S&P Global Ratings

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New York Life Insurance Co.

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New York Life Insurance Co.

Anchor	aa+
Business Risk	**Excellent**
Competitive position	Excellent
IICRA	Low
Financial Risk	**Excellent**
Capital and earnings	Excellent
Risk exposure	Moderately low
Funding structure	Neutral

+

Modifiers	1
Governance	Neutral
Liquidity	Adequate
Comparable ratings analysis	1

=

SACP	aaa

+

Support	0
Group support	0
Government support	0

=

AA+/Stable/--

Financial strength rating

IICRA--Insurance Industry And Country Risk Assessment.
SACP--Stand-alone credit profile.

Credit Highlights

Overview

Strengths	Risks
Excellent financial risk capital with low leverage and long history of 'AAA' capital adequacy	Spread compression as rates continue to decline, which may pressure profitability on some legacy blocks of business
Consistent strategic focus on whole-life policyholders that results in stable and highly persistent block of profitable in-force business	Uncertainty of the length and depth of the COVID-19 pandemic and resulting impact on the economy
Top market positions in the U.S. individual life insurance industry, propelled by a successful controlled distribution model	

We expect NYL's financial risk profile to remain excellent. New York Life Insurance Co. (with its subsidiaries, NYL) has consistently shown 'AAA' capital redundancy, and we expect this to continue. We believe NYL will maintain relatively low leverage and, through its sophisticated risk controls program and conservative tolerances, sustain moderately low risk exposure.

NYL will continue to defend its excellent competitive position by investing in its field agency force and prioritizing policyholders. NYL's excellent competitive position stems from having long-standing success in selling individual life insurance in the mature U.S. life insurance market, its strong brand name, and diverse other lines that support its core whole life business.

NYL's exceptionally strong credit characteristics compare favorably with peers', though the rating is capped by our 'AA+' sovereign rating on the U.S. We have a favorable view of NYL's mutual status, which has served as a consistent strategic anchor to prioritize its participating whole life policyholders, as well as the company's continued strength and predictability of earnings. This results in a group credit profile of 'aaa'. However, we limit the rating to 'AA+' due to the U.S. sovereign rating.

Outlook

The stable outlook reflects our expectations that NYL will maintain its excellent business and financial risk profiles.

Downside scenario

We could lower the ratings in the next two years if:

- New York Life's capital adequacy deteriorates below 'AAA' and we believe it will not recover within one to two years;
- The company's risk exposure worsens materially, through product mix changes or significant investment portfolio changes; or
- We lower the rating on the U.S. sovereign.

Upside scenario

We are unlikely to raise the ratings given NYL's U.S.-focused operations and our current view of the credit quality of the U.S. sovereign, which constrains the rating.

Key Assumptions

- Real U.S. GDP decline of about 5.0% in 2020 and growth of 5.2% in 2021
- Core Consumer Price Index growth of 0.7% in 2020 and 1.4% in 2021
- Real consumer spending decline of 4.8% in 2020 and growth of 5.5% in 2021
- Average 10-year Treasury note yield of about 1.0% in 2020 and 1.4% in 2021

Source: "The U.S. Faces A Longer And Slower Climb From The Bottom" published June 25, 2020.

New York Life Insurance Key Metrics

	2021f	2020f	2019	2018	2017
EBIT (Mil. $)	>1300	>1100	1606	1547	2015
Pre-dividend return on assets (excluding investment gains/losses) (%)	>0.9	>0.7	1.01	1.02	1.21
Return on capital and surplus (%)	>4	>2.5	4.69	7.14	10.54
Return on revenue (%)	>3.5	>3.0	3.84	4.08	4.97
Financial leverage (%)*	<20	<20	11.7	10.7	11.9
Fixed-charge coverage (x)*	>4	>4	5.1	16.4	10.7
f--S&P Global Ratings forecast.					

Business Risk Profile

NYL has a consistent No. 1 market position in the highly competitive U.S. retail life business, as well as a top market position in direct insurance sales and guaranteed lifetime income. NYL has been successful in selling whole life insurance to the U.S. middle market, largely due to its 12,500 career agents--its "cultural market" focus allows it to expand into markets that many other life insurance companies tend to ignore. This positions the company well to deal with the changing demographics in the U.S. Its cultural market agents, accounting for about half of NYL's proactive agents, sold a significant proportion of the agency channel's life insurance and retail annuities.

NYL focuses on participating whole life insurance (34% of in-force business in 2019), complemented by other life and annuity lines, including retail and institutional annuities designed to be low risk, as well as asset-management services.

In December 2019, New York Life announced that it will acquire Cigna's group life and disability insurance (CGI) business. With the purchase of two legal entities from Cigna (Life Insurance Co. of North America and Cigna Life Insurance Co. of New York), New York Life will become the rare new entrant that is already at scale, since Cigna is the No. 6 group life writer (by premiums) and No. 4 group disability insurer in the U.S. (as of year-end 2019). This business complements New York Life's existing products, and we anticipate it to be accretive to the group's capital and earnings, which ultimately benefits New York Life's policyholders. We anticipate the transaction to close by year-end 2020.

NYL's statutory return on assets (ROA) is in line with peers' historically, and we forecast it to remain so over the next one to two years. We expect earnings to be healthy, albeit slightly dampened with some COVID-19 headwinds, such as spread compression owing to low interest rates, and lower fee-based earnings resulting from the equity market decline. We typically assess operating performance in terms of predividend ROA, which was 1.01% for 2019. Its dividend payout ratio was 60.4% in 2019. NYL's general expense ratio at 9.4% was roughly in line with peers' 10.4% average.

We also view favorably NYL's formal strategic capital allocation process. The company applies its risk-adjusted surplus volatility consistently across the enterprise when making decisions. This creates value for policyholders with strategic alignment and optimal capital allocation between its businesses to accomplish its corporate mission. Relative to most mutual companies, this is a more sophisticated approach that we believe supports the company's risk profile.

Financial Risk Profile

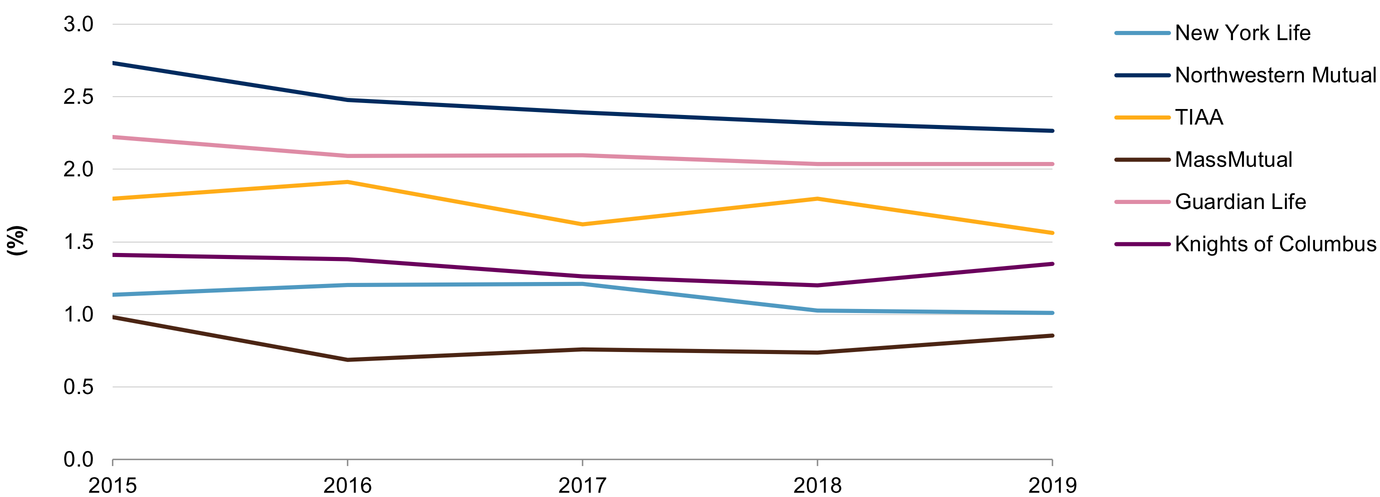
We consider NYL's financial risk profile to be excellent, anchored by its consistent track record of 'AAA' capital adequacy per our model, and we expect it to maintain this level through the pandemic and following the acquisition of CGI. Like all life insurers with a significant allocation to fixed income, New York Life will likely experience credit losses, credit migration, and impairments within its investment portfolio. However, we believe its capitalization at the 'AAA' level will be able to withstand such pressures. Nevertheless, we are monitoring this closely given the uncertainty of the macroeconomic factors resulting from the pandemic.

NYL has a relatively high-quality investment portfolio, with average credit quality near 'A'. We have a favorable view of NYL's risk controls, which will enable it to remain within its risk appetite tolerance if detrimental market movements occur. In our view, NYL is unlikely to experience losses outside tolerances defined in its risk appetite statement given its formally developed framework around credit, insurance, and interest rate risks.

NYL's funding structure remains neutral to the rating, with relatively low levels of leverage (less than 15%) that mostly comprise surplus notes ($4.25 billion outstanding). We give these surplus notes intermediate equity credit until 10 years before the maturity date since the notes were issued by New York Life Insurance Co. , a prudentially regulated legal entity (regulated by the New York State Dept. of Financial Services). The first of these notes matures in 2033.

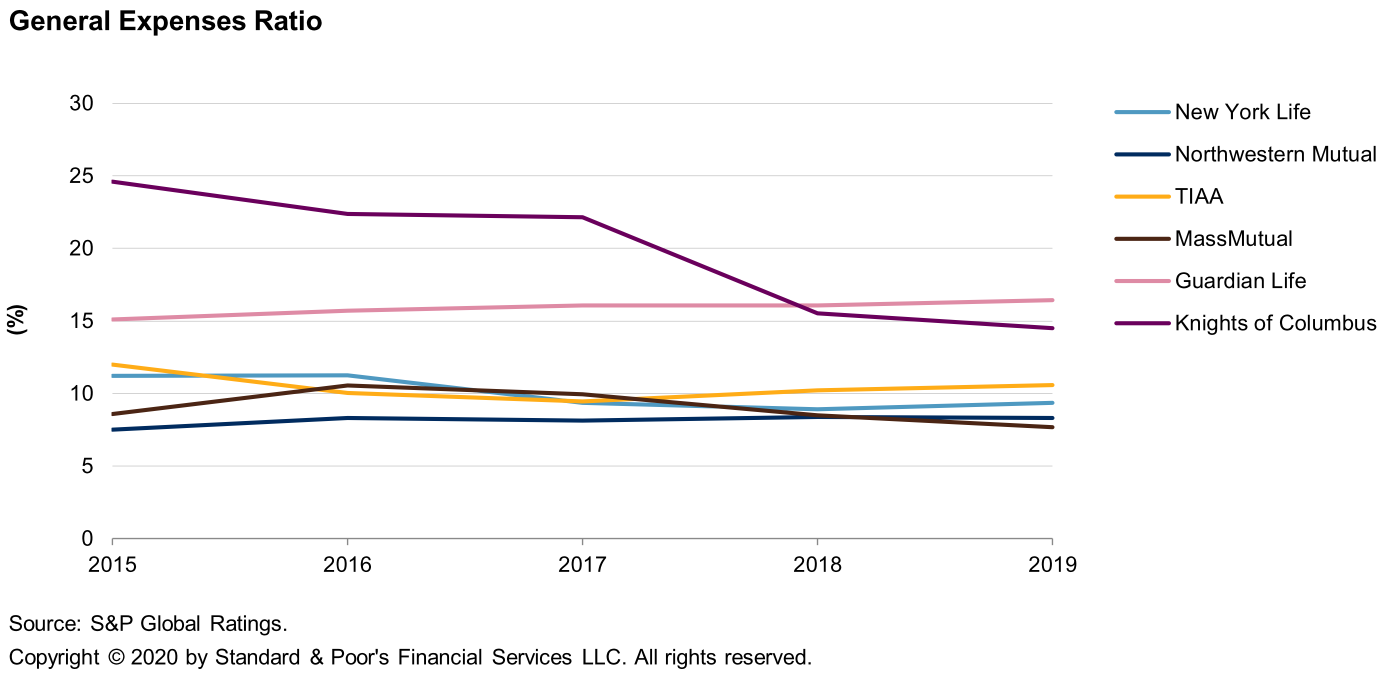
Chart 1

Pre-Dividend Return On Assets (Excluding Investment Gains/Losses)



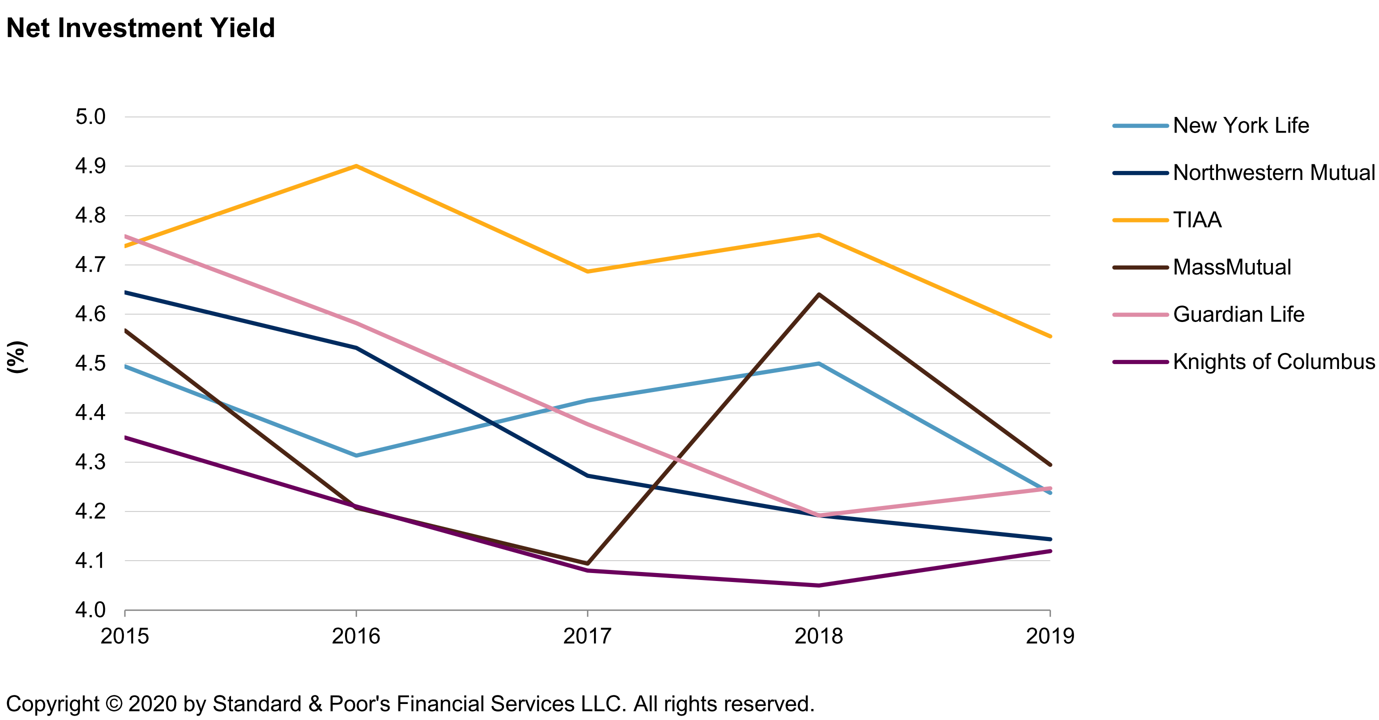
Source: S&P Global Ratings.

Chart 2



Source: S&P Global Ratings.

Chart 3



Other Key Credit Considerations

Governance

We view NYL's governance as neutral to the rating. It has a conservative risk management culture with a demonstrated commitment to enterprise risk management and a well-defined risk appetite statement with clearly articulated risk limits based on stress levels. We regard its risk oversight by the board of directors, risk management leadership teams, and risk committee structure favorably. These groups encompass asset-liability and risk steering committees and committees at different levels of the company, all of which have clearly defined roles and responsibilities.

Liquidity

We believe NYL's liquidity is adequate and estimate its liquidity ratio to be 212%. The company's exposure to other liquidity events such as ratings triggers and collateral posting requirements is immaterial relative to its ability to cover these needs.

Comparable ratings analysis

In our comparable ratings analysis, we factor in a favorable adjustment due to NYL's mutual status and stable earnings. Many other mutual companies have long since deemphasized whole life sales, which we consider as having the most favorable risk profile of traditional individual life products because of its profit-sharing characteristics (whereby policyholders' dividends can be reduced if losses occur) and historically low lapse rates. We consider NYL's success in selling whole life insurance and its continuing focus on whole life policyholders to be a key credit strength. This has also served NYL well in terms of producing predictable and stable earnings as overall mortality trends continue to improve.

Group ratings methodology

We rate New York Life Capital Corp.'s (Capital Corp.) commercial paper based on our group rating methodology. The potential for regulatory restrictions for New York Life Insurance Co. to make payments to New York Life Capital Corp. in our view is lower than we typically observe for prudentially regulated entities. Further, a support agreement is in place whereby New York Life agrees to maintain a positive net worth of Capital Corp. of at least $1, which also backs our commercial paper rating of A-1+ on Capital Corp.

Environmental, social, and governance

NYL's ESG exposure is similar to others in the broader life insurance sector. NYL's operations are mainly exposed to social risk factors such as increasing longevity, risks to social safety net programs, and the long-term demographics trends in the U.S. The company has a top market position in direct insurance sales and guaranteed lifetime income. It has been very successful in selling whole life insurance to the underpenetrated U.S. middle market, largely due to its 12,500 career agents. It also has a conservative risk management culture, and we regard its risk oversight favorably. As with many of its peers and competitors, the company has minimal exposure to environmental risks.

Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria - Insurance - General: Methodology For Assessing Capital Charges For U.S. RMBS And CMBS Securities Held By Insurance Companies, Aug. 29, 2014
- Criteria | Insurance | General: Methodology For Assessing Capital Charges For Commercial Mortgage Loans Held By U.S. Insurance Companies, May 31, 2012
- Criteria | Insurance | General: Methodology For Calculating The Convexity Risk In U.S. Insurance Risk-Based Capital Model, April 27, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- General Criteria: Principles Of Credit Ratings - February 16, 2011

Appendix

Table 2

Credit Metrics History

Ratio/Metric	2019	2018	2017	2016	2015
S&P Global Ratings capital adequacy	AAA	AAA	AAA	AAA	AAA
Gross premiums written	30,240	30,348	29,522	29,320	38,155
Pre-dividend return on assets (excluding investment gains/losses) (%)	1.01	1.02	1.21	1.20	1.14
Return on revenue (%)	3.7	4.0	4.9	4.5	3.1
Capital and surplus	22,032	21,006	20,357	20,108	19,496
Return on capital and surplus (%)	4.7	7.1	10.5	5.4	1.3
Total invested assets	267,939	256,252	242,487	229,978	218,271
EBIT	1,549	1,504	1,989	1,783	1,384
Net income (attributable to all shareholders)	1,009	1,477	2,132	1,076	245
General expense ratio (%)	9.4	8.9	9.4	9.5	7.9
Net investment yield (%)	4.3	4.5	4.4	4.3	4.5
Financial leverage (%)*	11.7	10.7	11.9	12.8	13.1
EBITDA fixed-charge coverage*	5.1	16.4	10.7	10.0	14.6

*Generally accepted accounting principles basis.

Business And Financial Risk Matrix

Business risk profile	Financial risk profile							
	Excellent	Very Strong	Strong	Satisfactory	Fair	Marginal	Weak	Vulnerable
Excellent	**aa+**	aa	aa-	a+	a-	bbb	bb+	b+
Very Strong	aa	aa/aa-	aa-/a+	a+/a	a-/bbb+	bbb/bbb-	bb+/bb	b+
Strong	aa-/a+	a+/a	a/a-	a-/bbb+	bbb+/bbb	bbb-/bb+	bb/bb-	b+/b
Satisfactory	a	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bb+/bb	bb-/b+	b/b-
Fair	a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb/bb-	b+/b	b-
Weak	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b/b-	b-
Vulnerable	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b+/b	b/b-	b-	b-

Note: Where table indicates two possible outcomes, we determine the anchor as follows: For financial risk profiles that we assess as satisfactory or stronger, we consider the relative strength of both the business risk and financial risk profiles within the cell. This is based on a holistic assessment of the relative strengths of the rating factors of the business risk profile and financial risk profile. For financial risk profiles that we assess as fair or weaker, we typically place more weight on the relative strength of the rating factors of the financial risk profile.

Ratings Detail (As Of October 14, 2020)*

Operating Companies Covered By This Report	
New York Life Insurance Co.	
Financial Strength Rating	
Local Currency	AA+/Stable/--
Issuer Credit Rating	
Local Currency	AA+/Stable/A-1+
Subordinated	AA-
New York Life Capital Corp.	
Commercial Paper	
Local Currency	A-1+
New York Life Insurance & Annuity Corp.	
Financial Strength Rating	
Local Currency	AA+/Stable/--
Issuer Credit Rating	
Local Currency	AA+/Stable/--
Domicile	New York

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.