

New York Life Insurance Co. And Affiliate Ratings Raised To 'AAA' From 'AA+'; Outlook Stable

Rationale

On Aug. 16, 2007, Standard & Poor's Ratings Services raised its counterparty credit and financial strength ratings on New York Life Insurance Co. and New York Life Insurance & Annuity Corp. (collectively, NYL) to 'AAA' from 'AA+'. The outlook is stable.

The upgrade reflects the companies' extremely strong competitive position and capitalization, very strong and stable earnings, and appropriate enterprise risk management (ERM).

NYL's competitive position is characterized by leading positions in individual life and annuities sold through a highly productive career agent force as well as through third-party distribution. The company's clear competitive advantage is the effectiveness of its career agency force strategy. In 2006, more than 2,300 NYL agents qualified for the Million Dollar Round Table, an industry association of top producing agents. This was its 52nd year with the highest number of qualifying agents. In 2006, agent life sales grew 5% in the face of a highly competitive market. In addition, the company has been very successful in long-term care, investment management, and increasingly in international markets, most notably Mexico and India.

NYL has produced consistent operating profits over the last several years, with pretax GAAP operating ROAs of about 95 basis points (bps). Pretax GAAP earnings increased 4% to \$1.6 billion in 2006, producing an ROA of 93 bps. Although these results are low relative to highly rated public companies, they compare strongly with NYL's mutual peers. As a mutual

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company, NYL manages for long-term earnings growth and stability of policyholder dividends but can absorb some short-term earnings volatility.

The company has extremely strong capitalization, with a Standard & Poor's capital adequacy ratio of 414% at year-end 2006. Capital has always been a strength for NYL; it maintains a conservative balance sheet, and as a mutual company, it doesn't face the pressure of public shareholders to deploy excess capital. Notwithstanding continued growth in policyholder dividends, statutory capital grew by about 8% in 2006 to \$13.9 billion (including the asset valuation reserve).

NYL's investment capabilities are strong. Investments consist primarily of corporate and government bonds (54% of invested assets), ABS (13%), MBS (10%), mortgage loans (9%), and unaffiliated common stock (3%). Our analysis of NYL's subprime and residential MBS exposure suggests modest overall exposure to residential mortgages or related securities and even less exposure to the more troubled subprime and lower rated tranches of residential mortgage and related securities. Tight diversification standards are in place to avoid over-concentration.

The company has extremely strong liquidity based on its conservative balance sheet profile and a liquidity ratio of 280% as measured by Standard & Poor's liquidity model. The company's liability portfolio is well-balanced, with a significant portion relating to individual life insurance products sold by the company's career agents. These liabilities are considered very stable and the least susceptible to liquidity risk. The remainder of the liabilities are well diversified between institutional and retail spread-based businesses.

Standard & Poor's believes NYL has an adequate ERM program, with several attributes of a strong program. NYL's ERM is appropriate, given the lower risk nature of the company's products, operations and investment mix, compared to other large competitors. The company has a robust risk-measurement framework that identifies its aggregate risk tolerance at all confidence intervals and at various amounts. We would favorably view additional work to more clearly tie this overall tolerance to specific risk limits. Further development of its ERM capabilities toward strong would be necessary if the company's product mix becomes more risky or complex.

NYL's management team manages for long-term stability and strength, with a commitment to mutuality and to the customer. The company has shown consistent commitment to its career agency distribution, with its participating whole life product at its core. As a result, the company has avoided the most aggressive products and features seen in the marketplace. This conservatism has augmented an already extremely strong capital base.

Outlook

Standard & Poor's anticipates NYL will maintain its extremely strong competitive position, enabling it to continue generating very strong earnings and to maintain extremely strong capitalization. We expect that sales in the U.S. insurance and investment management businesses will grow at or above industry averages, while international segments will exhibit stronger growth, though results are likely to be

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uneven across markets. Operating earnings should increase at a single-digit rate over the next few years.

Ratings List

Ratings Affirmed

New York Life Insurance Co.

New York Life Capital Corp.

Commercial Paper

Local Currency A-1+

Upgraded

To From

New York Life Insurance Co.

Subordinated

Local Currency AA AA-

New York Life Funding

New York Life Global Funding

Senior Secured

Local Currency AAA AA+

Upgraded; CreditWatch/Outlook Action

To From

New York Life Insurance Co.

Financial Strength Rating

Local Currency AAA/Stable/— AA+/Positive/—

New York Life Insurance & Annuity Corp.

Counterparty Credit Rating

Local Currency AAA/Stable/— AA+/Positive/—

Financial Strength Rating

Local Currency AAA/Stable/— AA+/Positive/—

Upgraded; CreditWatch/Outlook Action; Ratings Affirmed

To From

New York Life Insurance Co.

Counterparty Credit Rating

Local Currency AAA/Stable/A-1+ AA+/Positive/A-1+

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