation Guarantee Contract	Private Equity Separate Accounts	Absolute Return Hedge Fund Separate Account	Long/Short Equity Hedge Fund Separate Account	Morgan Stanley Prime Property Fund	Invesco Core Real Estate Fund	JP Morgan Strategic Property Fund	Total
Fair value, beginning of year	$ 1,814	$ 403	$ 291	$ 310	$ 120	$ 110	$ 63	$ 3,111
Return on plan assets:								
Relating to assets still held at the reporting date	83	(4)	(8)	1	12	12	9	105
Relating to assets sold during the period	—	44	—	1	—	—	—	45
Purchases	330	81	16	8	5	3	—	443
Issuances	—	—	—	—	—	—	—	—
Sales	(389)	(92)	(11)	(8)	—	—	—	(500)
Settlements	—	—	—	—	—	—	—	—
Transfers into (out of) Level 3	—	—	—	—	—	—	—	—
Fair value, end of year	$ 1,838	$ 432	$ 288	$ 312	$ 137	$ 125	$ 72	$ 3,204

2014	Immediate Participation Guarantee Contract	Private Equity Separate Accounts	Absolute Return Hedge Fund Separate Account	Long/Short Equity Hedge Fund Separate Account	Morgan Stanley Prime Property Fund	Invesco Core Real Estate Fund	JP Morgan Strategic Property Fund	Total
Fair value, beginning of year	$ 1,643	$ 416	$ 265	$ 282	$ 105	$ 99	$ —	$ 2,810
Return on plan assets:								
Relating to assets still held at the reporting date	81	(31)	4	14	11	8	5	92
Relating to assets sold during the period	—	63	2	3	—	—	—	68
Purchases	766	92	32	20	4	3	58	975
Issuances	—	—	—	—	—	—	—	—
Sales	(676)	(137)	(12)	(9)	—	—	—	(834)
Settlements	—	—	—	—	—	—	—	—
Transfers into (out of) Level 3	—	—	—	—	—	—	—	—
Fair value, end of year	$ 1,814	$ 403	$ 291	$ 310	$ 120	$ 110	$ 63	$ 3,111

NOTE 14 – BENEFIT PLANS (continued)

The fair values of the VEBA Trusts assets at December 31, 2015 and 2014 are as follows (in millions):

	2015			
	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservabl e Inputs (Level 3)	Total
Fixed income investments:				
CSUL policies	$ —	$ —	$ 148	$ 148
Immediate participation guarantee contract	—	—	27	27
MainStay Indexed Bond Fund	15	—	—	15
Cash	1	—	—	1
Equity type investments:				
MainStay S&P 500 Index Fund	146	—	—	146
MainStay International Equity Fund	40	—	—	40
CSVUL - MainStay VP Indexed Equity	—	—	174	174
CSVUL - MainStay VP International Equity	—	—	31	31
Total assets accounted for at fair value	$ 202	$ —	$ 380	$ 582

	2014			
	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed income investments:				
CSUL policies	$ —	$ —	$ 145	$ 145
Immediate participation guarantee contract	—	—	25	25
MainStay Indexed Bond Fund	11	—	—	11
Equity type investments:				
MainStay S&P 500 Index Fund	173	—	—	173
MainStay International Equity Fund	21	—	—	21
CSVUL - MainStay VP Indexed Equity	—	—	180	180
CSVUL - MainStay VP International Equity	—	—	31	31
Total assets accounted for at fair value	$ 205	$ —	$ 381	$ 586

NOTE 14 – BENEFIT PLANS (continued)

The tables below present a reconciliation of all Level 3 assets and liabilities of other post retirement benefit plan at December 31, 2015 and 2014 (in millions):

	2015				
	CSUL policies	CSVUL MainStay VP Indexed Equity	CSVUL MainStay VP International Equity	Immediate participation guarantee contract	Total
Fair value, beginning of year	$ 145	$ 180	$ 31	$ 25	$ 381
Return of plan assets:					
Relating to assets still held at the reporting date	4	1	2	2	9
Relating to assets sold during the period	—	—	—	—	—
Purchases	—	—	—	—	—
Issuances	—	—	—	—	—
Sales	(1)	(7)	(2)	—	(10)
Settlements	—	—	—	—	—
Transfers into (out of) Level 3	—	—	—	—	—
Fair value, end of year	$ 148	$ 174	$ 31	$ 27	$ 380

	2014				
	CSUL policies	CSVUL MainStay VP Indexed Equity	CSVUL MainStay VP International Equity	Immediate participation guarantee contract	Total
Fair value, beginning of year	$ 141	$ 165	$ 33	$ 24	$ 363
Return of plan assets:					
Relating to assets still held at the reporting date	6	20	(1)	1	26
Relating to assets sold during the period	—	—	—	—	—
Purchases	—	—	—	—	—
Issuances	—	—	—	—	—
Sales	(2)	(5)	(1)	—	(8)
Settlements	—	—	—	—	—
Transfers into (out of) Level 3	—	—	—	—	—
Fair value, end of year	$ 145	$ 180	$ 31	$ 25	$ 381

Determination of Fair Values

The following is a description of the valuation methodologies used to determine fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Immediate Participation Guarantee ("IPG") Contract

The fair value of the IPG contract is its contract value, which represents contributions made, plus interest earned, less funds used to pay claims, premiums and fees. The IPG contract is classified as Level 3 due to the fact that the contract value relies on internal reports issued by NYLIM that are unobservable by third-party market participants.

Separate Accounts

The NAV of each separate account represents the fair value of each unit held by the Pension and Retirement Plans. The NAV for these investments are not considered a readily determinable fair value since the prices are not publicly published. In addition, with the exception of the private equity separate accounts, absolute return hedge fund separate account, and long/short equity hedge fund separate account, there are no restrictions on transfers or withdrawals, therefore the investments in these separate accounts are classified as Level 2.

The private equity separate accounts, absolute return hedge fund separate account, and long/short equity hedge funds separate account invest in limited partnerships, and hedge funds and their investment is restricted with respect to transfers or withdrawals greater than 90 days. Due to the potential inability to transact at the current NAV, the investments are classified as Level 3.

Third-Party Real Estate Investment Funds

The Morgan Stanley Prime Property Fund, the Invesco Core Real Estate Fund, and the JP Morgan Strategic Property Fund are third-party real estate investment funds that invest primarily in real estate and real estate related assets. The Pension Plan and Retirement Plan own shares in these funds and the NAV represents the fair value of each unit held by the plans. There are restrictions with respect to transfers or withdrawals greater than 90 days. Due to the potential inability to transact at the current NAV, these assets are classified as Level 3.

The MainStay Funds

The MainStay retail funds are all open end registered mutual funds which are priced using a daily NAV. These prices are publicly published, and there are no restrictions on contributions and withdrawals. As such, they are classified as Level 1.

CSUL and CSVUL

The CSUL and CSVUL policies are reported at cash surrender value. These policies have surpassed their surrender charge period; therefore, their cash value and their contract value are equal. These policies are classified as Level 3 since the valuation relies on data supplied by an insurance carrier that is unique to these policies and the inputs are unobservable. There is also no secondary market for these assets.

Cash

The fair value of cash is equivalent to its carrying value and is classified as Level 1 as the amounts are available on demand.

NOTE 14 – BENEFIT PLANS (continued)

Cash Flows

The estimated future benefit payments are based on the same assumptions as used to measure the benefit obligations at December 31, 2015. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in millions):

	Pension Plan Benefits	Postretirement Plan Benefits	Postemployment Plan Benefits
2016	$ 340	$ 62	$ 8
2017	349	64	9
2018	365	66	9
2019	379	68	10
2020	394	69	11
2021-2025	2,203	378	62
Total	$ 4,030	$ 707	$ 109

The Company expects to pay approximately $43 million of Excess Plans benefits during 2016. The Company expects to pay approximately $41 million out of pocket for other postretirement benefits during 2016.

The projected 2016 annual benefit payments to plan participants from the Pension and Retirement Plan's GA Contracts issued by the Company are $298 million. The projected 2016 annual benefit payments for retiree health coverage related to the insurance contracts issued by NYLIAC is $11 million.

The Company's funding policy for the Pension and Retirement Plans is to make annual contributions that are no less than the minimum amount needed to comply with the requirements of ERISA and the IRC, and no greater than the maximum amount deductible for federal income tax purposes. The Company does not have any regulatory contribution requirements and does not expect to make any voluntary contributions to the Pension Plan and Retirement Plan in 2016.

In 2015, the Company did not make any contributions to the Pension Plan and Retirement Plans. In 2014, the Company made voluntary contributions to the Pension Plan and Retirement Plan of $391 million and $185 million, respectively. No contributions were required in either year to satisfy the minimum funding requirements under ERISA.

Prefunding contributions can be made to either of the VEBA Trusts to partially fund postretirement health and life benefits other than pensions. The Company does not expect to make any prefunding contributions to either of the VEBA Trusts in 2016. The Company did not make any prefunding contributions to either of the VEBA Trusts for the years ended December 31, 2015 and 2014.

For the years ended December 31, 2015 and 2014, the Company paid $54 million and $56 million, respectively, in gross benefit payments related to health benefits. For the years ended December 31 2015 and 2014, the Company did not receive any gross subsidy receipts.

Defined Contribution Plans

The Company maintains the Employee Progress-Sharing Investment Plan (“EPSI”) which is a tax-qualified defined contribution plan covering substantially all salaried U.S. full‑time and part-time employees (individuals eligible under the Company’s Agents’ Progress-Sharing Investment Plan (“APSI”) are not eligible under EPSI).

NOTE 14 – BENEFIT PLANS (continued)

Under EPSI, participants may contribute a percentage of base salary and eligible incentive compensation to a 401(k) account on a pre-tax basis. The maximum deferral percentage depends on whether or not a participant is highly compensated (generally 10% for highly compensated employees and 25% for non-highly compensated employees). Participants may also contribute to a non-tax deductible account, subject to certain limitations. Qualified distributions from eligible retirement plans may be rolled over into EPSI. EPSI also permits participants age 50 and over to make additional pre-tax 401(k) "catch-up" contributions.

The Company annually determines the level of the Company's matching contributions to EPSI. In 2015 and 2014, the Company made matching contributions of up to 4% of base salary and eligible incentive pay for participants who were not grandfathered participants under the Pension Plan, and 3% of base salary and eligible incentive pay for participants who were grandfathered participants under the Pension Plan. The Company's matching contributions to EPSI totaled $35 million for both December 31, 2015 and 2014.

The Company also maintains the Excess EPSI Plan for certain eligible participants, which is a non-qualified unfunded arrangement that, subject to certain limits set forth therein, credits participant and matching contributions with respect to compensation in excess of the amount that may be taken into account under EPSI because of applicable IRS limits. The Excess EPSI Plan complies with IRC Section 409A.

The Company also maintains APSI, which is a qualified defined contribution plan covering substantially all contracted U.S. full-time agents (individuals eligible under EPSI are not eligible under APSI).

Under APSI, participants make contributions by entering into commission reduction agreements with the Company whereby a percentage of their compensation may be contributed to a 401(k) account on a pre-tax basis. In general, the maximum deferral percentage is 7% for highly compensated agents and 15% for non-highly compensated agents. Participants may also roll over qualified distributions from eligible retirement plans into APSI. APSI also permits participants age 50 and over to make additional pre-tax 401(k) "catch-up" contributions.

The Company annually determines the level of the Company's contributions to APSI. Contributions are based on each participant's net renewal commissions, net renewal premiums and cash values for the plan year on policies for which the participant is the original writing agent.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Support and Credit Agreements

The Company has a credit agreement with NYLAZ (which is a wholly-owned subsidiary of the Company), dated August 11, 2004, whereby NYLAZ may borrow from the Company up to $10 million. During 2015 and 2014, the credit facility was not used, no interest was paid and there was no outstanding balance due.

The Company has a credit agreement with NYLIAC, dated September 30, 1993, as amended, whereby NYLIAC may borrow from the Company up to $490,000,000. During 2015 and 2014, the credit facility was not used, no interest was paid and there was no outstanding balance due.

In addition, the Company has a credit agreement with NYLIAC, dated April 1, 1999, as amended, under which the Company may borrow from NYLIAC up to $490,000,000. During 2015 and 2014, the credit facility was not used, no interest was paid and there was no outstanding balance due.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

New York Life Capital Corporation ("NYLCC"), a wholly-owned subsidiary of NYLIFE LLC (which is a wholly-owned subsidiary of the Company), has a credit agreement with the Company dated October 1, 1997, as amended on July 21, 2010, whereby NYLCC has agreed to make loans to the Company in an amount up to, but not exceeding, $2 billion from proceeds from the issuance of commercial paper. The Company had a loan payable to NYLCC of $503 million at both December 31, 2015 and 2014. The Company recorded interest expense of $1 million at both December 31, 2015 and 2014.

Effective March 28, 2014, the Company and NYL Investors entered into a revolving credit agreement whereby the Company has agreed to make loans to NYL Investors. The revolving credit agreement initially providing for loans in an amount up to, but not exceeding, $250 million. On April 1, 2015, the agreement was amended and the credit line was reduced to $10 million. During 2015 and 2014, the credit facility was not used, no interest was paid and there was no outstanding balance due.

Guarantees

At December 31, 2015, the Company had the following outstanding guarantees (in millions):

	Nature and Circumstances of Guarantee and Key Attributes	Liability Recognition of Guarantee	Ultimate Financial Statement Impact if Action Under the Guarantee is Required	Maximum Potential Amount of Future Payments (Undiscounted) the Company Could be Required to Make Under the Guarantee	Current Status of Payment or Performance Risk of Guarantee
1.	On July 11, 2008, the Company executed an agreement to indemnify GoldPoint Partners LLC (formerly known as NYLCAP Manager LLC) for capital contributions that may be required in connection with GoldPoint Partner's indemnification obligations to NYLCAP Select Manager Fund, LP.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	Expenses would increase	$25	The Company oversees the operations of GoldPoint Partners LLC and assesses the risk to be minimal.
2.	On January 17, 2012, the Company executed an agreement to indemnify GoldPoint Partners LLC for capital contributions that may be required in connection with GoldPoint Partners LLC's indemnification obligations to NYLCAP Select Manager Fund II, L.P.	Exempt Guarantee is on behalf of a wholly owned subsidiary.	Expense would increase	$25	The Company oversees the operations of GoldPoint Partners and assesses the risk to be minimal.
3.	On April 7, 2015, the Company executed an agreement to indemnify GoldPoint Partners LLC for capital contributions that may be required in connection with GoldPoint Partners LLC's indemnification obligations to NYLCAP Select Manager Fund III, L.P.	Exempt Guarantee is on behalf of a wholly owned subsidiary.	Expense would increase	$25	The Company oversees the operations of GoldPoint Partners LLC and assesses the risk to be minimal.
4.	On September 28, 1995, the Company entered into a support agreement with NYLCC to maintain a positive net worth of NYLCC of at least $1. Since NYLCC only makes loans to the Company or its participating wholly owned subsidiaries, the Company would only be obligated under the guarantee in the event that one of the participating subsidiaries defaulted under its loan.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	None. The financial statement impact of performance under the guarantee would be offset by an increase in SCA associated with the defaulting subsidiary's debt release.	$740	Based on NYLCC's financial position and operations, the Company considers the risk of performance to be minimal.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

	Nature and Circumstances of Guarantee and Key Attributes	Liability Recognition of Guarantee	Ultimate Financial Statement Impact if Action Under the Guarantee is Required	Maximum Potential Amount of Future Payments (Undiscounted) the Company Could be Required to Make Under the Guarantee	Current Status of Payment or Performance Risk of Guarantee
5.	On November 7, 2007, the Company issued a guarantee to the Bank of New York ("BoNY") unconditionally guaranteeing the debts of MCF in connection with a standby letter of credit entered between MCF and BoNY. MCF provides revolving loans to third-parties. The borrower sometimes requires a line of credit to be issued by a bank to back the revolving loan. In order for BoNY to enter into this line of credit, they required the Company to provide a guarantee on behalf of MCF.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	Expenses would increase	$100	The Company, in the ordinary course of business, provides MCF with capital and financing to meet their obligations. The Company views the risk of performance under this guarantee to be minimal.
6.	On October 26, 2010, the Company issued a guarantee for the full and punctual payment of all amounts that are or may become due and payable by NYLE to Ace INA International Holdings Ltd. ("INA") in connection with the sale of NYLE's holdings in Korea and Hong Kong to INA.	Exempt. Guarantee is on behalf of a wholly owned subsidiary.	Expenses would increase	Unlimited	The unlimited nature of this guarantee relates to tax issues that may arise in connection with the entities sold or in connection with the sale itself. The maximum exposure with respect to all other representations and warranties associated with the sale was limited in the aggregate to 25% of the purchase price and all such representations and warranties expired in 2012.
7.	The Company issues funding agreements to New York Life Global Funding, which issues, or has issued notes to investors. If any taxing authority imposes withholding taxes on the payments due under the funding agreements or such notes (for example, as a result of a law change), the Company is required, in certain instances, to increase the payments on the funding agreements to make up for the amounts required to be withheld.	Exempt. Related party guarantee that is unlimited.	Expenses would increase	The Company cannot estimate the maximum liability. The Company cannot anticipate the risk or amount that taxing authorities may withhold taxes.	The Company does not view its risk of performance under the guarantee to be significant. Additionally, if withholding becomes required, the Company is permitted to terminate the funding agreements.
8.	The Company has entered into certain arrangements with various regulators whereby the Company agreed to maintain NYLAZ's capital and surplus at certain levels.	Exempt. Related party guarantee that is unlimited.	None	Unlimited	Capital contributions to wholly owned subsidiaries would not affect the Company's financial position.
9.	On April 1, 1994, Canada Life acquired the Company's individual life business in Canada, as well as acquiring New York Life Canada. The Company is required to hold Canada Life harmless for liabilities arising from pre-closing sales malpractice.	$0	Expenses would increase	Unlimited	The Company has not had any material claims under this agreement. Given this and the length of time that has passed since the agreement was executed, the Company does not expect to pay a material amount under the contract.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

	Nature and Circumstances of Guarantee and Key Attributes	Liability Recognition of Guarantee	Ultimate Financial Statement Impact if Action Under the Guarantee is Required	Maximum Potential Amount of Future Payments (Undiscounted) the Company Could be Required to Make Under the Guarantee	Current Status of Payment or Performance Risk of Guarantee
10.	The Company along with several other insurance companies entered into a supplemental benefits reinsurance and participation agreement with Guaranty Association Benefits Company (GABC), a captive insurance company created to assume and reinsure certain restructured annuity obligations of Executive Life Insurance Company of New York (“ELNY”). The participating life insurance companies agreed to assure that each individual payee under ELNY contracts will receive from GABC total annuity benefits due to the payee.	$0	Expenses would increase	Unlimited	Based on an analysis performed by an independent risk management firm, the Company does not anticipate that any further funding beyond the established liability will be required.
11.	On April 2, 2012 the Company issued a guarantee for certain indemnity payments that may become due and payable by NYLE and New York Life International Holdings Limited (NYL Mauritius) to the Mitsui Sumitomo Insurance Company in connection with the sale by NYLE and NYL Mauritius of Max New York Life Insurance Company Limited (MNYL).	Exempt. Guarantee is on behalf of wholly owned subsidiaries.	Expenses would increase	Unlimited	The Company views the risk of performance under this guarantee as remote.
12.	On September 12, 2012 the Company issued a guarantee for the full and punctual payment of all amounts that are or may become due and payable by NYL Cayman Holdings Ltd., NYLE, and Seguros Monterrey New York Life S.A. to Ace INA International Holdings Ltd. in connection with the sale by NYL Cayman Holdings Ltd., NYLE and Seguros Monterrey New York Life S.A. of New York Life Worldwide Capital, LLC, the holding company of Fianzas Monterrey, S.A. and its subsidiary, Operadora FMA, S.A. de C.V.	Exempt. Guarantee is on behalf of wholly owned subsidiaries.	Expenses would increase	Unlimited	The Company views the risk of performance under this guarantee as remote.
13.	On June 25, 2013, the Company issued a guarantee for the full and timely payment of certain indemnity payments related to covenants, representations and warranties that may become due and payable by NYLE to Yuanta Financial Holdings Co., Ltd. In connection with the sale by NYLE of New York Life Insurance Taiwan Corporation.	Exempt. Guarantee is on behalf of wholly owned subsidiaries.	Expenses would increase	Unlimited	The Company views the risk of performance under this guarantee as remote.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

Guarantee Obligations (in millions):

a.	Aggregate maximum potential of future payments of all guarantees (undiscounted) the guarantor could be required to make under guarantees*	$	915
b.	Current contingent liability recognized in financial statement		
	1. Noncontingent liabilities	$	—
	2. Contingent liabilities	$	—
c.	Ultimate financial statement impact if action under the guarantee is required		
	1. Investments in SCA	$	—
	2. Joint venture	$	—
	3. Dividends to stockholders	$	—
	4. Expense	$	175
	5. Other	$	—

* Excludes guarantees where maximum potential is unlimited or not quantified.

Litigation

The Company and/or its subsidiaries are defendants in individual and/or alleged class action suits arising from their agency sales force, insurance (including variable contracts registered under the federal securities law), investment, retail securities, employment and/or other operations, including actions involving retail sales practices. Most of the actions seek substantial or unspecified compensatory and punitive damages. The Company and/or its subsidiaries are also from time to time involved in various governmental, administrative and investigative proceedings and inquiries.

Notwithstanding the uncertain nature of litigation and regulatory inquiries, the outcome of which cannot be predicted, the Company believes that, after provisions made in the financial statements, the ultimate liability that could result from litigation and proceedings would not have a material adverse effect on the Company's financial position; however, it is possible that settlements or adverse determinations in one or more actions or other proceedings in the future could have a material adverse effect on the Company's operating results for a given year.

Lease Commitments

The Company leases office space, distribution facilities, and certain office equipment under various agreements with various expiration dates. The leases contain provisions for payment of real estate taxes, building maintenance, electricity, and rent escalations.

Rent expense for all leases amounted to $145 million and $131 million for the years ended December 31, 2015 and 2014, respectively, of which $62 million was billed to subsidiaries in accordance with an intercompany cost sharing arrangement for both years ended December 31, 2015 and 2014.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

A summary of the approximate future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms for the next five years and thereafter is as follows (in millions):

Year	Real Property	Equipment	Total
2016	$ 104	$ 16	$ 120
2017	96	9	105
2018	87	7	94
2019	80	—	80
2020	75	—	75
Thereafter	244	—	244
Total	$ 686	$ 32	$ 718

In connection with the sale of one of its Home Office properties in 1995, the Company had entered into an agreement to lease back a portion of the building through 2010. Effective December 7, 2009, the Company renewed such lease through 2024, with total future lease obligations of $109 million at December 31, 2015 that are included in the above table.

Borrowed Money

Borrowed money, generally carried at the unpaid principal balance and any interest payable, consisted of the following at December 31, 2015 and 2014 (in millions):

	2015	2014
Loan payable to NYLCC, various maturities, latest being January 29, 2016 (weighted average interest rate of 0.25% and 0.15% for 2015 and 2014, respectively)	$ 503	$ 503
Note payable to Aeolus Wind Power II LLC, due July 31, 2016 (fixed interest rate of 5.5%)	—	2
Total borrowed money	$ 503	$ 505

Loaned Securities and Repurchase Agreements

The Company participates in securities lending programs whereby securities, which are included in investments, are loaned to third-parties for the purpose of enhancing income on securities held through reinvestment of cash collateral received upon lending. For securities lending transactions, the Company requires initial collateral, usually in the form of cash, equal to 102% of the fair value of domestic securities loaned. The borrower of the loaned securities is permitted to sell or repledge those securities. At December 31, 2015 and 2014, the Company recorded cash collateral received under these agreements of $578 million and $554 million, respectively, and established a corresponding liability for the same amount, which is included in amounts payable under security lending agreements in the accompanying Statutory Statements of Financial Position. For securities lending transactions, the carrying value of securities classified as bonds and on loan at December 31, 2015 was $568 million, with a fair value of $566 million. At December 31, 2014 the carrying value was $512 million, with a fair value of $543 million. The reinvested collateral is reported in bonds, and cash, cash equivalent and short-term investments in the Statutory Statements of Financial Position. The total fair value of all reinvested collateral positions was $589 million and $584 million at December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, there were no separate account securities lending agreements.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

The Company participates in dollar repurchase agreements to sell and repurchase securities. The purchaser of the securities is permitted to sell or repledge those securities. The liability for repurchasing the assets is included in borrowed money in the accompanying Statutory Statements of Financial Position. At December 31, 2015 and 2014, there were no securities sold from the general account under dollar repurchase agreements. At December 31, 2015 and December 31, 2014, the carrying value and fair value of securities sold from the separate accounts under dollar repurchase agreements was $31 million and $146 million, respectively, which were agency mortgage-backed-pass-through securities that were classified as bonds. Those securities had a weighted average maturity of 5.74 years and 25.93 years, respectively, with a weighted average yield of 1.69% and 3.19%, respectively. The liability recorded was $31 million and $146 million for the separate accounts.

At December 31, 2015, the carrying value and fair value of securities held under agreements to purchase and resell was $382 million, which were classified as tri-party repurchase agreements and included in cash, cash equivalents, and short-term investments in the accompanying Statutory Statements of Financial Position. The securities had a weighted average maturity of four days and a weighted average yield of 0.3%. At December 31, 2014, the carrying value and fair value of securities held under agreements to purchase and resell was $182 million, which were classified as tri-party repurchase agreements and included in cash, cash equivalents, and short-term investments in the accompanying Statutory Statements of Financial Position. The securities had a weighted average maturity of two days and a weighted average yield of 0.06%.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

The following tables present the term and amounts of cash collateral received under dollar repurchase and securities lending agreements at December 31, 2015 and 2014 (in millions):

	2015					
	Remaining Contractual Maturity of the Agreements					
	Open	30 days or less	31 to 60 days	61 to 90 days	Greater than 90 days	Total
General Account Securities Lending						
U.S. Treasury	$ 33	$ —	$ —	$ —	$ —	$ 33
U.S. government corporation & agencies	15	—	—	—	—	15
Foreign governments	7	—	—	—	—	7
U.S. corporate	416	—	—	—	—	416
Foreign corporate	107	—	—	—	—	107
Non-agency asset backed securities	—	—	—	—	—	—
Total general account securities lending transactions	$ 578	$ —	$ —	$ —	$ —	$ 578
Separate Accounts Dollar Repurchase Agreements						
U.S. government corporation & agencies	$ —	$ —	$ 31	$ —	$ —	$ 31
Total separate accounts dollar repurchase agreements	$ —	$ —	$ 31	$ —	$ —	$ 31

	2014					
	Remaining Contractual Maturity of the Agreements					
	Open	30 days or less	31 to 60 days	61 to 90 days	Greater than 90 days	Total
General Account Securities Lending						
U.S. Treasury	$ 83	$ —	$ —	$ —	$ —	$ 83
U.S. government corporation & agencies	—	—	—	—	—	—
Foreign governments	—	—	—	—	—	—
U.S. corporate	471	—	—	—	—	471
Foreign corporate	—	—	—	—	—	—
Non-agency asset backed securities	—	—	—	—	—	—
Total general account securities lending transactions	$ 554	$ —	$ —	$ —	$ —	$ 554
Separate Accounts Dollar Repurchase Agreements						
U.S. government corporation & agencies	$ —	$ 63	$ 83	$ —	$ —	$ 146
Total separate accounts dollar repurchase agreements	$ —	$ 63	$ 83	$ —	$ —	$ 146

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

The following tables present the term and aggregate fair value at December 31, 2015 and 2014 from the reinvestment of all collateral received (in millions):

	2015					
	General Account Dollar Repurchase Agreements		Separate Account Dollar Repurchase Agreements		General Account Securities Lending	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Open	$ —	$ —	$ —	$ —	$ —	$ —
30 days or less	—	—	—	—	328	328
31 to 60 days	—	—	31	31	47	47
61 to 90 days	—	—	—	—	6	6
91 to 120 days	—	—	—	—	10	9
121 to 180 days	—	—	—	—	22	22
181 to 365 days	—	—	—	—	29	29
1 to 2 years	—	—	—	—	36	36
2 to 3 years	—	—	—	—	55	55
Greater than 3 years	—	—	—	—	57	57
Total collateral reinvested	$ —	$ —	$ 31	$ 31	$ 590	$ 589

	2014					
	General Account Dollar Repurchase Agreements		Separate Account Dollar Repurchase Agreements		General Account Securities Lending	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Open	$ —	$ —	$ —	$ —	$ —	$ —
30 days or less	—	—	63	63	305	305
31 to 60 days	—	—	83	83	47	47
61 to 90 days	—	—	—	—	22	22
91 to 120 days	—	—	—	—	—	—
121 to 180 days	—	—	—	—	—	—
181 to 365 days	—	—	—	—	8	8
1 to 2 years	—	—	—	—	82	82
2 to 3 years	—	—	—	—	42	42
Greater than 3 years	—	—	—	—	78	78
Total collateral reinvested	$ —	$ —	$ 146	$ 146	$ 584	$ 584

Assessments

Most of the jurisdictions in which the Company is licensed to transact business require life insurers to participate in guaranty associations which are organized to pay contractual benefits pursuant to insurance policies issued by impaired, insolvent or failed life insurers. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the line of business in which the impaired, insolvent or failed life

insurer is engaged. Some states permit member insurers to recover assessments through full or partial premium tax offsets.

Liens

Several commercial banks have customary security interests in certain assets of the Company to secure potential overdrafts and other liabilities of the Company that may arise under custody, securities lending and other banking agreements with such banks.

Other Commitments and Contingencies

At December 31, 2015 and 2014, contractual commitments to extend credit under commercial mortgage loan documents totaled $396 million and $569 million, respectively, at both fixed and variable rates of interest. These commitments are diversified by property type and geographic location. There were no contractual commitments to extend credit under residential loan agreements at December 31, 2015 and 2014.

At December 31, 2015 and 2014, the Company and its guaranteed separate accounts had outstanding contractual obligations to acquire additional private placement securities amounting to $372 million and $480 million, respectively.

Unfunded commitments on limited partnerships, limited liability corporations and other invested assets amounted to $4,302 million and $3,877 million at December 31, 2015 and 2014, respectively. Unfunded commitments on LIHTC amounted to $21 million and $34 million at December 31, 2015 and 2014, respectively. At December 31, 2015, unfunded commitments on LIHTC are included in limited partnerships and other invested assets, with an offset in other liabilities on the Statutory Statement of Financial Position.

NOTE 16 – INCOME TAXES

The components of the net DTAs and DTLs were as follows at December 31, 2015 and 2014 (in millions):

	2015			2014			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross DTAs	$ 4,241	$ 988	$ 5,229	$ 3,713	$ 742	$ 4,455	$ 528	$ 246	$ 774
Statutory valuation allowance	—	—	—	—	—	—	—	—	—
Adjusted gross DTAs	4,241	988	5,229	3,713	742	4,455	528	246	774
Nonadmitted DTAs	1,093	—	1,093	721	—	721	372	—	372
Subtotal Net Admitted DTAs	3,148	988	4,136	2,992	742	3,734	156	246	402
Gross DTLs	1,022	1,338	2,360	935	1,182	2,117	87	156	243
Net admitted DTAs/(DTLs)	$ 2,126	$ (350)	$ 1,776	$ 2,057	$ (440)	$ 1,617	$ 69	$ 90	$ 159

Net DTAs are nonadmitted primarily because they are not expected to be realized within three years of the statement of financial position date. The admitted portion of the net DTAs is included in other assets in the accompanying Statutory Statements of Financial Position.

NOTE 16 – INCOME TAXES (continued)

The admission calculation components for the years ended December 31, 2015 and 2014 are as follows (paragraph references throughout Note 16 are to paragraphs of SSAP No. 101 "Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10") (in millions):

	2015			2014			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks (Paragraph 11.a)	$ 544	$ 122	$ 666	$ 368	$ 104	$ 472	$ 176	$ 18	$ 194
Adjusted gross DTA expected to be realized (excluding the amount of DTA from paragraph 11.a above) after application of the threshold limitation (the lesser of paragraph 11.b.i and 11.b.ii below):	1,027	83	1,110	1,082	63	1,145	(55)	20	(35)
Adjusted gross DTA expected to be realized following the balance sheet date (Paragraph 11.b.i)	1,027	83	1,110	1,082	63	1,145	(55)	20	(35)
Adjusted gross DTA allowed per limitation threshold (Paragraph 11.b.ii)	N/A	N/A	2,501	N/A	N/A	2,440	N/A	N/A	61
Adjusted gross DTA (excluding the amount of DTA from paragraphs 11.a and 11.b above) offset by gross DTL (Paragraph 11.c)	1,577	783	2,360	1,542	575	2,117	35	208	243
DTA admitted as the result of application of SSAP 101 (Total of paragraphs 11.a, 11.b, 11.c)	$ 3,148	$ 988	$ 4,136	$ 2,992	$ 742	$ 3,734	$ 156	$ 246	$ 402

NOTE 16 – INCOME TAXES (continued)

The ratio used to determine the applicable period used in paragraph 11.b.i above and the amount of adjusted capital and surplus used to determine the percentage threshold limitation in paragraph 11.b.ii above are as follows at December 31, 2015 and 2014 ($ in millions):

	2015	2014
Ratio percentage used to determine recovery period and threshold limitation amount	1013%	988%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in paragraph 11.b.ii above	$ 16,671	$ 16,265

There was no impact on the Company's adjusted gross and net admitted DTAs due to tax planning strategies at December 31, 2015 and 2014. The Company did not use reinsurance in its tax planning strategies.

The Company had no unrecognized DTLs at December 31, 2015 and 2014. At December 31, 2015, the Company had no adjustments of DTAs or DTLs for enacted changes in tax laws or rates, or a change in tax status. Additionally, the Company had no adjustments to gross DTAs because of a change in circumstances that causes a change in judgment about the realizability of the related DTAs.

Significant components of the current federal income tax expense (benefit) incurred for the years ended December 31, 2015 and 2014 were as follows (in millions):

	2015	2014	Change
Current Income Tax			
Federal[1]	$ 320	$ (28)	$ 348
Foreign	7	5	2
Subtotal	327	(23)	350
Federal income tax on net capital gains	87	178	(91)
Other (current taxes reported in prior period correction)	—	(49)	49
Total federal and foreign income tax expense incurred	$ 414	$ 106	$ 308

[1] The Company had investment tax credits of $123 million and $130 million for the years ended December 31, 2015 and 2014, respectively.

NOTE 16 – INCOME TAXES (continued)

The tax effects of temporary differences that give rise to DTAs and DTLs for the years ended December 31, 2015 and 2014 were as follows (in millions):

	2015	2014	Change
DTAs			
Ordinary			
Policyholder reserves	$ 994	$ 878	$ 116
Pension accrual	659	728	(69)
Deferred acquisition costs	970	661	309
Compensation and benefits accrual	711	625	86
Policyholder dividends accrual	604	559	45
Fixed assets	146	130	16
Receivables - nonadmitted	49	72	(23)
Investments	49	45	4
Unearned premium reserve	1	—	1
Other	59	15	44
Subtotal	4,242	3,713	529
Nonadmitted	1,094	721	373
Admitted ordinary DTAs	3,148	2,992	156
Capital			
Investments	988	738	250
Real estate	—	4	(4)
Subtotal	988	742	246
Nonadmitted	—	—	—
Admitted capital DTAs	988	742	246
Total admitted DTAs	4,136	3,734	402
DTLs			
Ordinary			
Deferred and uncollected premium	598	582	16
Policyholder reserves	190	116	74
Investments	101	115	(14)
Fixed assets	125	112	13
Other	8	10	(2)
Subtotal	1,022	935	87
Capital			
Investments	1,290	1,143	147
Real estate	48	39	9
Subtotal	1,338	1,182	156
Total DTLs	2,360	2,117	243
Net admitted DTAs/(DTLs)	$ 1,776	$ 1,617	$ 159

Deferred income tax benefit on change in net unrealized capital gains and losses	(15)
Increase in net deferred tax related to other items	547
Increase in DTAs nonadmitted	(373)
Total change in net admitted DTAs	$ 159

NOTE 16 – INCOME TAXES (continued)

The Company's income tax (benefit) expense for the years ended December 31, 2015 and 2014 differs from the amount obtained by applying the statutory rate of 35% to net gain from operations after dividends to policyholders and before federal income taxes for the following reasons (in millions):

	2015	2014	Change
Net gain from operations after dividends to policyholders and before federal income taxes	$ 167	$ 308	$ (141)
Net realized capital gains (losses)	(30)	103	(133)
Nonadmitted assets	(12)	(34)	22
Prior year audit liability and settlement	(3)	5	(8)
Contiguous country branch income	(3)	(3)	—
Stock contribution to the NYL Foundation	(1)	(5)	4
Amortization of IMR	27	(48)	75
Dividends from subsidiaries	(123)	(79)	(44)
Tax exempt income	(36)	(60)	24
Tax credits (net of withholding)	(128)	(131)	3
Accruals in surplus	4	(722)	726
Other	5	5	—
Income tax incurred and change in net deferred tax during period	$ (133)	$ (661)	$ 528
Federal income taxes reported in the Company's Statutory Statements of Operations	$ 327	$ (23)	$ 350
Capital gains tax benefits incurred	87	178	(91)
Change in net deferred income taxes	(547)	(790)	243
Change in current and deferred taxes reported in prior period correction	—	(26)	26
Total statutory income tax benefit	$ (133)	$ (661)	$ 528

The Company's federal income tax returns are routinely audited by the IRS and provisions are made in the financial statements in anticipation of the results of these audits. The IRS has completed audits through 2007. Tax years 2008 - 2010 are currently with the IRS Office of Appeals. There were no material effects on the Company's accompanying Statutory Statements of Operations as a result of these audits. The Company believes that its recorded income tax liabilities are adequate for all open years.

The Company did not have any operating loss and tax credit carry forwards available for tax purposes. The total income taxes incurred in prior years that will be available for recoupment in the event of future net losses total $461 million, $136 million and $70 million related to the years ended December 31, 2015, 2014 and 2013, respectively.

The Company does not anticipate any significant changes to its total unrecognized tax benefits within the next 12 months.

As discussed in Note 3 – Significant Accounting Policies - Federal Income Taxes, the Company's federal income tax return is consolidated with NYLIAC, NYLAZ, NYLIFE LLC, NYLE, NYL Investments and NYL Investors.

At December 31, 2015 and 2014, the Company recorded a current income tax receivable/(payable) of $172 million and $(37) million, respectively. The current income tax receivable was included in other assets in the accompanying Statutory Statements of Financial Position.

NOTE 16 – INCOME TAXES (continued)

At December 31, 2015, the Company had no protective tax deposits on deposit with the IRS under IRC Section 6603.

NOTE 17 – SURPLUS

Unrealized Gains and Losses

Cumulative unrealized gains, gross of deferred taxes, recognized in unassigned surplus were $4,772 million and $4,353 million at December 31, 2015 and 2014, respectively.

Surplus Notes

The following table summarizes the surplus notes issued and outstanding at December 31, 2015 ($ in millions):

Issue Date	Principal Amount	Carrying Value	Cumulative Interest Paid	Interest Rate	Maturity Date
10/8/2009	$ 1,000	$ 998	$ 412	6.75%	11/15/2039
5/5/2003	1,000	994	735	5.88%	5/15/2033
Total	$ 2,000	$ 1,992	$ 1,147		

The 2009 Notes and the 2003 Notes (collectively, the "Notes") were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and are administered by Citibank, as registrar/paying agent. Interest on the Notes is paid semi-annually on May 15th and November 15th of each year.

The Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims against the Company. Under New York State Insurance Law, the Notes are not part of the legal liabilities of the Company. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds, which the Superintendent determines to be available for such payments under New York State Insurance Law. Provided that approval is granted by the Superintendent, the Notes may be redeemed at the option of the Company at any time at the "make-whole" redemption price equal to the greater of: (1) the principal amount of the Notes to be redeemed, or (2) the sum of the present values of the remaining scheduled interest and principal payments on the Notes to be redeemed, excluding accrued interest as of the date on which the Notes are to be redeemed, discounted on a semi-annual basis at an adjusted treasury rate plus 20 basis points for the 2003 Notes and 40 basis points for the 2009 Notes, respectively, plus in each case, the accrued interest on the Notes to be redeemed to the redemption date.

At December 31, 2015 and 2014, none of the Company's affiliates owned any of the Notes.

At December 31, 2015, State Street Bank & Trust Co, Bank of New York Mellon, JP Morgan Chase Bank and Citibank were each the holder of record at The Depository Trust Company of more than 10% of the outstanding amount of the Notes, with each holding Notes, at least in part, for the accounts of their respective clients.

NOTE 17 – SURPLUS (continued)

Nonadmitted Assets

Under statutory accounting rules, a nonadmitted asset is defined as an asset having economic value other than that which can be used to fulfill policyholder obligations, or those assets that are unavailable due to encumbrances or other third-party interests. These assets are not recognized in the accompanying Statutory Statements of Financial Position, and are, therefore, considered nonadmitted. The changes between years in nonadmitted assets are charged or credited directly to surplus.

The following table shows the major categories of assets that were nonadmitted at December 31, 2015 and 2014, respectively (in millions):

	2015	2014	Increase
Prepaid pension asset	$ 1,664	$ 1,825	$ (161)
Net deferred tax asset	1,093	744	349
Furniture and electronic data processing ("EDP") equipment	426	371	55
Invested assets	91	133	(42)
Other	139	119	20
Total	$ 3,413	$ 3,192	$ 221

NOTE 18 – SIGNIFICANT SUBSIDIARY

NYLIAC is engaged in the life insurance and annuity businesses. A summary of NYLIAC's statutory basis statements of financial position at December 31, 2015 and 2014 and results of operations for the years then ended are as follows (in millions):

	2015	2014
Assets:		
Bonds	$ 71,792	$ 68,111
Mortgage loans	12,097	10,377
Separate accounts assets	34,779	34,622
Other assets	13,571	13,727
Total assets	$ 132,239	$ 126,837
Liabilities and Capital and Surplus:		
Policy reserves	$ 74,781	$ 70,356
Separate accounts liabilities	34,777	34,621
Other liabilities	14,535	14,191
Capital and surplus	8,146	7,669
Total liabilities and capital and surplus	$ 132,239	$ 126,837
Results of Operations:		
Net gain from operations	$ 476	$ 728
Net realized capital (losses) gains	(79)	15
Net income	$ 397	$ 743

NOTE 19 – PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Under statutory accounting practices, the Company treats all fixed assets and nonoperating software as nonadmitted assets. Depreciation is determined using the straight-line method over the estimated useful lives of the assets, generally no more than five years.

Below is a chart highlighting the major classes of property and equipment at December 31, 2015 and 2014 (in millions):

	2015		
	Carrying Amount	**Accumulated Depreciation**	**Depreciation**
Software and website development	$ 343	$ 28	$ 60
PC equipment	22	11	5
Subtotal EDP	365	39	65
Leasehold improvements	110	57	8
Office furniture	55	25	5
Telecommunications	23	11	3
Other	57	20	36
Subtotal Furniture	245	113	52
Total	$ 610	$ 152	$ 117

	2014		
	Carrying Amount	**Accumulated Depreciation**	**Depreciation**
Software and website development	$ 903	$ 624	$ 55
PC equipment	95	82	5
Subtotal EDP	998	706	60
Leasehold improvements	123	74	7
Office furniture	92	63	4
Telecommunications	65	54	3
Other	65	30	32
Subtotal Furniture	345	221	46
Total	$ 1,343	$ 927	$ 106

NOTE 20 – WRITTEN PREMIUMS

Deferred and uncollected life insurance premiums at December 31, 2015 and 2014 were as follows (in millions):

	2015		2014	
	Gross	Net of Loading	Gross	Net of Loading
Ordinary new business	$ 164	$ 67	$ 151	$ 58
Ordinary renewal	1,259	1,237	1,182	1,161
Group life	596	482	603	489
Total	$ 2,019	$ 1,786	$ 1,936	$ 1,708

The amounts above reflect a prescribed practice that departs from the NAIC Accounting Practices and Procedures Manual (Refer to Note 2 - Basis of Presentation for additional information).

Deferred premium is the portion of the annual premium not earned at the reporting date. Loading of deferred premium is an amount obtained by subtracting the valuation net deferred premium from the gross deferred premium and generally includes allowances for acquisition costs and other expenses.

Uncollected premium is gross premium net of reinsurance that is due and unpaid at the reporting date. Net premium is the amounts used in the calculation of reserves. The change in loading is included as an expense and is not shown as a reduction to premium income.

Ordinary new business and ordinary renewal business consist of the basic amount of premium required on the underlying life insurance policies.

Based upon Company experience, the amount of premiums that may become uncollectible and result in a potential loss is not material to the Company's financial position. For the years ended December 31, 2015 and 2014, the Company nonadmitted $4 million and $3 million, respectively, of premiums that were over 90 days past due.

The Company did not have any direct premium written/produced by managing general agents/third-party administrators for the years ended December 31, 2015 and 2014, respectively.

NOTE 21 – DISCONTINUED OPERATIONS, ACQUISITION AND DISPOSITION

Acquisition

On April 13, 2015, pursuant to the terms and conditions of an Agreement and Plan of Merger dated December 1, 2014, NYL Investments completed its acquisition of Index IQ, a leader in liquid alternative exchange traded funds and mutual funds.

On February 3, 2014, pursuant to the terms and conditions of a Sale and Purchase Agreement dated September 24, 2013, NYL Investments completed its acquisition of Dexia Asset Management Luxembourg S.A. ("Dexia"), currently known as Candriam Investors Group ("Candriam"), an investment asset manager (with approximately $100 billion in assets under management), with management centers in Brussels, Paris and Luxembourg, and 72% of Ausbil, an investment boutique based in Sydney. The Company paid $511 million in cash at the transaction date, of which $293 million was to purchase seed capital investments of Candriam.

Disposition

On April 14, 2015, pursuant to the terms and conditions of a Master Transaction Agreement dated December 23, 2014, NYL Investments completed the divestiture of its retirement plan services business of providing administrative, record keeping, and custody services to John Hancock Retirement Plan Services, LLC.

NOTE 22 – SUBSEQUENT EVENTS

As of March 10, 2016, the date the financial statements were available to be issued, there have been no events occurring subsequent to the close of the Company's books or accounts for the accompanying statutory financial statements that would have a material effect on the financial condition of the Company.

NOTE 23 – LOAN-BACKED AND STRUCTURED SECURITY IMPAIRMENTS

The following table lists each loan-backed and structured security at a CUSIP level where the present value of cash flows expected to be collected is less than the amortized cost basis during the year (in thousands):

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR

(1) CUSIP[1,2]	(2) Amortized Cost Before Current Period OTTI	(3) Projected Cash Flows	(4) Current Period Recognized OTTI	(5) Amortized Cost After OTTI	(6) Fair Value	(7) Financial Statement Reporting Period
General Account						
000112AA0	$ 1,063	$ 1,063	$ —	$ 1,063	$ 660	12/31/2015
059469AF3	3,249	3,224	25	3,224	2,947	12/31/2015
05951FAK0	206	201	4	202	183	12/31/2015
05951KAZ6	173	170	3	170	159	12/31/2015
05951KBA0	4,144	4,058	69	4,075	3,957	12/31/2015
07387ADY8	254	94	160	94	171	12/31/2015
12627HAK6	2,012	1,989	23	1,989	1,785	12/31/2015
12628KAF9	811	756	55	756	750	12/31/2015
12628LAJ9	1,305	1,282	23	1,282	1,152	12/31/2015
12668BKH5	3,105	2,978	115	2,990	3,087	12/31/2015
126694DT2	2,229	2,219	10	2,219	2,141	12/31/2015
15132ELF3	981	956	25	956	913	12/31/2015
15132ELG1	64	31	33	31	—	12/31/2015
15132ELH9	10	7	3	7	—	12/31/2015
17309BAB3	93	91	2	91	92	12/31/2015
251511AC5	2,323	2,289	24	2,299	2,282	12/31/2015
251511AF8	3,737	3,679	42	3,695	3,606	12/31/2015
251513AV9	337	334	2	336	318	12/31/2015
251513BC0	1,573	1,556	8	1,565	1,485	12/31/2015
32051GD28	148	66	82	66	150	12/31/2015
33882YAC3	11,436	9,987	1,449	9,987	4,500	12/31/2015
33883CAC0	5,786	4,844	942	4,844	2,363	12/31/2015
3622E8AC9	415	412	3	412	394	12/31/2015
3622ELAG1	1,915	1,914	—	1,914	1,812	12/31/2015
3622EUAB2	228	210	18	210	226	12/31/2015
3622EUAC0	1,208	1,111	96	1,111	1,203	12/31/2015
362375AF4	10,299	10,192	107	10,192	9,809	12/31/2015
36244SAF5	719	700	19	700	677	12/31/2015
46630MAG7	411	401	10	401	371	12/31/2015
61748HLF6	2,429	2,426	3	2,426	2,123	12/31/2015
61749EAH0	1,496	1,457	39	1,457	1,381	12/31/2015
61751JAH4	970	956	13	956	963	12/31/2015
61751JAJ0	967	950	17	950	963	12/31/2015
61752RAH5	498	486	11	486	484	12/31/2015
61752RAJ1	736	722	14	722	726	12/31/2015
76110HS34	2,538	2,381	157	2,381	2,341	12/31/2015
86359DQR1	1,907	1,478	429	1,478	1,644	12/31/2015

NOTE 23 – LOAN-BACKED AND STRUCTURED SECURITY IMPAIRMENTS (continued)

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR (continued)

(1) CUSIP[1,2]	(2) Amortized Cost Before Current Period OTTI	(3) Projected Cash Flows	(4) Current Period Recognized OTTI	(5) Amortized Cost After OTTI	(6) Fair Value	(7) Financial Statement Reporting Period
93935YAA8	1,188	1,156	33	1,156	1,152	12/31/2015
059469AF3	3,407	3,377	30	3,377	2,985	9/30/2015
05951KAZ6	177	176	1	177	166	9/30/2015
05951KBA0	4,243	4,217	9	4,233	4,142	9/30/2015
12489WNN0	1,253	1,250	2	1,250	1,233	9/30/2015
12627HAK6	2,108	2,076	32	2,076	1,893	9/30/2015
12628LAJ9	1,357	1,337	21	1,337	1,217	9/30/2015
12668BKG7	5,885	5,584	283	5,601	5,847	9/30/2015
15132ELG1	97	68	28	68	—	9/30/2015
15132ELH9	12	10	2	10	—	9/30/2015
251513AV9	353	350	2	351	338	9/30/2015
251513BC0	1,647	1,630	12	1,635	1,577	9/30/2015
32051GD28	247	159	88	159	146	9/30/2015
33882YAC3	12,204	11,816	389	11,816	7,950	9/30/2015
33883AAC4	4,961	4,801	161	4,801	3,525	9/30/2015
3622E8AC9	434	425	9	425	407	9/30/2015
3622ELAG1	1,982	1,956	26	1,956	1,873	9/30/2015
36244SAF5	748	736	12	736	714	9/30/2015
57643MGK4	21	17	4	17	17	9/30/2015
69336QAL6	4,697	4,270	428	4,270	4,055	9/30/2015
76110HS34	2,550	2,531	—	2,550	2,358	9/30/2015
86359DQR1	2,085	2,077	—	2,085	1,839	9/30/2015
00011#AA1	3,845	3,845	—	3,845	1,530	6/30/2015
000112AA0	3,416	3,416	—	3,416	1,981	6/30/2015
059469AF3	3,574	3,525	48	3,525	3,179	6/30/2015
05947US41	3,750	300	3,450	300	300	6/30/2015
05947US58	4,000	280	3,720	280	280	6/30/2015
05951KBA0	862	848	7	855	849	6/30/2015
12627HAK6	2,204	2,182	21	2,182	2,141	6/30/2015
12628LAJ9	1,420	1,402	18	1,402	1,325	6/30/2015
225470VG5	2,574	2,388	186	2,388	2,476	6/30/2015
32051GZR9	3,132	3,086	38	3,094	3,108	6/30/2015
33883CAC0	6,443	6,095	347	6,095	4,804	6/30/2015
3622ELAG1	2,058	2,028	30	2,028	1,913	6/30/2015
3622EUAF3	1,093	1,061	32	1,061	1,044	6/30/2015
466247ZQ9	5,007	4,703	305	4,703	4,875	6/30/2015
46627MEA1	1,331	1,226	105	1,226	1,321	6/30/2015
46630MAG7	434	429	5	429	429	6/30/2015
61749EAH0	1,576	1,571	5	1,571	1,528	6/30/2015
69336QAL6	4,821	4,723	98	4,723	4,073	6/30/2015
69336RAK6	219	60	159	60	133	6/30/2015
81375WHK5	5,425	4,119	1,306	4,119	4,023	6/30/2015
86359DQR1	2,298	2,254	—	2,298	2,139	6/30/2015

NOTE 23 – LOAN-BACKED AND STRUCTURED SECURITY IMPAIRMENTS (continued)

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR (continued)

(1) CUSIP[1,2]	(2) Amortized Cost Before Current Period OTTI	(3) Projected Cash Flows	(4) Current Period Recognized OTTI	(5) Amortized Cost After OTTI	(6) Fair Value	(7) Financial Statement Reporting Period
93935YAA8	1,243	1,243	—	1,243	1,214	6/30/2015
94983UAB3	2,926	2,587	332	2,595	2,809	6/30/2015
059469AF3	3,729	3,714	15	3,714	3,348	3/31/2015
05947US66	245	240	5	240	240	3/31/2015
05951KAZ6	191	186	4	187	180	3/31/2015
05951KBA0	3,667	3,588	60	3,606	3,616	3/31/2015
12489WNN0	1,260	1,254	7	1,254	1,245	3/31/2015
12544TAH7	3,704	3,591	105	3,599	3,670	3/31/2015
12566VAN2	9,328	9,121	190	9,138	9,305	3/31/2015
12668AYL3	9,325	9,079	223	9,102	9,514	3/31/2015
15132ELF3	1,080	1,036	43	1,036	941	3/31/2015
16163HAG6	7,483	7,136	328	7,154	7,390	3/31/2015
225470A86	4,246	4,072	174	4,072	4,025	3/31/2015
251511AC5	2,520	2,493	14	2,506	2,570	3/31/2015
251511AF8	4,051	4,008	23	4,029	4,058	3/31/2015
251513AV9	386	375	8	378	368	3/31/2015
251513BC0	1,802	1,750	38	1,764	1,720	3/31/2015
32051GZR9	9,207	8,902	271	8,936	9,090	3/31/2015
3622EUAF3	1,130	1,119	11	1,119	1,095	3/31/2015
46630MAG7	444	443	1	443	438	3/31/2015
55265K4X4	81	65	16	65	73	3/31/2015
69336RCY4	10	9	1	9	—	3/31/2015
69337GAL7	2,611	2,470	140	2,471	2,341	3/31/2015
69337VAE0	2,201	2,200	—	2,200	1,794	3/31/2015
76110HS34	2,719	2,702	17	2,702	2,607	3/31/2015
76114QAC9	7,353	7,120	230	7,124	7,254	3/31/2015
83743SAA4	438	335	103	335	361	3/31/2015
Subtotal-General Account	**XXX**	**XXX**	**17,852**	**XXX**	**XXX**	
Guaranteed Separate Accounts						
059469AF3	2,933	2,910	22	2,910	2,662	12/31/2015
05950PAH6	235	231	1	234	218	12/31/2015
05951KAZ6	867	849	14	852	794	12/31/2015
073875AN6	1,299	1,231	68	1,231	1,158	12/31/2015
07387ADY8	553	204	349	204	373	12/31/2015
12627HAK6	2,005	1,983	22	1,983	1,785	12/31/2015
12628KAF9	1,947	1,816	132	1,816	1,800	12/31/2015
12628LAJ9	1,740	1,710	30	1,710	1,536	12/31/2015
126694VR6	2,446	2,346	100	2,346	2,399	12/31/2015
17309BAB3	457	446	11	446	451	12/31/2015
251511AC5	1,467	1,445	15	1,452	1,441	12/31/2015
32052MAH4	1,375	1,289	87	1,289	1,342	12/31/2015
32056JAG9	556	528	29	528	552	12/31/2015

NOTE 23 – LOAN-BACKED AND STRUCTURED SECURITY IMPAIRMENTS (continued)

IMPAIRMENTS TAKEN ON CURRENT HOLDINGS DURING THE CURRENT YEAR (continued)

(1) CUSIP[1,2]	(2) Amortized Cost Before Current Period OTTI	(3) Projected Cash Flows	(4) Current Period Recognized OTTI	(5) Amortized Cost After OTTI	(6) Fair Value	(7) Financial Statement Reporting Period
3622E8AC9	830	824	6	824	788	12/31/2015
3622ELAG1	1,966	1,965	—	1,965	1,857	12/31/2015
36244SAC2	1,898	1,848	49	1,848	1,789	12/31/2015
46630MAG7	1,644	1,603	41	1,603	1,484	12/31/2015
61749EAH0	798	777	21	777	737	12/31/2015
61751DAE4	199	198	1	198	191	12/31/2015
61751JAH4	1,212	1,195	17	1,195	1,204	12/31/2015
61751JAJ0	1,209	1,187	22	1,187	1,204	12/31/2015
059469AF3	3,076	3,049	27	3,049	2,696	9/30/2015
05951KAZ6	887	881	3	885	831	9/30/2015
12627HAK6	2,101	2,069	32	2,069	1,893	9/30/2015
12628LAJ9	1,810	1,782	27	1,782	1,622	9/30/2015
3622E8AC9	868	850	18	850	814	9/30/2015
3622ELAG1	2,035	2,008	27	2,008	1,920	9/30/2015
36244SAC2	1,976	1,944	32	1,944	1,885	9/30/2015
61751DAE4	207	206	2	206	205	9/30/2015
059469AF3	3,226	3,183	43	3,183	2,871	6/30/2015
073880AG1	2,611	2,520	90	2,520	2,592	6/30/2015
12627HAK6	2,196	2,175	21	2,175	2,141	6/30/2015
12628KAF9	2,081	2,081	—	2,081	2,062	6/30/2015
12628LAJ9	1,893	1,870	23	1,870	1,766	6/30/2015
32056JAG9	947	811	99	847	846	6/30/2015
3622ELAG1	2,113	2,082	31	2,082	1,960	6/30/2015
46630MAG7	1,737	1,717	21	1,717	1,716	6/30/2015
61749EAH0	841	838	3	838	815	6/30/2015
61751DAE4	220	212	8	212	214	6/30/2015
86361PAF3	1,067	1,057	9	1,057	990	6/30/2015
94983UAB3	390	345	44	346	375	6/30/2015
059469AF3	3,366	3,353	14	3,353	3,024	3/31/2015
05951KAZ6	955	932	18	937	902	3/31/2015
073875AN6	1,465	1,447	19	1,447	1,378	3/31/2015
251511AC5	1,592	1,575	9	1,583	1,623	3/31/2015
32052MAA9	53	52	—	52	52	3/31/2015
46630MAG7	1,778	1,773	5	1,773	1,751	3/31/2015
61751DAE4	226	223	2	223	220	3/31/2015
863579UU0	1,050	1,030	18	1,032	1,031	3/31/2015
933636AC6	1,210	1,110	97	1,113	1,172	3/31/2015
Subtotal-Guaranteed Separate Accounts	**XXX**	**XXX**	**1,779**	**XXX**	**XXX**	
Grand Total	**XXX**	**XXX**	**$ 19,631**	**XXX**	**XXX**	

1 Only the impaired lots within each CUSIP are included within this table.

2 CUSIP amounts less than $1 thousand within this table are shown as zero.

ANNEX A—
SIGNIFICANT DIFFERENCES BETWEEN NAIC SAP AND IFRS RELEVANT TO NEW YORK LIFE

New York Life has prepared the financial information incorporated into this Offering Memorandum and certain financial information included herein using accounting practices prescribed or permitted by NAIC SAP which differs in certain significant respects from IFRS in effect at December 31, 2016. A description of certain significant differences between NAIC SAP and IFRS has been provided below. This overview should not be construed as being exhaustive. Investors must rely on their own examination of New York Life and its financial information. Investors should consult their own professional advisors for an understanding of the differences between NAIC SAP and IFRS and how these differences might affect the financial information included or incorporated by reference herein. In addition, no attempt has been made to identify all classification, disclosure and presentation differences between NAIC SAP and IFRS that would affect the manner in which transactions and events are presented in the financial statements or notes thereto. No attempt has been made to identify future differences between NAIC SAP and IFRS as the result of prescribed changes in standards and regulations. In addition, regulatory bodies that promulgate NAIC SAP and IFRS have significant projects ongoing that could affect future comparisons between NAIC SAP and IFRS. Finally, no attempt has been made to identify all future differences between NAIC SAP and IFRS that may affect New York Life's financial statements as a result of transactions or events that may occur in the future. NAIC SAP differs in certain material respects from U.S. GAAP. Unless otherwise indicated, such differences are not described below.

First-time Adoption of IFRS Accounting Framework

A company adopting IFRS for the first time should apply the provisions in IFRS 1 "First-Time Adoption of International Financial Reporting Standards". The general principle underlying IFRS 1 is that IFRSs effective at the date of an entity's first IFRS financial statements should be applied retrospectively in the opening IFRS statement of financial position, the comparative period and the first IFRS reporting period. IFRS 1 provides limited mandatory exceptions and voluntary exemptions from retrospective application. Further, in the application of certain standards, IFRS allows a company to choose between accounting policy alternatives.

Basis of Presentation

IFRS focuses on the concept of control to determine whether a subsidiary should be consolidated. Control exists when an entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Under IFRS, the assessment of control over a special purpose entity should consider the entity's purpose and design to identify the relevant activities, how decisions about the relevant activities are made, who has the current ability to direct those activities, and who is exposed, or has rights, to the returns from those activities. Only substantive rights can provide power.

Under NAIC SAP, subsidiaries and other controlled entities are not consolidated. Subsidiaries, other controlled and affiliated entities ("**SCA**") are recorded using one of the following methods:

- A market valuation approach for publicly traded entities listed on one of the national exchanges;
- Equity method based upon audited NAIC SAP equity for U.S. domestic insurance subsidiaries;
- Equity method based upon audited U.S. GAAP equity (with certain adjustments) for foreign insurance subsidiaries; or
- Equity method based upon audited U.S. GAAP equity, generally for non-insurance subsidiaries.

- Assets and liabilities of a downstream holding company, other than the investments in SCA's, are valued in accordance with NAIC SAP rules.

Under NAIC SAP, unaudited SCA's and investments in unaudited limited partnerships are nonadmitted (see "Nonadmitted Assets" below).

Under IFRS, for application of the equity method, the reporting entity's proportionate share of the investee's net income (including realized gains and losses) is recorded in profit and loss. The reporting entity's proportionate share of the investee's unrealized gains and losses is recorded in equity. The reporting entity, on acquisition of the investment, accounts for the difference between the cost of the acquisition and investor's share of fair value of the net identifiable assets as goodwill. The goodwill is included in the carrying amount of the investment.

Under NAIC SAP, for application of the equity method, the reporting entity's proportionate share of undistributed earnings and losses of the investee are included as a direct adjustment to surplus (in unrealized gains and losses) of the reporting entity. NAIC SAP further states that dividends or distributions received from an investee are recognized in profit and loss when declared to the extent that they are not in excess of the undistributed accumulated earnings attributable to the investee.

If a subsidiary meets the criteria to be classified as held for sale in accordance with IFRS, an entity will present such a subsidiary as an asset held for sale, rather than normal line-by-line consolidation presentation. IFRS introduces the concept of assets and disposal groups held for sale. If certain criteria are met, these assets and disposal groups are presented separately in the balances sheet. IFRS requires the presentation of a single amount in the income statement representing the post-tax profit or loss of discontinued operations. NAIC SAP does not permit assets and disposal groups to be presented separately on the balance sheet and requires discontinued operations to be reported with continuing operations.

Fair Value Option

Under IFRS, an irrevocable decision can be made to classify specific financial assets and financial liabilities at fair value through profit or loss. No such option exists under NAIC SAP.

Common Stock

Under IFRS, common stocks are designated as either fair value with changes in fair value reported through profit and loss account, or available for sale which are reported at fair value with unrealized gains and losses reported in equity, while under NAIC SAP, common stocks are carried at fair value with changes in fair value reported through surplus.

Bonds

Under IFRS, investments in bonds are either designated as Fair Value through profit and loss, Held to Maturity, Loans and Receivables or Available for Sale. Fixed maturity investments, which the company has both the ability and the intent to hold to maturity, are stated at amortized cost and classified as held-to-maturity. Investments classified as available-for-sale are reported at fair value and unrealized gains and losses are reported in equity. Investments classified as Fair Value through profit and loss are reported at fair value and unrealized gains and losses are reported in profit or loss. Investments classified as loans and receivables are stated at amortized cost. In 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, which introduces new accounting requirements for the classification and measurement of financial instruments, credit losses and hedge accounting. IFRS 9 has an effective date of January 1, 2018. This document does not address the accounting in IFRS 9.

Under NAIC SAP, bonds are generally stated at amortized cost. Bonds in (or near) default are stated at the lower of amortized cost or fair value.

The effective interest method is a method of calculating the amortized cost of a bond and allocating the interest income over the relevant period. Under IFRS, if an entity revises its estimates of payments or receipts on the bond, the entity should adjust the carrying amount of the bond to reflect actual and revised estimated cash flows. The entity recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognized as income or expense in profit or loss.

Under NAIC SAP, either a prospective or retrospective effective interest method can be used as long as it is consistently applied by type of security. New York Life generally follows the retrospective method except for securities that are not of high credit quality (rated below AA at acquisition), certain floating rate securities and securities that have the potential for loss of a portion of the original investment (e.g. interest only securities) which follow the prospective method. For NAIC SAP, the retrospective method requires the recalculation of the effective yield at each reporting date if there has been a change in the underlying assumptions. The recalculated yield is the rate that equates the present value of actual and anticipated future cash flows with the original cost of the investment. The current balance of the investment is increased or decreased to the amount that would have resulted had the revised yield been applied since inception and investment income is correspondingly decreased or increased. For NAIC SAP, under the prospective yield method, the recalculated yield equates the carrying amount of the investment to the present value of anticipated future cash flows. The recalculated yield is then used to accrue income on the investment balance for the subsequent accounting period.

Preferred Stock

Under IFRS, preferred stocks that are not redeemable or that are redeemable solely at the option of the issuer and for which distributions are at the issuer's discretion, are classified as equity securities and reported at fair value.

Unlike IFRS, NAIC SAP requires that for life insurance entities that maintain an AVR (see "Investment Reserves" below), preferred stocks that are in good standing (NAIC designations 1 to 3) should be valued at cost or amortized cost. All other preferred stocks shall be reported at the lower of amortized cost or fair value. All preferred stocks are reported in the financial statement line item entitled "Common and preferred stocks" in the Statutory Statement of Financial Position.

Impairment of Securities

For NAIC SAP and IFRS, the cost bases of securities are adjusted for impairments in value deemed to be other than temporary, with the associated realized loss reported in net income. For both NAIC SAP and IFRS many factors must be considered to determine whether a decline in value of a security is other than temporary, including: 1) whether the decline is substantial; 2) the financial condition and near-term prospects of the issuer; and 3) the amount of time that the fair value has been less than cost.

Under IFRS, for Held-to-Maturity and Loans and Receivables, the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. For Available-for-Sale, the security is impaired to fair value. Interest rate related other–than-temporary impairments are not taken under IFRS.

For NAIC SAP, all other-than-temporarily impaired ("**OTTI**") corporate securities are written down to fair value. For loan backed and structured securities, the entire difference between the loan-backed or structured security's amortized cost and its fair value is recognized in net income only when either the Company (a) has the intent to sell the security or (b) it does not have the intent and ability to hold the security to recovery. If neither of these two conditions exists, a realized loss would be recognized in net income for the difference between the amortized cost basis of the security and the net present value of projected future cash flows expected to be collected.

IFRS requires that decreases in impairment losses on Available for Sale debt securities be recorded as recoveries of previous impairment and recognized in the income statement, if in a subsequent period the fair value of

the debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized. Under NAIC SAP, recognition of market recoveries on previously impaired securities is prohibited.

IFRS requires that decreases in impairment losses on Held to Maturity debt securities and Loans and Receivables be recorded as recoveries of previous impairment and recognized in the income statement, if the decrease can be objectively related to an event occurring after the impairment loss was recognized. The reversal for Held to Maturity debt securities and Loans and Receivables should not exceed what the amortized cost would have been had the impairment not been recognized. Under NAIC SAP, recognition of market recoveries on previously impaired securities is prohibited.

Investment Reserves

Under NAIC SAP, life insurance companies are required to establish an AVR and IMR. The AVR is a liability available to offset potential credit-related investment losses on all invested assets. The change in AVR is a direct charge to surplus, whereas under IFRS, the AVR is not recognized. Under NAIC SAP, realized gains and losses resulting from changes in interest rates on fixed income investments are deferred in the IMR and amortized into investment income over the remaining life of the investment sold, whereas under IFRS, the realized gains and losses are recognized in income at the time of the sale. For loan-backed and structured securities, if the Company intends to sell, or does not have the intent and ability to hold the security at the balance sheet date before recovery of the cost of the investment, the non-interest related other-than-temporary impairment is booked to AVR, and the interest related portion to IMR.

Derecognition of Financial Assets

Under NAIC SAP, an entity first determines whether it has surrendered control over the financial asset. If the entity no longer has control, the financial asset can be derecognized. In certain circumstances, legal isolation is a necessary condition for derecognition.

IFRS requires derecognition of financial assets when an entity's contractual right to a financial asset's cash flow expires or the rights to the financial asset's cash flows and substantially all of the risks and rewards of ownership are transferred or the entity transfers the financial assets while retaining some of the risks and rewards of ownership but no longer has control of the financial asset (the risks and rewards retained are recognized as an asset). If substantially all of the risks and rewards of the financial asset are neither transferred nor retained but if control has been transferred, the asset is derecognized.

Derivatives—Measurement of Financial Instruments and Hedging Activities

Hedge accounting is permitted under both NAIC SAP and IFRS and a hedge qualifies for hedge accounting if the expectation is that changes in the fair value or cash flows of the hedging instrument and "actual" results are within a range of 80% to 125%.

Regarding the definition of a derivative, IFRS specifically addresses characteristics of initial net investment and future settlement, while NAIC SAP does not address these characteristics in defining derivative instruments. NAIC SAP does list specific derivative instrument types (i.e. - swaps, forwards, caps, floors, etc.), whereas the IFRS definition is based on the characteristics of the instrument.

Under IFRS, derivatives that are linked to and must be settled by delivery of unquoted equity instruments are measured at cost - otherwise, they are all measured at fair value.

Under IFRS, derivatives that do not qualify for hedge accounting are reported at fair value through profit and loss.

Under NAIC SAP, derivatives that qualify for hedge accounting are valued and reported in a manner that is consistent with the hedged asset or liability. For example, a derivative that is a qualifying hedge of a bond would be carried at amortized cost, if any, while a derivative that is a qualifying hedge of an equity security would be reported

at fair value through surplus. Derivative instruments that do not qualify for hedge accounting are accounted for at fair value and the changes in the fair value are recorded in surplus as unrealized gains or unrealized losses.

IFRS requires an embedded derivative to be separated from the host contract and accounted for separately when certain criteria are met. NAIC SAP prohibits an embedded derivative from being separated from the host contract and accounted for separately.

Offsetting of Assets and Liabilities

IFRS permits offsetting of financial assets and financial liabilities with the same counterparty when the entity has the ability to settle on a net basis and intends to do so.

Under NAIC SAP, offset is permitted where the parties owe each other determinable amounts, where the reporting party has the right to setoff the amount owed with the amount owed by the other party, where the reporting party intends to setoff, and where the right of setoff is enforceable by law. However, assets and liabilities that meet the criteria for offset shall not be netted when prohibited by specific statutory accounting principles such as reinsurance recoverables on paid losses and ceded premiums payable. Netting of assets and liabilities for reporting purposes when no valid right of setoff exists shall be allowed only when provided for by specific statutory accounting principles such as is in the case of real estate investments required to be shown net of encumbrances.

Nonadmitted Assets

Under NAIC SAP, certain assets are written off as a direct charge to surplus since these assets are not considered to be available to satisfy policyholder obligations. Nonadmitted assets primarily include overfunded pension asset, furniture and equipment, unsecured receivables, deferred taxes that are not realizable within three years, receivables over 90 days old and investments in SCA's that do not have the required audits. Certain other assets may be nonadmitted as prescribed by the insurance laws of the domiciliary state.

No such concept exists in IFRS.

Insurance Contracts

As mentioned above, New York Life has prepared the financial information incorporated into this Offering Memorandum using accounting practices prescribed or permitted by the New York Insurance Department in the United States or NAIC SAP. NAIC SAP differs in certain significant respects from IFRS.

Under IFRS, an insurance contract is defined as "a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder." Insurance risk is "significant" if and only if an insured event could cause an insurer to pay significant additional benefits in any scenario, even an extremely unlikely scenario, but excluding scenarios that lack commercial substance. IFRS also distinguishes insurance risk from pure financial market risk.

Under NAIC SAP, contracts that have any mortality and morbidity risk, regardless of significance, and contracts with life contingent annuity purchase rate guarantees are classified as insurance contracts. Under NAIC SAP, for contracts classified as insurance, New York Life applies the following accounting practices:

- Premiums are recorded as revenue. Benefits, such as surrenders and death, are recorded as an expense in the summary of operations.

- Policy acquisition costs are expensed as incurred.

- Liabilities for future policy benefits are established using specified mortality and morbidity tables and estimates of future investment earnings, based on state law or regulation. Reserves are generally

established using the commissioner's reserve valuation method or the commissioner's annuity reserve valuation method. NAIC SAP reserves generally do not consider withdrawal assumptions.

- NAIC SAP generally allows companies to recognize commission income received under reinsurance contracts immediately when it does not exceed the acquisition costs incurred.

- Dividends on participating policies are provided for when approved by the Board of Directors. Dividend liability represents a full year liability.

- Under statutory reporting, certain assets and liabilities are reported net of reinsurance.

- NAIC SAP does not allow an entity to unbundle (i.e. account separately for) deposit components of insurance contracts.

- NAIC SAP prohibits an embedded derivative from being separated from the insurance contract.

- Separate account assets and liabilities are reported in the insurance enterprise's financial statements as summary totals. Separate accounts represent assets and liabilities that are maintained by an insurance enterprise for purposes of funding fixed-benefit or variable U.S. Life Insurance and Annuity contracts, pension plans, and similar activities.

- NAIC SAP requires that a reinsurance treaty must transfer mortality, lapse and investment (including credit, reinvestment and disintermediation) risks to qualify for reinsurance accounting.

IFRS issued an interim standard on insurance contracts, which generally permits existing practices for insurance financial reporting to continue. However, the following are prescribed by the standard:

- Prohibits recognition as a liability provisions for possible future claims under insurance contracts that are not in existence at the reporting date (such as catastrophe provisions and equalization provisions);

- Requires assessment of the adequacy of recognized insurance liabilities and recognition of any impairment of reinsurance assets;

- Requires an entity to keep insurance liabilities in its balance sheet until they are discharged or cancelled, or expire, and to present insurance liabilities without offsetting them against related reinsurance assets;

- Requires an entity to unbundle (i.e. account separately for) deposit components of some insurance contracts; and

- States that embedded derivatives whose characteristics and risks are not closely related to the host contract and whose value is interdependent with the value of the insurance contract do not need to be separately accounted for as a derivative.

Also, IFRS prohibits the grouping of assets and liabilities as is done under NAIC SAP for separate account assets and separate account liabilities.

Under IFRS, certain contracts that have the form of insurance contracts but do not expose the insurer to significant insurance risk should be accounted for as investment contracts under IAS 39, and where there is an investment management element under IAS 18. These standards apply measurement principles to the assets and liabilities attaching to the contracts that may diverge from NAIC SAP, including the value of the reserves, deferred acquisition costs, and deferred income reserves.

Under IFRS, financial liabilities are reported initially at fair value. Subsequently, all financial liabilities are measured at amortized cost using the effective interest rate method except for:

- Financial liabilities at fair value through the profit and loss which are measured at fair value; and

- Derivatives that are linked to and must be settled by delivery of unquoted equity instruments which are measured at cost.

IFRS also sets out specific financial liability valuation bases for financial guarantee contracts and commitments to provide loans at below market interest rates.

Investment contracts under IAS 39 may have a service element attached (e.g., investment management services). Revenue recognition for the service element is governed by IAS 18. Only direct transaction expenses such as incremental commission costs related to the investment management component of the contract are deferrable under IAS 18. The resulting intangible asset is amortized ratably over the life of the investment contract as the entity recognizes the related revenue. If there is no investment management service component to the contract, such costs form part of the carrying amount of the liability.

Under NAIC SAP, contracts not meeting the definition of insurance contracts are accounted for as deposits (i.e. amounts received as payments for such contacts are not reported as revenue, but are recorded to an appropriate policy reserve account) and all costs incurred with the contract are expensed as incurred.

Pensions and Postretirement Benefits

Under IFRS, all prior service costs are immediately recognized in net income at the earlier of when an amendment or curtailment occurs, or when the entity recognizes related restructuring or terminated costs. Under NAIC SAP, prior service costs (whether for vested or unvested benefits) are initially recognized in other comprehensive income and then amortized through net income over the remaining service period or life expectancy.

Under IFRS, actuarial gains and losses are recognized in other comprehensive income and are not subsequently recycled through the income statement. Under SAP, all gains and losses that are not recognized immediately as a component of net periodic pension or postretirement cost are recognized as increases or decreases in unassigned funds and subsequently recycled through the income statement.

NAIC SAP requires an independent calculation of interest cost (based on the application of a discount rate to the projected benefit obligation) and expected return on assets (based on the application of an expected rate of return on assets to the fair market value of assets), while IFRS applies the discount rate to the net benefit liability or asset of the plan (*i.e.*, the net amount of the defined benefit obligation less plan assets) to calculate a single net interest cost or income.

Under IFRS, pension and postretirement assets cannot be recognized in excess of the net total of unrecognized past service cost and actuarial losses plus the present value of benefits available from refunds or reduction of future contributions to the plan. Under NAIC SAP, any asset which results from an overfunded plan is recorded as a nonadmitted asset.

Under IFRS, curtailment gains and losses are recognized at the earlier of when the curtailment occurs or when related restructuring costs or termination benefits are recognized. Under NAIC SAP, a curtailment loss is recognized when it is probable that a curtailment will occur and the effects are reasonably estimable. A curtailment gain is recognized when the related employees terminate or the plan suspension or amendment is adopted.

IFRS requires pension and postretirement benefits to be discounted at the market yield of high quality corporate bonds at the balance sheet date. NAIC SAP requires pension and postretirement benefits to be discounted at the rates such obligations could be effectively settled.

Also, under IFRS, insurance contracts sold by an insurer to its own defined benefit plan will generally be eliminated on consolidation. The financial statements will then include:

- The full amount of the pension obligation with no deduction for the plan's rights under the contract;
- No liability to policyholders under the insurance contract; and
- The assets backing the insurance contract.

Under NAIC SAP, no consolidation is permitted. Instead, these contracts are included in the plan assets and in the calculation of the company's pension or postretirement expense, and the insurance contract liability is reflected in accordance with the applicable statutory accounting guidance.

Under IFRS, there is no requirement to present the various components of pension and postretirement cost as a net amount. As such, companies have flexibility to present components of net pension and cost within different line items on the income statement. Under NAIC SAP, the various components of pension and postretirement cost are presented as a net amount.

Income Taxes

Both NAIC SAP and IFRS take a similar balance-sheet approach which distinguishes current taxes from the deferred taxes that arise from temporary differences in carrying value. NAIC SAP and IFRS differ over specific exceptions to the application of those similar principles, as well as narrow differences in recognition, measurement and disclosure criteria:

Changes in Deferred Tax Assets and Liabilities

- IFRS – Changes in deferred tax assets ("**DTAs**") and deferred tax liabilities related to the income statement are included in income tax expense or benefit.
- NAIC SAP – Deferred tax assets are reflected on the balance sheet. Changes in the net deferred tax is reflected as a component of surplus rather than included in income tax expense or benefit.

Valuation Allowance

- IFRS – IFRS recognition criteria for deferred tax assets include an assessment of whether it is probable that sufficient taxable profit will be available against which the temporary difference can be utilized.
- NAIC SAP – DTAs are reduced by a valuation allowance. However, after the valuation allowance has been applied that portion of a reporting entity's DTAs not meeting the admissibility criteria of NAIC SAP is nonadmitted (i.e. written off to surplus). Generally, DTA's that reverse more than three years from the balance sheet date as well as DTAs reversing in 3 years that exceed 15% of capital and surplus are nonadmitted. Certain other limitations on admissibility apply.

Gain Contingencies

- IFRS – the company may recognize a gain contingency.
- NAIC SAP - recording gain contingencies is prohibited under NAIC SAP.

State Income Tax

- IFRS – State income taxes are included as "income taxes incurred." Deferred state income taxes are provided.

- NAIC SAP – State income taxes should be included as "Insurance taxes, licenses, and fees, excluding federal income taxes" by life insurers. No deferred state income taxes are provided.

Temporary Differences

- IFRS – In general, the effects of all temporary differences must be reflected with limited exceptions.

- NAIC SAP – Temporary differences do not include certain unique NAIC SAP accounting items, including the AVR, and the IMR.

Intraperiod Tax Allocation

- IFRS – IFRS requires that current year deferred taxes, related to items credited or charged to equity in prior years, remain in equity.

- NAIC SAP – Current income tax incurred is allocated to net income and realized capital gains.

Changes in Tax Law and Rates

- IFRS requires recording the effect of a tax rate change in the period in which it is "substantively enacted".

- NAIC SAP requires that the effect of a tax law change or rate change be recorded in the period that includes the enactment date.

Foreign subsidiaries undistributed earnings

- IFRS exception relates to all subsidiaries, foreign and domestic.

- NAIC SAP provides an exclusion for foreign subsidiaries' undistributed earnings, if such undistributed earnings meet permanent investment criteria.

Surplus Notes

Under IFRS, surplus notes are classified as a liability, as part of long-term debt in the balance sheet.

Under NAIC SAP, surplus notes are classified as a component of surplus.

Segment Reporting

IFRS requires a "management approach," under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

Under NAIC SAP, segment reporting is not required.

Disclosures

The disclosures required under IFRS are much more extensive than those required under NAIC SAP.

The effects on the financial statements of the variances between NAIC SAP and IFRS may be material to New York Life.

ANNEX B—FINANCIAL STATEMENT IMPACT OF CLOSED BLOCK REINSURANCE

	At or for the year ended December 31, 2016	At or for the year ended December 31, 2015		
		2015 Activity (6 months)	Day 1 Impact	Total
Statement of Operations Data:		(in millions)		
Income				
Premiums	$ 210	$ 123	$ 6,212	$ 6,335
Net investment income	403	201	-	201
Other income	17	10	328	338
Total income	630	334	6,540	6,874
Benefits and expenses				
Benefit payments	504	231	124	355
Additions to policy reserves	(197)	(57)	5,732	5,675
Net transfers to separate accounts	-	-	-	-
Adjustment in funds withheld	135	74	-	74
Operating expenses	41	19	973	992
Total benefits and expenses	483	267	6,829	7,096
Gain (loss) from operations before dividends and federal income taxes	147	67	(289)	(222)
Dividends to policyholders	93	46	124	170
Gain (loss) from operations before federal income taxes	54	21	(413)	(392)
Federal income taxes	(59)	(9)	275	266
Net gain (loss) from operations	113	30	(688)	(658)
Net realized capital losses, after taxes and transfers to IMR	(5)	(3)	-	(3)
Net income (loss)	$ 108	$ 27	$ (688)	$ (661)
Balance Sheet Data:				
Total assets	$ 10,596	$ (516)	$ 11,440	$ 10,924
Total liabilities (including AVR)	$ 11,129	$ (463)	$ 12,021	$ 11,558
Surplus	$ (533)	$ (53)	$ (581)	$ (634)
AVR	82	82	-	82
Surplus and AVR	$ (451)	$ 29	$ (581)	$ (552)

See accompanying notes to the Statutory Financial Statements.

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