



New York Life Global Funding
\$7,000,000,000
GLOBAL DEBT ISSUANCE PROGRAM

This Supplement is supplemental to and must be read in conjunction with the Offering Memorandum dated November 29, 2005 (the "Offering Memorandum") prepared by New York Life Global Funding (the "Issuer") under the Issuer's global medium-term note program for the issuance of senior secured medium-term notes (the "Notes").

Application has been made to the Irish Financial Services Authority as competent authority for the purposes of Directive 2003/71/EC (the "Prospectus Directive") for this Supplement to be approved.

This document constitutes a Supplement for the purposes of the Prospectus Directive. References herein to this document are to this Supplement incorporating Annex 1 hereto.

On March 1, 2006 New York Life filed its annual unaudited statutory statements (including any notes thereto, the "2005 and 2004 Statutory Statements"), the text of which is set out in Annex 1 to this document. Copies of such 2005 and 2004 Statutory Statements will be made available for inspection at the offices of the parties at whose offices documents are to be available for inspection as identified in "General Information" in the Offering Memorandum dated November 29, 2005.

Except as disclosed in the Offering Memorandum, as supplemented by this Supplement, or in any supplement thereto or hereto, including any Final Terms, there has been no other significant new factor, material mistake or inaccuracy relating to the information included in the Offering Memorandum since the publication of the Offering Memorandum.

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 Supplement 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.

Supplement dated March 13, 2006

ANNEX 1

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE NEW YORK LIFE INSURANCE COMPANY

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	61,232,690,842		61,232,690,842	55,967,519,011
2. Stocks (Schedule D):				
2.1 Preferred stocks	355,613,925		355,613,925	166,707,240
2.2 Common stocks	7,677,065,499		7,677,065,499	6,841,761,941
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	7,520,335,473		7,520,335,473	7,503,536,596
3.2 Other than first liens	214,429,332		214,429,332	205,895,035
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....	280,033,197		280,033,197	247,036,105
4.2 Properties held for the production of income (less \$15,437,171 encumbrances)	210,097,723		210,097,723	201,940,729
4.3 Properties held for sale (less \$ encumbrances)				13,179,476
5. Cash (\$389,521,258 , Schedule E, Part 1), cash equivalents (\$1,548,639,529 , Schedule E, Part 2) and short-term investments (\$1,149,902,879 , Schedule DA).....	3,088,063,666		3,088,063,666	2,590,251,639
6. Contract loans, (including \$1,513,793 premium notes)	5,957,749,201	406,541	5,957,342,660	5,793,739,887
7. Other invested assets (Schedule BA)	5,363,642,481	151,134,836	5,212,507,645	5,454,533,918
8. Receivables for securities	66,757,740		66,757,740	32,307,659
9. Aggregate write-ins for invested assets	33,115,627		33,115,627	465,923,736
10. Subtotals, cash and invested assets (Lines 1 to 9)	91,999,594,706	151,541,377	91,848,053,329	85,484,332,972
11. Title plants less \$ charged off (for Title insurers only).....				
12. Investment income due and accrued	971,195,743	42,638	971,153,105	927,368,813
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	252,081,282	9,367,962	242,713,320	168,457,851
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premium).....	963,554,731		963,554,731	905,792,926
13.3 Accrued retrospective premium.....				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	15,186,136		15,186,136	28,140,540
14.2 Funds held by or deposited with reinsured companies	4,681,625,520		4,681,625,520	4,534,704,496
14.3 Other amounts receivable under reinsurance contracts	36,541,527		36,541,527	2,232,425
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon	5,904,166		5,904,166	4,384,435
16.2 Net deferred tax asset.....	1,138,250,069	647,740,966	490,509,103	481,579,197
17. Guaranty funds receivable or on deposit	1,710,240		1,710,240	1,033,271
18. Electronic data processing equipment and software.....	118,634,961	118,634,961		
19. Furniture and equipment, including health care delivery assets (\$)	57,696,100	57,696,100		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	207,750,763		207,750,763	236,784,862
22. Health care (\$) and other amounts receivable.....	15,248,181	15,248,181		
23. Aggregate write-ins for other than invested assets	3,637,100,695	1,140,783,158	2,496,317,537	2,773,914,197
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	104,102,074,820	2,141,055,343	101,961,019,477	95,548,725,985
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	5,920,599,271		5,920,599,271	5,755,059,485
26. Total (Lines 24 and 25)	110,022,674,091	2,141,055,343	107,881,618,748	101,303,785,470
DETAILS OF WRITE-INS				
0901. Derivatives.....	33,115,627		33,115,627	465,923,736
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	33,115,627		33,115,627	465,923,736
2301. Amounts receivable on corporate owned life insurance.....	2,261,470,591		2,261,470,591	2,078,395,221
2302. Interest in annuity contracts.....	152,951,546		152,951,546	151,143,636
2303. Collateral assignments.....	64,127,731		64,127,731	65,827,757
2398. Summary of remaining write-ins for Line 23 from overflow page	1,158,550,827	1,140,783,158	17,767,669	478,547,583
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	3,637,100,695	1,140,783,158	2,496,317,537	2,773,914,197

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Aggregate reserve for life contracts \$61,782,541,273 (Exh. 5, Line 9999999) less \$ included in Line 6.3 (including \$371,049,562 Modco Reserve).....	61,782,541,273	59,708,539,503
2. Aggregate reserve for accident and health contracts (Exhibit 6, Line 17, Col. 1)(including \$889,863,541 Modco Reserve).....	1,738,391,293	1,608,004,996
3. Liability for deposit-type contracts (Exhibit 7, Line 14, Col. 1) (including \$ Modco Reserve)	16,228,268,891	13,661,080,576
4. Contract claims:		
4.1 Life (Exhibit 8, Part 1, Line 4.4, Col. 1 less sum of Cols. 9, 10 and 11).....	397,221,529	336,531,458
4.2 Accident and health (Exhibit 8, Part 1, Line 4.4, sum of Cols. 9, 10 and 11).....	77,667,707	74,823,155
5. Policyholders' dividends \$16,794,974 and coupons \$due and unpaid (Exhibit 4, Line 10).....	16,794,974	11,400,281
6. Provision for policyholders' dividends and coupons payable in following calendar year—estimated amounts:		
6.1 Dividends apportioned for payment (including \$211,000 Modco).....	1,412,581,584	1,347,537,423
6.2 Dividends not yet apportioned (including \$ Modco).....		
6.3 Coupons and similar benefits (including \$ Modco).....		
7. Amount provisionally held for deferred dividend policies not included in Line 6		
8. Premiums and annuity considerations for life and accident and health contracts received in advance less \$1,237,233 discount; including \$3,518,811 accident and health premiums (Exhibit 1, Part 1, Col. 1, sum of Lines 4 and 14).....	68,367,828	70,234,244
9. Contract liabilities not included elsewhere:		
9.1 Surrender values on canceled contracts.....		
9.2 Provision for experience rating refunds, including \$accident and health experience rating refunds.....	24,814,750	
9.3 Other amounts payable on reinsurance including \$47,438,580 assumed and \$19,178,335 ceded	66,616,915	20,344,272
9.4 Interest maintenance reserve (IMR Line 6).....	390,315,855	403,922,279
10. Commissions to agents due or accrued-life contracts and annuity contracts \$8,041,009 accident and health \$2,311,631 and deposit-type contract funds \$820	10,353,460	9,753,963
11. Commissions and expense allowances payable on reinsurance assumed.....	30,913,843	25,000,000
12. General expenses due or accrued (Exhibit 2, Line 12, Col. 6).....	524,751,569	429,069,027
13. Transfers to Separate Accounts due or accrued (net) (Including \$(112,942,298) accrued for expense allowances recognized in reserves, net of reinsured allowances).....	(117,131,142)	(129,884,103)
14. Taxes, licenses and fees due or accrued, excluding federal income taxes (Exhibit 3, Line 9, Col. 5).....	51,631,375	47,322,864
15.1 Current federal and foreign income taxes including \$108,587,810 on realized capital gains (losses).....	195,991,145	132,794,292
15.2 Net deferred tax liability.....		
16. Unearned investment income.....	1,413,148	3,273,482
17. Amounts withheld or retained by company as agent or trustee.....	437,386,561	382,525,622
18. Amounts held for agents' account, including \$21,260,478 agents' credit balances.....	21,260,478	23,876,114
19. Remittances and items not allocated.....	96,163,352	125,348,018
20. Net adjustment in assets and liabilities due to foreign exchange rates.....	24,208,633	26,389,493
21. Liability for benefits for employees and agents if not included above.....	888,894,787	794,149,906
22. Borrowed money \$1,734,255,872 and interest thereon \$1,454,991.....	1,735,710,863	1,585,770,477
23. Dividends to stockholders declared and unpaid.....		
24. Miscellaneous liabilities:		
24.1 Asset valuation reserve (AVR, Line 16, Col. 7).....	1,877,181,257	1,748,875,137
24.2 Reinsurance in unauthorized companies.....	5,969,692	2,361,341
24.3 Funds held under reinsurance treaties with unauthorized reinsurers.....		
24.4 Payable to parent, subsidiaries and affiliates.....	39,786,384	13,220,693
24.5 Drafts outstanding.....		
24.6 Liability for amounts held under uninsured accident and health plans.....		
24.7 Funds held under coinsurance.....		
24.8 Payable for securities.....	140,028,611	227,502,261
24.9 Capital notes \$and interest thereon \$		
25. Aggregate write-ins for liabilities.....	3,252,118,523	3,163,851,624
26. Total Liabilities excluding Separate Accounts business (Lines 1 to 25).....	91,420,215,138	85,853,618,398
27. From Separate Accounts Statement.....	5,912,308,647	5,742,384,811
28. Total Liabilities (Lines 26 and 27).....	97,332,523,785	91,596,003,209
29. Common capital stock.....		
30. Preferred capital stock.....		
31. Aggregate write-ins for other than special surplus funds.....		
32. Surplus notes.....	991,012,666	1,115,397,093
33. Gross paid in and contributed surplus (Page 3, Line 33, Col. 2 plus Page 4, Line 51.1, Col. 1).....		
34. Aggregate write-ins for special surplus funds.....		
35. Unassigned funds (surplus).....	9,558,082,297	8,592,385,168
36. Less treasury stock, at cost:		
36.1shares common (value included in Line 29 \$)		
36.2shares preferred (value included in Line 30 \$)		
37. Surplus (total Lines 31+32+33+34+35-36) (Including \$8,290,624 in Separate Accounts Statement).....	10,549,094,963	9,707,782,261
38. Totals of Lines 29, 30 and 37 (Page 4, Line 55).....	10,549,094,963	9,707,782,261
39. Totals of Lines 28 and 38 (Page 2, Line 26, Col. 3).....	107,881,618,748	101,303,785,470
DETAILS OF WRITE-INS		
2501. Liability for security lending.....	2,427,016,801	2,190,381,716
2502. Special reserves on certian group policies.....	286,460,801	228,945,295
2503. Derivat ives.....	171,951,586	339,584,820
2598. Summary of remaining write-ins for Line 25 from overflow page.....	366,689,335	404,939,793
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above).....	3,252,118,523	3,163,851,624
3101.		
3102.		
3103.		
3198. Summary of remaining write-ins for Line 31 from overflow page.....		
3199. Totals (Lines 3101 thru 3103 plus 3198)(Line 31 above).....		
3401.		
3402.		
3403.		
3498. Summary of remaining write-ins for Line 34 from overflow page.....		
3499. Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above).....		

SUMMARY OF OPERATIONS

(Excluding Unrealized Capital Gains and Losses)

	1 Current Year	2 Prior Year
1. Premiums and annuity considerations for life and accident and health contracts (Exhibit 1, Part 1, Line 20.4, Col. 1, less Col. 11)	9,272,263,026	8,632,921,049
2. Considerations for supplementary contracts with life contingencies	1,003,759	477,872
3. Net investment income (Exhibit of Net Investment Income, Line 17)	4,750,615,606	4,466,013,470
4. Amortization of interest maintenance reserve (IMR) (Line 5)	83,484,474	97,875,362
5. Separate Accounts net gain from operations excluding unrealized gains or losses	(47,263)	(8,672)
6. Commissions and expense allowances on reinsurance ceded (Exhibit 1, Part 2, Line 26.1, Col. 1)	27,603,122	38,348,978
7. Reserve adjustments on reinsurance ceded	(82,378,999)	(72,311,654)
8. Miscellaneous Income:		
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	10,170,199	10,822,279
8.2 Charges and fees for deposit-type contracts	25,863,636	23,687,418
8.3 Aggregate write-ins for miscellaneous income	558,791,232	4,648,929,888
9. Total (Lines 1 to 8.3)	14,647,368,792	17,846,755,990
10. Death benefits	1,943,159,242	1,550,453,485
11. Matured endowments (excluding guaranteed annual pure endowments)	11,889,209	11,749,853
12. Annuity benefits (Exhibit 8, Part 2, Line 6.4, Cols. 4 + 8)	949,535,846	890,618,215
13. Disability benefits and benefits under accident and health contracts	339,768,602	337,387,376
14. Coupons, guaranteed annual pure endowments and similar benefits		
15. Surrender benefits and withdrawals for life contracts	4,651,218,791	3,734,521,015
16. Group conversions	16,601,146	14,680,387
17. Interest and adjustments on contracts or deposit-type contract funds	615,146,233	384,954,765
18. Payments on supplementary contracts with life contingencies	3,329,569	3,323,293
19. Increase in aggregate reserves for life and accident and health contracts	2,078,168,307	7,278,457,070
20. Totals (Lines 10 to 19)	10,608,816,945	14,206,145,459
21. Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only) (Exhibit 1, Part 2, Line 31, Col. 1)	265,327,432	275,595,429
22. Commissions and expense allowances on reinsurance assumed (Exhibit 1, Part 2, Line 26.2, Col. 1)	154,013,829	28,409,711
23. General insurance expenses (Exhibit 2, Line 10, Cols. 1, 2, 3 and 4)	1,237,302,150	1,060,016,810
24. Insurance taxes, licenses and fees, excluding federal income taxes (Exhibit 3, Line 7, Cols. 1 + 2 + 3)	131,701,595	114,418,046
25. Increase in loading on deferred and uncollected premiums	1,330,143	5,393,101
26. Net transfers to or (from) Separate Accounts net of reinsurance	(95,009,329)	(154,732,767)
27. Aggregate write-ins for deductions	248,978,462	42,262,230
28. Totals (Lines 20 to 27)	12,552,461,227	15,577,508,019
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	2,094,907,565	2,269,247,971
30. Dividends to policyholders	1,476,770,648	1,412,998,161
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30)	618,136,917	856,249,810
32. Federal and foreign income taxes incurred (excluding tax on capital gains)	(101,298,942)	71,418,768
33. Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32)	719,435,859	784,831,042
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$ 186,158,333 (excluding taxes of \$ 37,626,643 transferred to the IMR)	478,863,343	199,381,878
35. Net income (Line 33 plus Line 34)	1,198,299,202	984,212,920
CAPITAL AND SURPLUS ACCOUNT		
36. Capital and surplus, December 31, prior year (Page 3, Line 38, Col. 2)	9,707,782,261	9,136,849,398
37. Net income (Line 35)	1,198,299,202	984,212,920
38. Change in net unrealized capital gains (losses)	(43,737,817)	190,378,406
39. Change in net unrealized foreign exchange capital gain (loss)	433,684,924	(170,335,207)
40. Change in net deferred income tax	(154,085,389)	37,929,009
41. Change in nonadmitted assets and related items	67,691,820	66,709,698
42. Change in liability for reinsurance in unauthorized companies	(3,608,351)	(1,620,287)
43. Change in reserve on account of change in valuation basis, (increase) or decrease (Exhibit 5A, Line 9999999, Col. 4)	(126,219,760)	(96,341,008)
44. Change in asset valuation reserve	(128,306,120)	(362,817,472)
45. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Col. 2 minus Col. 1)		
46. Surplus (contributed to) withdrawn from Separate Accounts during period		
47. Other changes in surplus in Separate Accounts Statement	(4,336,787)	12,430,981
48. Change in surplus notes	(124,384,427)	337,188
49. Cumulative effect of changes in accounting principles	(271,791,885)	5,675,219
50. Capital changes:		
50.1 Paid in		
50.2 Transferred from surplus (Stock Dividend)		
50.3 Transferred to surplus		
51. Surplus adjustment:		
51.1 Paid in		
51.2 Transferred to capital (Stock Dividend)		
51.3 Transferred from capital		
51.4 Change in surplus as a result of reinsurance		
52. Dividends to stockholders		
53. Aggregate write-ins for gains and losses in surplus	(1,892,708)	(95,626,584)
54. Net change in capital and surplus for the year (Lines 37 through 53)	841,312,702	570,932,863
55. Capital and surplus, December 31, current year (Lines 36 + 54) (Page 3, Line 38)	10,549,094,963	9,707,782,261
DETAILS OF WRITE-INS		
08.301. Adjustment in funds withheld	290,315,035	4,534,704,496
08.302. Sundries	268,476,197	114,225,392
08.303.		
08.398. Summary of remaining write-ins for Line 8.3 from overflow page		
08.399. TOTALS (Lines 08.301 thru 08.303 plus 08.398) (Line 8.3 above)	558,791,232	4,648,929,888
2701. Reserve adjustment on reinsurance assumed	163,143,710	
2702. Change in special reserves on certain group policies	57,515,506	36,125,295
2703. Change in liability for agents' benefit plans	28,240,000	5,365,000
2798. Summary of remaining write-ins for Line 27 from overflow page	79,246	771,935
2799. TOTALS (Lines 2701 thru 2703 plus 2798) (Line 27 above)	248,978,462	42,262,230
5301. Change in special reserves on certain group annuity contracts	26,595,158	(9,086,730)
5302. Ceding commission	(2,702,895)	(2,702,895)
5303. Prior period correction	(5,000,000)	(70,046,200)
5398. Summary of remaining write-ins for Line 53 from overflow page	(20,784,971)	(13,790,759)
5399. TOTALS (Lines 5301 thru 5303 plus 5398) (Line 53 above)	(1,892,708)	(95,626,584)

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance.....	9,160,334,522	8,536,383,983
2. Net investment income	4,568,151,021	4,290,857,016
3. Miscellaneous income	297,410,101	193,046,306
4. Total (Lines 1 to 3)	14,025,895,644	13,020,287,305
5. Benefits and loss related payments	7,966,284,502	6,652,377,576
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....	(107,961,797)	(36,670,011)
7. Commissions, expenses paid and aggregate write-ins for deductions	1,840,006,878	1,514,794,869
8. Dividends paid to policyholders	1,406,340,258	1,360,554,319
9. Federal and foreign income taxes paid (recovered) \$ 142,602,061 net of tax on capital gains (losses)	60,808,912	138,094,885
10. Total (Lines 5 through 9)	11,165,478,753	9,629,151,638
11. Net cash from operations (Line 4 minus Line 10)	2,860,416,891	3,391,135,667
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	22,229,849,760	26,812,524,638
12.2 Stocks	5,813,181,254	10,130,244,216
12.3 Mortgage loans	1,354,460,088	1,292,061,989
12.4 Real estate	623,089,365	187,327,636
12.5 Other invested assets	18,223,942,713	16,746,812,504
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(5,954,875)	1,691,542
12.7 Miscellaneous proceeds	(8,027,022)	115,695,666
12.8 Total investment proceeds (Lines 12.1 to 12.7)	48,230,541,283	55,286,358,191
13. Cost of investments acquired (long-term only):		
13.1 Bonds	27,302,452,588	30,280,620,305
13.2 Stocks	5,894,613,638	10,700,919,797
13.3 Mortgage loans	1,386,393,535	1,445,007,535
13.4 Real estate	84,425,900	82,640,483
13.5 Other invested assets	18,063,880,492	16,109,754,681
13.6 Miscellaneous applications	233,933,832	(123,100,177)
13.7 Total investments acquired (Lines 13.1 to 13.6)	52,965,699,985	58,495,842,624
14. Net increase (or decrease) in contract loans and premium notes	163,553,404	77,140,740
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(4,898,712,106)	(3,286,625,173)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	(124,709,761)	
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds	(347,144,973)	(746,674,990)
16.4 Net deposits on deposit-type contracts and other insurance liabilities	2,425,963,790	2,306,704,530
16.5 Dividends to stockholders		
16.6 Other cash provided (applied).....	581,998,186	(1,536,960,098)
17. Net cash from financing and miscellaneous sources (Line 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	2,536,107,242	23,069,442
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	497,812,027	127,579,936
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	2,590,251,639	2,462,671,703
19.2 End of period (Line 18 plus Line 19.1).....	3,088,063,666	2,590,251,639

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001. Conversion of debt investment to equity investment.....	16,001,979	20,261,925
20.0002. Conversion of investment in preferred stock to common stock.....		13,612,631
20.0003. Common stock received upon sale of real estate.....		494,243
20.0004. Real estate received in satisfaction of debt.....	34,500,000	

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

- A. The accompanying financial statements of New York Life Insurance Company ("the Company") have been prepared using accounting practices prescribed or permitted by the New York State Insurance Department.

The New York State Insurance Department recognizes only statutory accounting practices prescribed or permitted by the state of New York for determining and reporting the financial condition 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 or permitted practices by the state of New York. Prescribed statutory accounting practices include state laws and regulations. New York State has certain prescribed accounting practices that differ from those found in NAIC SAP. 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.

Specifically, material differences include: (1) Electronic Data Processing ("EDP") equipment and operating software may only be admitted under New York Insurance Law if the individual cost exceeds fifty thousand dollars, whereas NAIC SAP allows these items to be admitted assets, subject to a 3% limitation of the Company's capital and surplus. (2) The value of aircraft held by a non-insurance subsidiary that has no significant ongoing operations is permitted to be carried as an admitted asset if approved by the Superintendent of Insurance, whereas NAIC SAP requires that it be excluded from the subsidiary's GAAP equity value carried in surplus. (3) Goodwill, whether held directly or by a subsidiary (insurance or non-insurance) is nonadmitted and reduces surplus of the Company, whereas NAIC SAP permits goodwill to be carried as an asset. (4) New York State required the Company to establish an indemnity reserve equal to 10% of the face value of its surplus note issuance. This reserve is not required under NAIC SAP. (5) Prepaid real estate taxes may be capitalized and are admissible under New York State Insurance Law, whereas NAIC SAP requires that they be capitalized, nonadmitted, and charged against surplus.

For the years ended December 31, 2005 and 2004, there were no differences in net income between NAIC SAP and practices prescribed by the state of New York. A reconciliation of the Company's surplus at December 31, 2005 and 2004 between NAIC SAP and practices prescribed by the state of New York is shown below:

	<u>December 31,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
Statutory Surplus, New York basis	\$10,549,094,963	\$9,707,782,261
State Prescribed Practices:		
1. EDP equipment, net	36,034,728	48,291,253
2. Aircraft owned by subsidiary, net	(23,433,375)	(24,677,625)
3. Goodwill of non-insurance subsidiaries	215,336,921	-
4. Surplus notes indemnity reserve	100,000,000	100,000,000
5. Prepaid real estate taxes	<u>(718,798)</u>	<u>(360,515)</u>
Statutory Surplus, NAIC SAP	<u>\$10,876,314,439</u>	<u>\$9,831,035,374</u>

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 \$447 million. These higher direct reserves reduced pre-tax net gain for the year ended December 31, 2005 by approximately \$40 million.

- B. 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.
- C. Life premiums and annuity considerations are taken into income over the premium-paying period of the policies. Commissions and other costs associated with acquiring new business are charged to operations as incurred. Guaranteed investment contracts ("GIC") with purchase rate guarantees, which introduce an element of mortality risk, are recorded as income when received. Maturation of GICs with purchase rate guarantees are reported as payments on matured contracts. Amounts received or paid under contracts without mortality or morbidity risk are recorded directly on the balance sheet as an adjustment to the account balance and not reflected in the Summary of Operations.

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.

The liability for dividends to policyowners 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.

In addition, the Company uses the following accounting policies:

- Short-term investments consist of securities that have original maturities of greater than three months and less than twelve months at date of purchase 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 carried at amortized cost, which approximates fair value.
- Bonds not backed by loans are stated at amortized cost using the interest method. Bonds in default are stated at the lower of amortized cost or fair value. For publicly traded bonds, estimated fair value is determined using quoted market prices. For bonds without a readily ascertainable fair value, the Company has determined an estimated fair value using a discounted cash flow approach, broker-dealer quotations or management's pricing model. The cost basis of bonds is adjusted for impairments in value deemed to be other than temporary, with the associated realized loss reported in net income.
- Unaffiliated common stocks are carried at fair value. Fair value has been determined using quoted market prices for publicly traded securities and broker-dealer quotations or management's pricing model for private placement securities. Unrealized gains and losses are reflected in surplus, net of deferred taxes. The cost basis of common stocks is adjusted for impairments in value deemed to be other than temporary, with the associated realized loss reported in net income.

NOTES TO FINANCIAL STATEMENTS

4. Preferred stocks in "good standing" are valued at amortized cost. Preferred stocks "not in good standing" are valued at the lower of amortized cost or fair value. Fair values of preferred stocks are based on published market values, where available. For preferred stocks without a readily ascertainable market value, the Company has determined an estimated fair value using a discounted cash flow approach, broker-dealer quotations, or management's pricing model. The cost basis of preferred stocks is adjusted for impairments in value deemed to be other than temporary, with the associated realized loss reported in net income.
5. Mortgage loans on real estate are carried at unpaid principal balances, net of discounts/premiums and valuation allowances, and are secured. 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, the Company will be unable to collect all amounts due under the contractual terms of the loan agreement. Specific valuation allowances are based on the fair value of the collateral. Fair value is determined by discounting the projected cash flows for each property to determine the current net present value.

Real estate held for income production 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. Depreciation of real estate 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.
6. Loan-backed bonds and structured securities are valued at amortized cost using the interest method including anticipated prepayments at the date of purchase; changes in prepayment speeds and estimated cash flows from the original purchase assumptions are evaluated quarterly and are accounted for on a retrospective yield adjustment method. The cost basis of loan-backed bonds and structured securities is adjusted for impairments in value deemed to be other than temporary, with the associated realized loss reported in net income.
7. Investments in subsidiaries are stated as follows: (1) domestic insurance subsidiaries are stated at the value of their underlying U.S. statutory net assets; (2) foreign insurance operations that have U.S. GAAP audits are stated at U.S. GAAP equity adjusted for certain assets that are disallowed under the statutory basis of accounting, otherwise, the investment is nonadmitted; (3) non-insurance subsidiaries are carried at U.S. GAAP equity, adjusted for the removal of goodwill, 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; (4) the Company's 16.5% ownership in Express Scripts Inc. ("ESI"), a publicly traded company is carried at a 3% discount to market value. Dividends and distributions from subsidiaries are recorded in investment income when declared and changes in the equity of subsidiaries are recorded as unrealized gains or losses.
8. Limited partnerships and limited liability companies are carried at the underlying audited U.S. GAAP equity of the investee and are adjusted for impairments that are other than temporary. The Company nonadmits the entire investment where no U.S. GAAP audit is performed. Real estate joint ventures are recorded based on their underlying GAAP equity. Dividends and distributions from limited partnerships and limited liability companies are recorded in investment income. Undistributed earnings are included in unrealized gains and losses and are reflected in surplus, net of deferred taxes.
9. Derivative instruments that are effective hedges are valued consistent with the items being hedged. Investment income is recorded on an accrual basis. Amounts payable or receivable under interest rate and currency swap agreements are recognized as investment income or expense when incurred. Gains and losses related to contracts that are effective hedges on specific assets and liabilities are recognized in income in the same period as a gain or loss on the hedged asset or liability. Realized gains and losses are recognized in net income upon termination or maturity of derivative contracts. Options purchased or written are carried at fair value and are reported as assets or liabilities, as appropriate. Derivative instruments that do not qualify as effective hedges are carried at fair value with unrealized gains and losses reported in surplus, net of deferred taxes. Periodic payments received during the term of the swap are reported in realized gains or losses for hedges that are not highly effective.
10. The Company does not utilize anticipated investment income as a factor in the premium deficiency calculation.
11. Unpaid losses and loss adjustment expenses for accident and health contracts include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.
12. The Company has not changed its capitalization policy from the prior year.
13. The Company does not have any pharmaceutical rebates receivable.

2. Accounting Changes and Corrections of Errors

- A. Accounting changes adopted to conform to the provisions of NAIC SAP manual are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle. 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.

Effective January 1, 2005, the NAIC issued SSAP 88 - "Investment in Subsidiaries Controlled and Affiliated (SCA) Entities, a replacement of SSAP 46", that provides new statutory accounting guidance for the valuation of: (1) foreign insurance subsidiaries, (2) certain non-insurance subsidiaries (domestic and foreign), and (3) limited partnerships where the Company has a controlling interest. The impact on beginning statutory surplus resulting from implementation of the accounting guidance decreased surplus by \$56,454,964.

NOTES TO FINANCIAL STATEMENTS

SSAP 88 also changed the accounting for goodwill on foreign insurance companies and non-insurance companies. For foreign insurance companies, goodwill is permitted up to 10% of the underlying audited U.S. GAAP equity. For most non-insurance companies, the value is determined using audited U.S. GAAP equity, with all goodwill and intangibles admissible. However, New York State did not adopt SSAP No. 88 in its entirety, in particular as it relates to goodwill. New York State requires that goodwill held by a subsidiary (insurance and non-insurance) be excluded from U.S. GAAP equity when determining its statutory valuation. As a result, the Company non-admitted the remaining goodwill and intangible assets inherent in its statutory valuation of its subsidiaries, which reduced surplus by \$215,336,921.

Prior Period Corrections

As part of the disposal of the Company's NYLCare operations to Aetna in 1998, a receivable was established for reimbursement of the Cost Stabilization Reserve ("CSR") the Company was entitled to receive. The CSR represented the excess premiums previously paid to NYLCare to cover potential adverse experience or to reduce future premium levels. However, the receivable was inadvertently recorded twice resulting in an overstatement to assets and surplus of \$5,000,000. Therefore in 2005, the duplicate accrual was released and recorded as a prior period adjustment to surplus.

Reserve Basis Changes

In 2005, AARP Group Life reserves were strengthened for two blocks of business by \$7,149,753 to provide additional reserve adequacy. Reserves for guaranteed acceptance products, which were valued using the 1980 CSO Table without adjustment, were increased to reflect the use of mortality rates to a level consistent with experience. Also, reserves on major plans previously valued at a 4.5% interest rate were strengthened by reducing the valuation interest rate to 4%.

During 2005, in light of the low interest rate environment, the Company lowered the valuation interest rates on structured settlement contracts with a 2004 year of issue, resulting in an increase in statutory reserves. The change in reserve valuation basis resulted in a \$119,070,007 charge to surplus.

3. Business Combinations and Goodwill

Not applicable.

4. Discontinued Operations

Not applicable.

5. Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

(1) The maximum and minimum lending rates for mortgage loans funded during 2005 were:

Commercial loans 10.40% and 3.68%, residential loans 5.75% and 4.00%

(2) There were no mortgage loans with interest waivers or rate reductions.

(3) 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 79.7%. The maximum percentage of any residential loan to the value of the security at the time of the loans was 80.0%.

	<u>December 31</u> <u>2005</u>	<u>December 31</u> <u>2004</u>
(4) Mortgages with interest more than 180 days past due with a recorded investment, excluding accrued interest	-	-
a. Total interest due on mortgages with interest more than 180 days past due	-	-
(5) Taxes, assessments and any amounts advanced and not included in the mortgage loan total	-	-
(6) Current year impaired loans with related allowance for credit losses	-	121,800,000
a. Related allowance for credit losses	-	33,549,373
(7) Impaired mortgage loans without an allowance for credit losses	-	-
(8) Average recorded investment in impaired loans	60,900,000	97,265,741
(9) Interest income recognized during the period the loans were impaired	1,643,065	11,959,417
(10) Amount of interest income recognized on a cash basis during the period the loans were impaired	1,643,065	11,029,227
(11) Allowance for credit losses:		
I. Beginning balance	\$33,549,373	\$13,044,957
II. Additions charged to operations	13,754,551	29,829,516
III. Direct write-downs charged against the allowance	(9,413,185)	-
IV. Recoveries of amounts previously charged off	(805,631)	(3,552,891)
V. Reduction due to sale	<u>(37,085,108)</u>	<u>(5,772,209)</u>
VI. Ending balance	<u>\$ -</u>	<u>\$ 33,549,373</u>

(12) When a loan is determined to be in default (per the contractual terms of the loan), the accrued interest on the loan is recorded as investment income due and accrued if deemed collectible. If a loan in default has any investment income due and accrued that is 90 days past due and collectible, the investment income shall continue to accrue, but all interest related to the loan is reported as a nonadmitted asset. If accrued interest on a mortgage loan in default is not collectible, the accrued interest is written off immediately and no further interest is accrued.

NOTES TO FINANCIAL STATEMENTS

- B. Debt Restructuring**
- | | December 31,
2005 | December 31,
2004 |
|--|----------------------|----------------------|
| (1) The total recorded investment in restructured loans, as of year end | \$ - | \$44,788,920 |
| (2) The realized capital losses related to these loans
(Loss on foreclosure of restructured loan) | (9,413,185) | - |
| (3) Total contractual commitments to extend credit to debtors owning
receivables whose terms have been modified in troubled debt
restructuring | - | - |
| (4) The Company accrues interest income on impaired loans to the extent it is deemed collectible (delinquent less than
90 days) and the loan continues to perform under its original or restructured contractual terms. Interest income on
non-performing loans is generally recognized on a cash basis. | | |
- C. Reverse Mortgages**
- The Company does not have any reverse mortgages.
- D. Loan-Backed Securities**
- (1) The Company has elected to use the book value as of January 1, 1993 as the cost for applying the retrospective method to securities purchased prior to January 1, 1993 where historical cash flows are not readily available.
- (2) Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from internal estimates and Salomon Yield Book.
- (3) There was no change in methodology due to negative yield on specific securities.
- E. Repurchase agreements**
- The Company enters into agreements to sell and repurchase securities for the purpose of enhancing income on securities held. Under these agreements, the Company obtains the use of funds from a broker for generally one month. Cash collateral received is invested in short-term investments and the offsetting collateral liability recorded is considered fair value. At December 31, 2005, the Company had repurchase agreements totaling \$89,316,375 at an average coupon rate of 5.18%.
- For reverse repurchase agreements, the Company has a minimum collateral threshold of \$250,000 to cover its exposure in the fair value of the investment. Collateral received is invested in short-term investments and the offsetting collateral liability is considered to be fair value. At December 31, 2005, the Company did not have reverse repurchase agreements outstanding.
- F. Real Estate**
- 1(a) – 1(c) The Company had no impairments recorded on its real estate during 2005.
- 2(a) – 2(e) The Company does not engage in any land sale operations.
- 6. Joint Ventures, Partnerships and Limited Liability Companies**
- A. The Company has no investments in joint ventures, partnerships or limited liability companies that exceed 10% of its admitted assets.
- B. In 2005, the Company recognized \$24,508,426 in impairment write-downs on its investments in limited partnerships and limited liability companies. The impairment write-downs were based on facts and circumstances surrounding the ultimate recovery of the cost of the limited partnerships and limited liability companies and is derived from the investment results of the underlying assets within the limited partnerships and limited liability companies.
- 7. Investment Income**
- A. Due and accrued investment income is excluded from surplus on the following bases:
- Bonds—generally excluded when collection is uncertain.
- Stocks—generally excluded when amounts are over 90 days past due.
- Mortgage loans— excluded when the loan is delinquent more than 90 days or collection is uncertain.
- Real estate— excluded when rents are over 90 days past due or collection is uncertain.
- Limited partnerships—excluded when collection is 90 days past due or considered uncertain.
- Derivative instruments— excluded when collection is 90 days past due or considered uncertain.
- B. The amount of investment income due and accrued in 2005 that was non-admitted and excluded from surplus was \$42,638.
- 8. Derivative Instruments**
- A-C. The Company uses derivative financial instruments to manage interest rate, currency, and market risk. These derivative financial instruments include foreign exchange forward contracts, commodity and interest rate and equity put options, equity total return swaps, interest rate swaps, credit default swaps and currency swaps. The Company does not engage in derivative financial instrument transactions for speculative purposes.
- The Company deals with highly rated counterparties and does not expect the counterparties to fail to meet their obligations under the contracts. The Company has controls in place to monitor credit exposures by limiting transactions with specific counterparties within specified dollar limits and assessing the creditworthiness of counterparties. The Company uses master netting agreements and adjusts transaction levels, when appropriate, to minimize risk. See Note 16 for a discussion of counterparty risk.

NOTES TO FINANCIAL STATEMENTS

1. Interest Rate Risk

The Company enters into various types of interest rate contracts primarily to minimize exposure of specific assets and liabilities held by the Company to fluctuations in interest rates.

Interest rate swaps are agreements with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional value. Generally, no cash is exchanged at the onset of the contract and no principal payments are made by either party. A single net payment is usually made by one counterparty at each interest due date. At December 31, 2005, the Company had 122 open contracts for interest rate swaps at a notional amount of \$2,048,993,000 with a fair value of \$92,474,464 and a carrying value of \$16,007,682. During the term of the swap, net settlement amounts are recorded as investment income or expense.

Interest rate option contracts entered into by the Company hedge the risk of increasing interest rates on policyholder liability obligations. The Company will receive payments from counterparties should an agreed upon interest rate level be reached. Payments will continue to increase under the option contract until an agreed upon interest rate ceiling. Changes in market values of open contracts are recognized in surplus as unrealized gains or losses, net of deferred taxes. At December 31, 2005, the Company has 1 open contract at a notional amount of \$920,369,306 with a fair value and carrying value of \$5,473,853. The Company did not have any interest rate option contracts at December 31, 2005.

2. Currency Risk

The Company enters into foreign currency swaps and foreign exchange forward contracts primarily as a hedge against foreign currency fluctuations. The primary purpose of the Company's foreign currency hedging activities is to protect it from the risk that the value of foreign currency denominated assets and liabilities and net investments in foreign subsidiaries will be adversely affected by changes in exchange rates. At December 31, 2005, the Company had 40 open contracts for foreign currency swaps in 7 currencies at a notional amount of \$4,346,406,928, with a fair value of \$57,749,830 and a carrying value of \$(19,855,050).

The Company's foreign exchange forward contracts involve the exchange of 5 currencies at a specified future date and at a specified price. The average term of the contracts is three to six months. No cash is exchanged at the time the agreement is entered into. At December 31, 2005, the Company had 18 open foreign exchange forward contracts at a notional amount of \$165,994,169 with a fair value and a carrying value of \$(546,260).

The Company did not have any outstanding purchased or written foreign currency options as of December 31, 2005.

3. Market Risk

The Company enters into total return equity swaps and equity put options to minimize exposure to the market risk associated with underlying equities, mutual funds and liabilities. In addition, the Company uses commodity options to hedge the impact of higher oil prices on limited partnership investments. At December 31, 2005, the Company had 1 open contract for total return equity swaps at a notional amount of \$38,899,565, and a fair value and a carrying value of \$(213,787) and 12 open contracts of commodity options at a notional amount of \$2,383,570,000, and a fair value and carrying value of \$39,508,495. At December 31, 2005, the Company had 13 open contracts of equity put options at a notional value of \$5,560,500 and a fair value and carrying value of \$22,895.

4. Income Generation Transactions

The Company had no outstanding written covered options at December 31, 2005.

5. Replication Transactions

The Company entered into derivative transactions as part of replicated synthetic asset transactions. As part of the replications, the Company entered into credit default swaps and total return equity swaps to reproduce otherwise permissible investments. At December 31, 2005, the Company had 17 open contracts at a notional amount of \$170,000,000 with a fair value of \$(606,727), and no carrying value. See Schedule DB, Part F for additional details.

6. Hedge Effectiveness

To qualify as a hedge, the hedge relationship is designated and formally documented at inception detailing the particular risk management objective and strategy for the hedge which includes the item and risk that is being hedged, the derivative that is being used, as well as how effectiveness is being 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 measures 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 is within 80-125% of the inverse changes in the fair value of or discounted cash flows of the hedged item. The Company discontinues hedge accounting prospectively if; (i) it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item, (ii) the derivative expires or is sold, terminated, or exercised, (iii) it is probable that the forecasted transaction will not occur, or (iv) management determines that designation of the derivative as a hedge instrument is no longer appropriate.

Cash flow hedges hedge the variability of cash flows related to floating rate securities, securities that are exposed to foreign exchange risk and liabilities that are exposed to foreign exchange risk. The Company's cash flow hedges primarily include hedges of floating rate securities and foreign currency denominated assets and liabilities. The assessment of hedge effectiveness for cash flow hedges of interest rate risk excludes amounts relating to risks other than exposure to the benchmark interest rate. The Company hedges the forecasted purchases of fixed rate securities. There were no gains and losses related to cash flow hedges of forecasted transactions that have been discontinued because it was no longer probable that the original forecasted transactions would occur by the end of the originally specified time period.

For fair value hedges, in which derivatives hedge the fair value of assets and liabilities, changes in the fair value of derivatives are reported based on how the change in the fair value of the underlying asset or liability being hedged is reported.

For derivative instruments which hedge the foreign currency exposure of a net investment in a foreign operation that meet the criteria of an effective hedge, the change in the fair value is reflected in unrealized gains and losses as part of the foreign currency translation adjustment. Derivatives that do not meet the criteria of an effective hedge that are hedging the net investment of a foreign operation are carried at fair value with changes in fair value reflected in unrealized gains and losses. Unrealized losses for foreign currency translation adjustments of \$31,811,612 were reported for the year ended December 31, 2005.

NOTES TO FINANCIAL STATEMENTS

Derivative instruments that do not meet the criteria of an effective hedge are accounted for at fair value and the changes in the fair value recorded in surplus as unrealized gains or losses (net of deferred tax).

- D. No unrealized gains or losses recognized on derivatives designated as hedges were excluded from the assessment of effectiveness for the year ended December 31, 2005.
- E. No hedging transactions were discontinued for the year ended December 31, 2005 due to hedge ineffectiveness.
- F. Cash flow hedges of forecasted transactions hedge the interest rate of future fixed rate bond purchases over a 3 month to 30 year period

9. **Income Taxes**

- A. The components of the net deferred tax asset are as follows:

	December 31, 2005	December 31, 2004
1. Gross deferred tax assets (DTA's)	\$ 2,003,020,740	\$ 2,027,605,511
2. Gross deferred tax liabilities (DTL's)	<u>864,770,671</u>	<u>634,082,828</u>
Net deferred tax asset	<u>\$1,138,250,069</u>	<u>\$1,393,522,683</u>
3. Net deferred tax assets nonadmitted	647,740,966	911,943,485
4. Net deferred tax assets – Admitted (1) - (2) - (3)	490,509,103	481,579,198
5. Decrease in deferred taxes nonadmitted	\$ (264,202,519)	\$ (127,885,540)

- B. Disclosure Regarding FAS-109, Paragraph 31 Differences: Not applicable

- C. Significant components of income taxes incurred and the changes in DTA's and DTL's are as follows:

1. Current income tax expense:	December 31, 2005	December 31, 2004	
Current year U.S. income tax	\$ (102,509,193)	\$ 70,267,273	
Current year foreign income tax	<u>1,210,251</u>	<u>1,151,495</u>	
Income tax incurred (Sum. Of Op., line 32)	(101,298,942)	71,418,768	
Capital gains tax incurred	<u>223,784,976</u>	<u>207,982,276</u>	
Total current income taxes incurred	<u>\$ 122,486,034</u>	<u>\$ 279,401,044</u>	
2. Change in DTA's and DTL's			Change Increase/ (Decrease)
DTA's resulting from book/tax differences in:	December 31, 2005	December 31, 2004	
Policy reserves	\$ 551,787,751	\$ 639,059,608	\$ (87,271,857)
Deferred acquisition costs	424,622,771	416,404,116	8,218,655
Employee and agent benefits	504,153,329	462,175,609	41,977,720
Nonadmitted assets	63,230,766	48,210,866	15,019,900
Dividend provision	349,853,782	335,747,096	14,106,686
Investments	94,352,869	102,498,095	(8,145,226)
Other	<u>15,019,472</u>	<u>23,510,121</u>	<u>(8,490,649)</u>
Gross deferred tax asset	<u>\$ 2,003,020,740</u>	<u>\$ 2,027,605,511</u>	<u>\$ (24,584,771)</u>
DTL's resulting from book/tax differences in:			
Investments	<u>\$ 864,770,671</u>	<u>\$ 634,082,828</u>	<u>\$ 230,687,843</u>
Gross deferred tax liability	<u>\$ 864,770,671</u>	<u>\$ 634,082,828</u>	<u>\$ 230,687,843</u>
Net deferred tax asset	<u>\$ 1,138,250,069</u>	<u>\$ 1,393,522,683</u>	<u>\$ (255,272,614)</u>
Deferred tax on unrealized gains/(losses)			<u>101,187,225</u>
Change in deferred income tax (Pg 4, Ln. 40)			<u>\$ (154,085,389)</u>

3. For the year ended December 31, 2005, the Company had investment tax credits of \$45,817,835.
4. The Company has no net operating loss carryforwards.
5. The Company had no adjustments of a DTA or DTL for enacted changes in tax laws or rates, or a change in the tax status.

NOTES TO FINANCIAL STATEMENTS

- D. The Company's income tax expense and change in DTA's/DTL's at December 31, 2005 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:

	<u>Amount</u>
Net Gain from Operations after Dividends to Policyholders and Before Federal Income Taxes @ 35%	\$ 216,347,921
Net realized capital gains at 35%	<u>270,384,229</u>
Tax exempt income	(36,386,052)
Tax credits (net)	(50,134,774)
Amortization of IMR	(29,219,566)
Dividends from subsidiaries	(7,000,000)
Contiguous country branch income	(7,327,950)
Change in reserve on account of change in valuation bases	(44,176,916)
Prior period corrections	(34,399,345)
Nonadmitted assets	(15,019,900)
Audit liability provision	21,411,751
Accruals in surplus	(10,055,659)
Other	<u>2,147,683</u>
Income Tax Incurred and Change in Net Deferred Tax Asset During Period	<u>\$ 276,571,423</u>
Federal income taxes reported in the Summary of Operations	(101,298,942)
Capital gains tax incurred	223,784,976
Change in net deferred income taxes	<u>154,085,389</u>
Total statutory income taxes	<u>\$276,571,423</u>

- E. The following are income taxes incurred in current and prior years that will be available for recoupment in the event of future net losses.

2005	186,375,000
2004	200,065,564
2003	100,985,610

- F. The Company's federal income tax return is consolidated with the following entities:

- i. New York Life Insurance and Annuity Corporation ("NYLIAC")
- ii. NYLIFE Insurance Company of Arizona ("NYLAZ")
- iii. NYLIFE LLC and its domestic affiliates ("NYLIFE LLC")
- iv. New York Life Investment Management Holdings LLC and its subsidiaries ("NYLIM")
- v. New York Life International, LLC and its domestic subsidiaries ("NYLI")

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. The 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 in the consolidated group. Intercompany tax balances are settled quarterly on an estimated basis with a final settlement within 30 days of the filing of the consolidated return.

10. Information Concerning Parent, Subsidiaries, and Affiliates

- A-C. During 2005, the Company made the following capital contributions to its insurance and holding company subsidiaries:

NYLIAC	\$ -
NYLAZ	-
NYLIFE LLC	-
NYLIM	6,148,076
NYLI	95,838,015
HAIER	<u>3,624,800</u>
Total	<u>\$105,610,891</u>

Pursuant to the plan of liquidation adopted in 2001, New York Life International, Inc. was dissolved effective December 31, 2005. Effective December 31, 2005, New York Life International, Inc.'s Taiwan and Argentina subsidiaries were transferred to New York Life International, LLC.

On April 27, 2005, NYLI and the Company entered into a Participation Agreement related to NYLI's direct investment in Class C shares of the New York Life International India Fund (Mauritius) LLC. In accordance with the Participation Agreement, the Company advanced \$4,000,000 to NYLI towards the partial purchase price of the Class C shares for the right to receive a 52.63% beneficial interest in such shares. In addition, the Company agreed to fund expenses attributable to such beneficial interest in such Class C shares and also agreed to receive any distribution annually through NYLI and participate in any capital call relating to the payment of management fees and other fund expenses by funding payment directly to NYLI on a pro-rata annual basis.

The Company received a dividend distribution from NYLIM of \$20,000,000, which is included in net investment income.

NOTES TO FINANCIAL STATEMENTS

- D. The Company executed a promissory note with NYLIFE LLC, dated August 22, 2001, whereby NYLIFE LLC loaned the Company \$238,888,563. The note has a par value of \$243,225,000 and an interest rate of 3.3% per annum. Interest on the note is payable quarterly until maturity on August 21, 2011. During 2005, the Company made \$8,026,425 in coupon interest payments. At December 31, 2005, the amount due under this note totaled \$241,685,557, including \$914,121 in accrued interest.

At December 31, 2005, the Company reported a net amount of \$167,964,382 due from subsidiaries and affiliates. Generally, the terms of the settlement require that these amounts be settled in cash within ninety days.

During August 2003, the Company transferred without recourse several private placement debt securities to Madison Capital Funding LLC ("MCF"). MCF is a wholly-owned subsidiary of NYLIM Holdings LLC, which is in turn a wholly-owned subsidiary of the Company. MCF paid for the purchase price of the securities transferred by delivering to the Company promissory notes with terms identical to the securities transferred. At December 31, 2005, the outstanding balance payable to the Company totaled \$23,712,993. During 2005, the Company received interest payments from MCF totaling \$1,661,260, which is included in net investment income.

The Company has a revolving loan agreement with MCF dated April 16, 2001, as amended, with MCF to provide funding to MCF in an amount up to \$1,800,000,000. The amount loaned cannot exceed 3% of the Company's admitted assets of December 31 of the prior year. Terms of the loan specify that quarterly interest be paid on 85% of the outstanding balance in cash based on the 90 day LIBOR rate plus a spread based on an agreed formula, with interest on the remaining 15% compounded quarterly. Effective June 1, 2003, the MCF loan agreement was amended to provide that a portion of the loan used to acquire equity investments would earn interest at 10% per annum, payable quarterly. The principal balance and compounded interest is not due until maturity in April 2011. The Company recorded \$72,014,507 in interest income for the year ended December 31, 2005. At December 31, 2005, the Company had outstanding loans receivable from MCF of \$1,163,412,222.

The Company has a loan agreement with NYLI associated with proceeds deposited with the Company from capital contributions. NYLI did not have an immediate need for the cash and as a result, loaned the proceeds to the Company to earn a return based on the general account investments. Interest is credited quarterly at an effective annual interest rate of 5% less an investment management fee of 5.5 basis points. The investment income earned on the loan balance is capitalized to the loan. The effective termination date of this arrangement is March 31, 2006, but either party may also terminate this arrangement with a minimum 3 months notice. During 2005, interest expense of \$2,493,435 was capitalized to the loan resulting in an outstanding payable to NYLI of \$59,489,577 at December 31, 2005.

New York Life Capital Corporation ("NYLCC"), a wholly-owned subsidiary of NYLIFE, LLC, entered into a credit agreement with the Company dated October 1, 1997, as amended, whereby NYLCC has agreed to make loans to the Company in an amount up to, but not exceeding, \$2,000,000,000 from the issuance of commercial paper. During 2005, the Company recorded interest expense of \$14,115,705 and had a loan payable to NYLCC of \$499,929,956.

The Company has purchased various Corporate Owned Life Insurance policies from affiliated entities, including two purchases totaling \$527,331,245 made during 2004, 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 basis as policies sold to unrelated customers. At December 31, 2005, the cash surrender value of these policies amounted to \$2,261,470,591.

In March 2005, the Company formed five entities in which the Company has a controlling interest: Tribeca Holdings I LLC ("Tribeca I"), Bluewater Holdings I LLC ("Bluewater I"), Gramercy Holdings I LLC ("Gramercy I"), Union Investments I LP ("Union I") and 29 Park Investments No. 1 Limited ("29 Park No. 1"). These entities were formed to facilitate 29 Park No. 1's 65% participation, in an aggregate purchase of a \$364,100,000 par value pool of investment grade, US dollar denominated medium term notes ("MTNs") issued by ten foreign issuers and arranged on behalf of 29 Park No. 1 by Barclays Bank plc ("Barclays"). To fund the purchase of the MTNs, on May 26, 2005, the Company purchased ten credit-linked notes issued by Tribeca I for a total purchase price of \$355,632,400, which amount was simultaneously loaned by Tribeca I to Union I, who in turn contributed such funds to 29 Park No. 1, for its purchase of ten MTNs with a total principal value of \$364,100,000. The other entities, Bluewater I and Gramercy I, each had ancillary roles in these investment arrangements.

- E. The Company has a Support Agreement, dated September 28, 1995, with its wholly owned affiliate, NYLCC to maintain NYLCC's tangible net worth in the amount of at least \$1. NYLCC serves as a conduit to the credit markets for the Company and its affiliates, and is authorized to issue commercial paper in an aggregate principal amount not to exceed \$2,000,000,000.

The Company has a Credit Agreement dated January 1, 1995 with NYLIFE LLC. The maximum amount available to NYLIFE LLC is \$200,000,000. During 2005, the credit facility was not used, no interest was paid and there was no outstanding balance was 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 2005, 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, in which the Company may borrow from NYLIAC up to \$490,000,000. During 2005, the credit facility was not used, no interest was paid and there was no outstanding balance due.

On August 11, 2004, the Company entered into a Credit Agreement with NYLAZ, whereby NYLAZ is able to borrow up to \$10,000,000 from the Company for short-term liquidity needs. During 2005, the credit facility was not used, no interest was paid and there was no outstanding balance due.

In connection with structured settlement agreements issued to its subsidiary, NYLIAC, the Company has guaranteed the payments due to unaffiliated third parties in the event of NYLIAC's insolvency. The Company's estimated maximum exposure under such agreements is approximately \$4,609,188,211 at December 31, 2005.

The Company compensates NYLIAC for policy credits associated with converting the Company's term policies and term riders to universal life policies that are issued by NYLIAC without any additional underwriting. For the year ended December 31, 2005, \$16,693,480 was paid to NYLIAC.

The Company, in the ordinary course of its business, enters into numerous arrangements with its affiliates. In addition, in the ordinary course of its business, the Company may enter into guarantees and/or keepwells between itself and its affiliates.

NOTES TO FINANCIAL STATEMENTS

- F. 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 \$963,141,913 for the year ended December 31, 2005 were incurred by the Company and billed to its subsidiaries.

The Company has entered into Investment Advisory and Administrative Services Agreements with its affiliate, New York Life Investment Management LLC, to provide investment advisory and administrative services to the Company. At December 31, 2005, the total cost to the Company for these services amounted to \$103,070,588.

Certain of the Company's other subsidiaries also have Investment Advisory agreements pursuant to which such subsidiaries provide investment advisory services to the Company.

Certain affiliates also furnish services to the Company.

As of December 31, 2005 an executive and a retired executive of the Company were also directors of ESI. ESI is a pharmacy benefit management company that provides services for the Company that are not material to the Company's financial condition or results of operations.

- G. The Company is a mutual insurance company and is not directly or indirectly owned by any other company, corporation, group of companies, partnership or individual.
- H. The Company does not own any shares of an upstream affiliate either directly or through its subsidiaries.
- I. The Company does not have an investment in an SCA entity that exceeds 10% of the admitted assets of the insurer.
- J. The Company did not recognize any impairment write-down for its investments in subsidiaries, controlled or affiliated companies during the statement period.
- K. Not applicable

11. **Debt**

- A. Borrowed money, generally carried at the unpaid principal balance and any interest payable, consisted of the following at December 31, 2005:

	Carrying Value
Loan Payable to New York Life Capital Corporation, various maturities, latest being February 15, 2006 (weighted average rate of 4.27%) See Note 10D "Information Concerning Parent, Subsidiaries and Affiliates"	\$499,929,956
Loan payable to Shared Appreciation Income Linked Securities II, due April 28, 2008 (implicit coupon rate of 2.27%) See Note 11B "Debt"	845,289,398
Loan payable to NYLIFE LLC, due August 22, 2011 (coupon rate of 3.3%) See Note 10D "Information Concerning Parent, Subsidiaries and Affiliates"	241,685,558
Repurchase agreements (average coupon rate of 5.18%) See Note 5E, "Repurchase Agreements"	89,316,375
Loan payable to NYLI, expires March 31, 2006 (coupon rate of 5% less management fee of 5.5 basis points) – See Note 10D "Information Concerning Parent, Subsidiaries and Affiliates"	<u>59,489,576</u>
Total borrowed money	<u>\$1,735,710,863</u>

- B. In April 2003, the Company entered into a five-year Shared Appreciation Income Linked Securities ("SAILS II") transaction with Credit Suisse First Boston International ("CSFBI"). The transaction allows the Company to protect its downside risk on 11 million shares of ESI while maintaining the ability to share in a portion of its future appreciation during a five-year period. Under the terms of the transaction, the Company is liable to deliver up to 11 million ESI shares or settle in cash with a value determined based on the average market price of the ESI shares during the 10 trading days beginning 13 exchange business days immediately prior to the April 28, 2008 delivery date. Upon entering into the transaction, the Company received \$27.72 per share or \$304,865,000, less prepaid interest, bringing net proceeds to \$272,549,310. The Company is entitled to 100% of the appreciation up to \$33.26 per share. Any appreciation in excess of \$33.26 per share will be due to CSFBI upon settlement. At December 31, 2005, the outstanding balance payable by the Company was \$845,289,398, including a liability of \$555,940,000 related to the appreciation in the stock's market value above \$33.26 per share. The price per share and number of shares in the foregoing paragraph have been adjusted for a two-for-one stock split effective June 24, 2005.

12. **Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans****A. Defined Benefit Plans**

The Company maintains the New York Life Insurance Company Pension Plan (the "Pension Plan"). The Pension Plan is a 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. Pension Plan participants are entitled to annual pension benefits beginning at normal retirement age (age 65), equal to a percentage of their final average salary (average monthly salary for the highest paid 60 consecutive months of the last 120 months the participant is employed by the Company), less a social security offset for each active participant in the Pension Plan as of December 31, 1988. For benefits accrued on or after January 1, 2004 the accrual percentage of final average salary used to determine benefits was amended from 1.65% to 1.45%. The Company also maintains the New York Life Excess Benefit Plan, which is a nonqualified, unfunded arrangement, which provides benefits in excess of the maximum benefits that may be paid or accrued under the Pension Plan.

NOTES TO FINANCIAL STATEMENTS

The Company also maintains the NYLIC Retirement Plan ("Retirement Plan"). The Retirement Plan is a qualified defined benefit pension plan covering substantially all eligible agents under contract to the Company or its domestic life insurance subsidiaries on or after the effective date of the Plan, January 1, 1982.

Retirement Plan participants are entitled to annual pension benefits beginning at normal retirement date, which is the later of the last day of the month in which age 65 is attained or the completion of 5 years of vesting service. The benefit is based on the agent's Frozen Accrued Benefit, if applicable, and his/her Earnings-Related Benefit Accruals ("ERBA"). The Frozen Accrued Benefit is the amount accrued as of December 31, 1990, for service, if any, on or prior to that date under the production-related benefit formula. For periods of service after December 31, 1990, the agent's ERBA are calculated by multiplying the sum of his/her Pensionable Earnings credited after 1990 by 2.75%. Prior to termination (discussed below), the Company also maintained the NYLIC Excess Benefit Plan which was a nonqualified, unfunded arrangement that provided (i) benefits in excess of the maximum benefits that may be paid or accrued under the NYLIC Retirement Plan and (ii) amounts to certain eligible agents whose retirement benefit under the NYLIC Retirement Plan is less than their Senior NYLIC Income so that the total of their retirement benefit under the NYLIC Retirement Plan and the additional amount is equivalent to their Senior NYLIC Income. Further, the Company has entered into a settlement agreement in *Lucich v. New York Life Insurance Co.*, No. 01-CIV-1747 (S.D.N.Y.). Pursuant to the settlement agreement, (i) the NYLIC Retirement Plan's benefit formula was amended and prospectively changed for certain participants, resulting in certain non-qualified payments becoming payable from the Plan on a prospective basis; (ii) the NYLIC Excess Benefit Plan was terminated; and (iii) the Company established new nonqualified, unfunded arrangements to provide benefits in excess of the maximum benefits that may be paid or accrued under the NYLIC Retirement Plan.

The Pension Plan and the Retirement Plan are funded solely by Company contributions. The Company's funding policy for each of these Plans is to make annual contributions that are no less than the minimum amount needed to comply with the requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and no greater than the maximum amount deductible for federal income tax purposes. The Company made contributions to the Pension Plan in 2005 and 2004 of \$145,000,000 and \$52,000,000, respectively. Contributions made to the Retirement Plan in 2005 and 2004 were \$95,000,000 and \$0, respectively.

The assets of the Pension Plan and Retirement Plan are maintained in separate trusts issued to each Plan. Each Plan currently invests in two group annuity contracts: 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"). Each Plan's investments in the GA Contract and the SA Contract are held in the separate trust established under each Plan.

The Company is the issuer of the GA and SA Contracts and NYLIM is the investment manager of the pooled separate accounts under the SA 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. The SA Contract provides for the payment of separate annual fees for the management of each separate account.

Grantor Trusts

The Company has established separate irrevocable grantor trusts covering certain of the Company's separate nonqualified arrangements for agents and employees to help protect nonqualified 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 Company's Group Plan for New York Life Employees provides certain health and life insurance benefits for eligible retired employees and their eligible dependents. Employees who retired prior to January 1, 1993 do not make contributions toward retiree health and life coverages. Employees who retired on or after January 1, 1993 may be required to contribute towards medical (other than certain prescription drug coverage) and dental coverage.

The Company's Group Plan for New York Life Agents provides certain health and life insurance benefits for eligible retired agents and their eligible dependents. The Company pays the entire non-contributory and contributory life insurance costs for retired agents. For active agents, the contribution towards contributory life insurance is based on the agent class (current, first prior, second prior or third prior), age, level of benefits and location of residence.

Agents who retired under the Nylic Retirement Plan prior to January 1, 1993 and agents who retired under the Nylic Retirement Plan after December 31, 1992 but either had completed 30 or more years of service or at least age 70 as of that date, are not required to make contributions for health care coverage. Eligible agents who retire on or after January 1, 1993, but did not have 30 or more years of service with the Company as of December 31, 1992 may be required to contribute towards medical (other than certain prescription drug coverage) and dental coverage.

The Company has established a Voluntary Employees Beneficiary Association Trust ("VEBA Trust") in connection with medical and life benefits for eligible retired employees ("Retired Employee VEBA Trust") and a VEBA Trust in connection with medical and life benefits for eligible retired agents ("Retired Agent VEBA Trust"; the "Retired Employee VEBA Trust" and the "Retired Agent VEBA Trust" are collectively referred as the "VEBA Trusts"). A portion of the cost of the medical coverage (other than certain prescription drug coverage), dental coverage and life premiums for eligible retired individuals and their eligible dependents is paid by a combination of the VEBA Trusts' assets and contributions by the eligible retired individuals. The remaining balance of these costs is paid by the Company.

It has been the Company's practice to prefund postretirement benefits to the extent allowable for federal income tax purposes. Prefunding contributions are made to the Retired Employee VEBA Trust and the Retired Agent VEBA Trust, which is used to partially fund postretirement health and life benefits other than pensions. Prefunding contributions to the Retired Employee VEBA Trust totaling \$1,518,000 and \$1,300,000 were made in 2005 and 2004, respectively. Prefunding contributions to the Retired Agent VEBA Trust totaling \$670,000 and \$1,400,000 were made in 2005 and 2004, respectively.

The assets of each VEBA Trust are invested in the mutual funds issued by Eclipse Funds, Inc., in Trust Owned Life Insurance ("TOLI") and in government securities. These TOLI policies are Corporate Sponsored Universal Life ("CSUL") and Corporate Sponsored Variable Universal Life ("CSVUL") issued by NYLIAC. CSVUL policy premiums are invested in variable products of mutual funds managed by NYLIM.

The Company shares the cost of certain postretirement life and health benefits for retired employees and agents including their eligible dependents with its subsidiaries. The expenses for these plans are allocated to each subsidiary in accordance with an intercompany cost sharing arrangement. The liabilities for these plans are included with the liabilities for the corresponding plan of the Company.

On December 8, 2003, President Bush signed the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the Act) into law. The Act introduces a prescription drug benefit under Medicare beginning in 2006. Under the Act, employers who sponsor postretirement plans that provide prescription drug benefits that are actuarially equivalent to Medicare Part D qualify to receive subsidy payments.

NOTES TO FINANCIAL STATEMENTS

In 2004, the NAIC issued INT 04-17, which adopts the conclusions reached in FSP 106-2, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, with some modifications. In accordance with INT 04-17, the Company remeasured its plan assets and Accumulated Postretirement Benefit Obligation ("APBO") as of January 1, 2004 to account for the subsidy and other effects of the Act. The reduction in the APBO for the subsidy related to past service was \$56,418,949. The reduction in postretirement benefit costs for the impact of the Act was \$5,675,218 and has been reflected as an increase to surplus in 2004.

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 the Retirement Plan under applicable law. Also, the pension information presented in the accompanying tables has not been remeasured to reflect the Lucich settlement, which occurred after the 9/30/2005 measurement date since it did not have a material impact to the funding status or pension expense (in millions):

	Pension Plan Benefits		Other Postretirement Plan Benefits	
	2005	2004	2005	2004
1. Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	\$3,617	\$3,317	\$ 819	\$ 788
Service cost	96	87	29	27
Interest cost	212	204	47	50
Contributions by plan participants	-	-	2	2
Actuarial (gains)/losses	322	164	86	26
Benefits paid	(170)	(155)	(51)	(50)
Plan amendments	8	-	(12)	-
Impact of Medicare Subsidy (at 1/1/04)	N/A	N/A	-	(56)
Executive life insurance liability	N/A	N/A	-	32
Projected benefit obligation at end of year ¹	<u>\$4,085</u>	<u>\$3,617</u>	<u>\$ 920</u>	<u>\$ 819</u>
2. Change in plan assets:				
Fair value of plan assets at beginning of year	\$2,746	\$2,536	\$ 395	\$ 388
Actual return on plan assets	370	301	34	31
Contributions by employer	264	64	32	24
Contributions by plan participants	-	-	2	2
Benefits paid	(170)	(155)	(51)	(50)
Fair value of plan assets at end of year ¹	<u>\$3,210</u>	<u>\$2,746</u>	<u>\$ 412</u>	<u>\$ 395</u>
3. Funded status:				
Unamortized prior service cost	\$ 42	\$ 40	\$ 1	\$ 3
Unrecognized net (gain)/loss	1,445	1,327	277	192
Remaining net obligation at transition	-	-	62	82
Contributions by employer	2	5	10	9
Intangible asset ²	(5)	(2)	N/A	N/A
Accumulated charge to surplus	(53)	(32)	N/A	N/A
Prepaid (accrued) benefit cost (2-1+3) – Before Medicare Reform ²	<u>\$ 556</u>	<u>\$ 467</u>	<u>\$ (158)</u>	<u>\$ (138)</u>
Impact of Medicare Reform on Statutory Surplus	N/A	N/A	-	6
Prepaid (accrued) benefit cost – After Medicare Reform ²	<u>\$ 556</u>	<u>\$ 467</u>	<u>\$ (158)</u>	<u>\$ (132)</u>
4. Benefit obligation for non-vested participants³	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278</u>	<u>\$ 228</u>

¹ For both 2005 and 2004, a September 30th measurement date was used.

²Prepaid (accrued) benefit cost and the intangible asset are non-admitted and therefore not included in total assets.

³ The benefit obligation for non-vested participants shown above is not accrued in the accompanying financial statements of the Company consistent with statutory guidance and is presented for informational purposes only.

5. The components of net periodic benefit costs were as follows (in millions):

	Pension Plan Benefits		Other Postretirement Plan Benefits	
	2005	2004	2005	2004
Components of net periodic benefit cost:				
Service cost	\$ 96	\$ 87	\$ 29	\$ 27
Interest cost	212	204	47	50
Expected return on plan assets	(236)	(243)	(31)	(33)
Amortization of net asset at transition	-	-	10	10
Amortization of (gains)/losses	69	51	5	6
Amortization of prior service cost/(credit)	7	7	-	1
Executive life insurance	-	-	-	-
Net periodic benefit cost	<u>\$ 148</u>	<u>\$ 106</u>	<u>\$ 60*</u>	<u>\$ 55*</u>

* Includes postretirement costs billed to subsidiaries of \$25 million for each of the years ended December 31, 2005 and 2004.

6. An additional minimum liability adjustment is required when the accumulated benefit obligation exceeds plan assets or accrued pension liabilities. The additional minimum pension liability, less allowable intangible assets, net of tax benefit, is reported as a reduction to surplus. At December 31, 2005, the Company reflected an additional net minimum liability ("AML") of \$48,195,709 (\$32,479,176 in 2004) for the New York Life Excess Benefit Plan and \$5,068,438 for the NYLIC Excess Benefit Plan (\$0 in 2004). The increase in the AML during 2005 was \$20,784,971 and has been reflected as a direct reduction to surplus.

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7. Weighted-average assumptions used to determine benefit obligations:

Weighted-average assumptions used to determine benefit obligations*	Pension Plan Benefits		Other Postretirement Plan Benefits	
	2005	2004	2005	2004
Discount rate	5.40%	6.00%	5.40%	6.00%
Expected return on plan assets	8.25%	8.25%	7.25%/7.75%**	7.25%/7.75%
Rate of compensation increase:				
Employees	5.40%	5.42%	5.40%	5.42%
Agents	5.60%	6.77%	N/A	N/A

* For both 2005 and 2004, a September 30 measurement date was used.

**Expected return on plan assets is 7.25% for health benefits and 7.75% for life benefits

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:

Weighted-average assumptions used to determine net periodic benefit cost	Pension Plan Benefits		Other Postretirement Plan Benefits	
	2005	2004	2005	2004
Discount rate	6.00%	6.25%	6.00%	6.25%
Expected return on plan assets	8.25%	8.50%	7.25%/7.75%**	7.50%
Rate of compensation increase:				
Employees	5.42%	5.42%	5.42%	5.42%
Agents	6.77%	6.77%	N/A	N/A

**Expected return on plan assets is 7.25% for health benefits and 7.75% for life benefits

8. The determination of the annual rate of increase in the per capita cost of covered health care benefits for medical and prescription drug plans is determined separately for participants under age 65 and for those age 65 and older. For dental plans, the annual rate of increase in the per capita cost utilizes a single rate for all participants.

In 2005 the annual rate of increase in the per capita cost of covered health care medical benefits was assumed to be 9.00% for all participants. The annual rate of increase in the per capita cost of covered health care prescription drug benefits was assumed to be 13.00% for all participants. For the 2005 measurements, the rate was assumed to decrease gradually to 5.00% by 2010 for medical benefits and to 5.00% by 2014 for 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 and remain at that level thereafter.

In 2004, the annual rate of increase in the per capita cost of covered health care medical and prescription drug benefits was assumed to be 8.00% for those under age 65 and 10.00% for those age 65 and older. For the 2004 measurements, the rate was assumed to decline gradually to 5.00% by 2008 for those under age 65 and by 2010 for those age 65 and older 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% for all participants and remain at that level thereafter.

9. Assumed health care cost trend rates have a significant effect on the amounts reported for the health plan. A one percentage point increase or decrease in assumed health care cost trend rates would have the following effects. (In millions):

	2005 One Percent Increase	2005 One Percent Decrease
Effect on total of service and interest cost components	\$11	\$(9)
Effect on accumulated postretirement obligations	99	(81)

10. The weighted-average asset allocation for the agent and employee defined benefit pension plans at September 30, 2005 and 2004 and target allocations by asset category are as follows:

	Target Allocation	Percentage Of Plan Assets	
	2005	2005	2004
Fixed Income	40%	45%	45%
Equity Securities	60%	55%	55%
Total	100%	100%	100%

Equity securities, including common stock, amount to \$1,779 million (55% of total assets of the pension plans) and \$1,520 million (55% of total assets of the pension plans) at September 30, 2005 and 2004, respectively.

The Investment Committees of the Agent and Employee Defined Benefit Pension Plans have established a broad investment strategy targeting an asset allocation of 60% equity and 40% fixed income. 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 it 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 allocation vs. the targets and makes adjustments as appropriate. The Committees review the investment performance of each of the sub portfolios to insure the assets are meeting each plan's objectives.

NOTES TO FINANCIAL STATEMENTS

The Company's weighted-average asset allocation for other postretirement benefit plans at September 30, 2005 and 2004, and target allocations by asset category under the VEBA Trusts are as follows:

	Target Allocation Percentage		Percentage of VEBA Trust Assets			
	2005		2005		2004	
	Health	Life	Health	Life	Health	Life
Fixed Income Securities	30%	30%	43%	28%	48%	30%
Equity Securities	<u>70%</u>	<u>70%</u>	<u>57%</u>	<u>72%</u>	<u>52%</u>	<u>70%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Equity securities including common stock, amount to \$245 million (61% of total VEBA Trust Life and Health assets) and \$219 million (57% of total VEBA Trust Life and Health assets) at September 30, 2005 and 2004, respectively.

The expected benefit payments for the Company's pension and postretirement plans for the years indicated are as follows (in millions):

	<u>Pension Plan Benefits</u>	<u>Other Postretirement Plan Benefits</u>	<u>Estimated Federal Subsidy</u>
2006	\$ 181	\$ 60	\$ (4)
2007	189	64	(5)
2008	199	67	(5)
2009	209	72	(6)
2010	220	75	(6)
2011-2015	<u>1,284</u>	<u>407</u>	<u>(40)</u>
Total	<u>\$2,282</u>	<u>\$745</u>	<u>\$ (66)</u>

The Company expects to contribute \$228,000,000 to its qualified and non-qualified agent and employee defined benefit pension plans in 2006. The Company expects to contribute \$34,000,000 to its other postretirement benefit plans in 2006.

11.-14. Not Applicable.

B. Defined Contribution Plans

The Company maintains the Employee Progress-Sharing Investment Plan ("EPSI") which is a qualified defined contribution plan covering substantially all salaried United States full-time and part-time employees (individuals eligible under the Company's Agents' Progress-Sharing Investment Plan are not eligible under EPSI). Under EPSI, participants may contribute (1) on a pre-tax basis to a 401(k) account, a percentage of base salary and eligible incentive compensation (up to 10% for employees whose total annual compensation exceeds the highly compensated threshold of \$95,000 based on 2005 total pay and up to 15% for employees whose total annual compensation is below the highly compensated threshold), and (2) to a non-tax deductible account up to 10% of base salary and eligible incentive pay. Highly compensated employees are limited to a combined 401 (k) and non-tax deductible rate of 10%. Participants may also roll over qualified distributions from eligible retirement plans into the EPSI. EPSI also provides for additional pre-tax 401(k) "catch-up" contributions for participants age 50 and over (\$4,000 for 2005 and \$3,000 for 2004).

The Company annually determines the level of the Company's matching contributions to EPSI. In 2005 and 2004, the Company made matching contributions based on a specific percentage, 100% of participants' contributions up to 3% of base salary and eligible incentive pay. For 2005 and 2004, the Company's matching contributions to EPSI totaled \$18,008,291 and \$17,415,655, respectively. The Company also maintains the Excess EPSI Plan for certain eligible participants, which is a nonqualified unfunded arrangement that credits amounts and matching contributions in respect of compensation in excess of the amount that may be taken into account under EPSI because of applicable IRS limits.

The Company also maintains the Agents' Progress-Sharing Investment Plan ("APSI") which is a qualified defined contribution plan covering substantially all contracted United States full-time agents. (Individuals eligible under the 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 (for the 2005 plan year up to 7% for agents whose total annual compensation exceeds the highly compensated threshold of \$95,000 based on 2005 total pay and up to 15% for agents whose total compensation is below the highly compensated threshold) may be contributed to a 401(k) account. Participants may also roll over qualified distributions from eligible retirement plans into the APSI. APSI also provides for additional pre-tax 401(k) "catch-up" contributions for participants age 50 and over (\$4000 for 2005 and \$3,000 for 2004).

The Company annually determines the level of the Company's contributions to APSI. Contributions are based on the participants' 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 2005 and 2004, the Company's contributions to APSI totaled \$2,421,289 and \$1,940,620, respectively. The Company also maintains the Excess APSI Plan, which is a nonqualified, unfunded arrangement that credits Company contributions in excess of the maximum Company contributions that may be made under APSI because of certain applicable IRS limits.

C. Multiemployer Plans

Not applicable.

D. Consolidated/Holding Company Plans

Not applicable.

NOTES TO FINANCIAL STATEMENTS

E. Postemployment Benefits and Compensated Absences

The Company provides certain benefits to eligible employees and agents during employment for paid absences. These benefits include, but are not limited to, salary continuation during medical and maternity leaves, disability-related benefits, and continuation of benefits such as health care and life insurance coverage.

	<u>2005</u>	<u>2004</u>
1. Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 24,278,653	\$ 23,428,766
Service cost	3,141,029	2,986,206
Interest cost	2,967,073	1,242,038
Actuarial (gains)/ losses	2,345,379	444,699
Benefits paid	<u>(5,951,309)</u>	<u>(3,823,056)</u>
Projected benefit obligation at end of year	<u>\$ 26,780,825</u>	<u>\$ 24,278,653</u>
2. Change in plan assets:		
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
3. Funded status:		
Unrecognized net (gain)/loss	2,515,713	(5,036,517)
Contributions by employer	<u>1,487,827</u>	<u>1,658,160</u>
Prepaid (accrued) benefit cost (2-1+3)	<u>\$(22,777,285)</u>	<u>\$(27,657,010)</u>
Components of net periodic benefit cost:		
Service cost	\$ 3,141,029	\$ 2,986,206
Interest cost	<u>2,967,073</u>	<u>1,242,038</u>
Net periodic benefit (credit) cost	<u>\$ 6,108,102*</u>	<u>\$4,228,244*</u>

* Includes postemployment costs billed to subsidiaries of \$2,266,382 and \$1,467,584 for the years ended December 31, 2005 and 2004, respectively.

Weighted-average assumptions as of September 30

Discount rate	5.40%	6.00%
Expected return on plan assets	N/A	N/A
Rate of compensation increase		
Employees	5.50%	5.51%
Agents	N/A	N/A

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

- (1) The Company is a mutual insurance company and has no shareholders.
- (2) Not applicable.
- (3) – (4) The Company is a mutual insurance company and therefore has no shareholder dividends.
- (5) No restrictions have been placed on the unassigned surplus funds of the Company.
- (6) The Company did not have any advances to surplus.
- (7) The Company did not hold any stock, including stock of affiliated companies, for any special purpose.
- (8) The Company did not hold any special surplus funds.
- (9) The portion of unassigned funds (surplus) represented by cumulative net unrealized gains, gross of taxes is \$1,316,996,123.

- (10) On May 5, 2003, the Company issued Surplus Notes ("Notes") with a principal balance of \$1,000,000,000, bearing interest at 5.875%, with a maturity date of May 15, 2033. Proceeds from the issuance of the Notes were \$990,240,000, net of discount. 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 5.875% Note is paid semi-annually on May 15 and November 15 of each year.

As part of the Notes offering, the New York State Insurance Department required the Company to establish a special reserve in the amount of 10% of the face amount of the Notes, or \$100,000,000. This reserve was required for the payment of post closing amounts, including any amounts the Company may have to pay as a result of its agreement to indemnify the underwriters for certain potential claims arising out of the issuance of the Notes. To date, there have been no claims. The reserve can be reduced in equal increments of 1/9 of the initial reserve amount, or \$11,000,000, on May 15, 2006, May 15, 2007 and May 15, 2008, and be completely eliminated after six years (on May 15, 2009), if no claims arise. No reduction to the reserve can be made prior to May 15, 2006. Drawdowns of the reserve will be reflected as increases to surplus.

Previously, on December 15, 1993, the Company issued Notes with a principal balance of \$450,000,000: \$150,000,000 of a 6.40% Surplus Note, due 2003 and \$300,000,000 of a 7.50% Surplus Note due 2023. These Notes were also issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and were administered by U.S. Bank as registrar/paying agent. Proceeds from the issuance of the Notes were \$445,000,000, net of related issuance costs. In 2001, \$175,065,000 of the 7.50% Surplus Note was repaid resulting in an outstanding balance of \$124,935,000. On January 13, 2005, the Company received approval from the Superintendent of Insurance of the State of New York ("Superintendent") to redeem the entire remaining outstanding par value of \$124,935,000 in Surplus Notes due December 2023. The total redemption price paid on February 22, 2005 was \$129,954,680 consisting of the par value of the Surplus Notes, a premium of \$4,056,639 and accrued interest of \$963,041. On December 15, 2003, the \$150,000,000 note matured, and with the approval of the Superintendent, was repaid and retired.

The Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York State Insurance Law, the Notes are not part of the legal liabilities of the Company. The Notes do not repay principal prior to maturity. 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 5.875% 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 the sum of the present values of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the Notes are to be redeemed, discounted to a semi-annual basis at the adjusted treasury rate plus 20 basis points.

NOTES TO FINANCIAL STATEMENTS

At December 31, 2005, there were no affiliates that held any portion of the Notes. In addition, at December 31, 2005 there were no entities who held 10% or more of the 5.875% Note.

Information related to the Surplus Notes, outstanding at December 31, 2005 includes:

<u>Date Issued</u>	<u>Interest Rate</u>	<u>Principal Amount of Notes</u>	<u>Carrying Value</u>	<u>Interest Paid Current Year</u>	<u>Total Interest Paid</u>	<u>Accrued Interest</u>	<u>Date of Maturity</u>
05/05/03	5.875%	\$1,000,000,000	\$ 991,012,666	\$58,750,000	\$148,017,361	-	05/15/33

(11) - (12) The Company has never had a quasi-reorganization.

14. Contingencies

A. Contingent Commitments

The Company has a revolving loan agreement dated April 16, 2001, as amended, with MCF to provide funding to MCF in an amount up to \$1,800,000,000. The amount loaned cannot exceed 3% of the Company's admitted assets of December 31 of the prior year. See Note 10D for details regarding loans extended to MCF under this agreement.

On August 22, 2001, NYLIFE LLC entered into a ten-year Shared Appreciation Income Linked Securities ("SAILS") transaction with CSFBI. The transaction allows NYLIFE LLC to protect its downside risk on 9 million shares of ESI while maintaining the ability to share in a portion of its future appreciation during a ten-year period. Under the terms of the transaction, NYLIFE LLC is liable to deliver up to 9 million ESI shares or settle in cash with a value determined based on the average market price of the ESI shares during the 20 trading days beginning 30 exchange business days immediately prior to the August 22, 2011 delivery date. According to the terms of the agreement, NYLIFE LLC receives a minimum value of \$27.03 per share and 100% of the appreciation in the shares up to \$35.14 per share. CSFBI will receive approximately 77% of the appreciation of ESI stock in excess of \$35.14 per share. The market value for these ESI shares has been adjusted to reflect the terms of the agreement. The Company has guaranteed the obligations of NYLIFE LLC under the agreement with CSFBI. The price per share and number of shares in the foregoing paragraph have been adjusted for a two-for-one stock split effective June 24, 2005.

In 2003, following the entering into of the SAILS II agreement with CSFBI described in Note 11B, the Company agreed to lend CSFBI up to 11,000,000 shares of ESI common stock. As of December 31, 2005, CSFBI had borrowed 10,941,000 shares with a market value of \$916,855,800. These transactions were fully collateralized with the right of offset against the Company's liability to CSFBI according to the collateral agreement. At December 31, 2005, the carrying amount of the lent shares was \$889,350,126.

At December 31, 2005 the Company had outstanding contractual obligations to acquire additional private placement securities amounting to \$165,707,781.

Unfunded commitments on limited partnerships and limited liability corporations excluding MCF amounted to \$1,917,549,635 at December 31, 2005.

At December 31, 2005, contractual commitments to extend credit under commercial and residential mortgage loan agreements totaled \$372,855,141. These commitments are diversified by property type and geographic location.

The Company, in the ordinary course of its business, has numerous agreements with respect to its affiliates, related parties and other third parties. In connection with such agreements there may be related commitments or contingent liabilities which may take the form of guarantees.

B. 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.

The Company has received notification of the insolvency of various life insurers. It is expected that these insolvencies will result in remaining guaranty fund assessments against the Company of \$5,992,414, which have been accrued in the financial statements.

C. Gain Contingencies

Not applicable.

D. All Other Contingencies

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. The Company is also a defendant in a suit regarding employee and agent benefits where a portion of the case, specifically the breach of fiduciary claims, has been certified as a class by agreement of the parties. The remainder of the claims in that suit have not been certified. 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.

NOTES TO FINANCIAL STATEMENTS

15. Leases

A. Lessee Leasing Arrangements

(1a) The Company leases an aircraft under a leasing arrangement entered into with its wholly owned subsidiary NYLIFE LLC in November 2004. Rental payments of \$1,244,250 were made by the Company during 2005 and includes management fees and variable costs incurred in the use of the aircraft. The lease expires in November 2009. The aircraft is to be used by members of senior management for business travel. Personal use of the aircraft is limited to the Chairman, and the terms of such personal use, including reimbursement, have been approved by the Board of Directors of the Company based upon the recommendation of an independent committee of the Board.

Rent expense of all other leases for the year ended December 31, 2005 amounted to \$118,876,240, of which, \$63,150,594 was billed to subsidiaries in accordance with an intercompany cost sharing arrangement.

(1b) The Company does not have any leases with contingent rental payments.

(1c-1d) The Company, as lessee, has various lease agreements for real property, (including leases of office space) and lease agreements for data processing and other equipment. Real property leases have typical renewal periods of five years. Under the real property leases, the Company does not have the option to purchase the lease property except in the case of the Company's lease of the NYLIM headquarters building at 169 Lackawanna Avenue, Parsippany, NJ. Under the agreement, the lessee has the option to purchase only the equipment. The leases on equipment do not contain any escalation clauses, but the majority of real property leases have escalation clauses that require the Company to pay expense increases over a specified amount. Real property leases typically have a variety of restrictions imposed on the lessee, which are generally customary in the marketplace and are not of a financial nature. Equipment leases do not have any restrictions.

(2a) 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):

<u>Year</u>	<u>Real Property</u>	<u>Equipment</u>	<u>Total</u>
2006	\$ 82	\$ 36	\$ 118
2007	76	14	90
2008	71	6	77
2009	64	1	65
2010	57	-	57
Thereafter	<u>126</u>	<u>-</u>	<u>126</u>
Total	<u>\$ 476</u>	<u>\$ 57</u>	<u>\$ 533</u>

(2b) The total amount of minimum rentals to be received in the future under non-cancelable subleases at December 31, 2005 is \$4 million.

(3a) In connection with the sale of one of its Home Office properties in 1995, the Company has entered into an agreement to lease back a portion of the building through 2010, with total future lease obligations of \$53 million as of December 31, 2005.

(3b) Not applicable.

B. Significant Leasing Agreements

(1) Not applicable

16. Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk.

(1) The following table summarizes the notional amount of the Company's financial instruments with off-balance sheet risk.

	<u>ASSETS</u>		<u>LIABILITIES</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Interest Rate Swaps	\$2,048,993,000	\$1,042,500,000	\$ -	\$ -
Credit Default Swaps	<u>170,000,000</u>	<u>170,000,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$2,218,993,000</u>	<u>\$1,212,500,000</u>	<u>\$ -</u>	<u>\$ -</u>

See Schedule DB of the Company's annual statement for additional detail.

(2) See Note 8 (1) ("Derivative Instruments")

(3) The Company is exposed to credit related losses in the event that a counterparty fails to perform its obligations under contractual terms. For contracts with counterparties where no master netting agreement exists, in the event of default, credit exposure is defined as the fair value of contracts in a gain position at the reporting date. Credit exposure to counterparties where a master netting arrangement is in place, in the event of default, is defined as the net fair value, if positive, of all outstanding contracts with each specific counterparty.

(4) The Company obtains collateral in accordance with terms of credit support annexes negotiated as part of swap documentation with all counterparties. The credit support annex requires that a swap counterparty post collateral to secure that portion of its anticipated swap obligation in excess of a specified threshold. The threshold declines with a decline in the counterparties rating. Collateral received is invested in short-term investments.

The current credit exposure of the Company's derivative contracts is limited to the fair value at the reporting date. 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.

NOTES TO FINANCIAL STATEMENTS

17. **Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**A. **Transfers of Receivables Reported as Sales**

Not applicable

B. **Transfer and Servicing of Financial Assets**

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. At December 31, 2005, \$2,417,556,825 of the Company's bonds and stocks were on loan to others. The Company requires as collateral, a stated percentage of the fair value of the securities on loan. If the securities being loaned are domestic, 102% of its fair value is required. If foreign denominated, the requirement is 105% of its fair value. Such assets reflect the extent of the Company's involvement in securities lending, not the Company's risk of loss.

C. **Wash Sales**

The details by NAIC designation 3 or below of securities sold and reacquired within 30 days of the sale date are:

Bonds	Number of Transactions	Book Value of Securities Sold	Cost of Securities Repurchased	Gain/(Loss)
NAIC 3	-	\$ -	\$ -	\$ -
NAIC 4	1	240,904	242,983	(2,079)
NAIC 5	-	-	-	-
NAIC 6	-	-	-	-

18. **Gain or Loss to the Insurer from Uninsured Plans and the Uninsured Portion of Partially Insured Plans**

Not applicable.

19. **Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

Premiums written by third party administrators during 2005 are as follows:

Name and Address of Managing General Agent or Third Party Administrator	Exclusive Contract	Types of Business Written	Type of Authority Granted	Direct Premiums Written
Aggregate (less than 5%)	No	Life/ Health	U, C, CA, B, P (Varies by Case)	\$604,122,632
C - Claims Payment CA - Claims Adjustment R - Reinsurance Ceding B - Binding Authority P - Premium Collection U - Underwriting				

20. **September 11 Events**

For the year ended December 31, 2005, there were no material adjustments as a result of claims arising from the events of September 11, 2001. The Company does not expect that any material adjustments will be required in the future.

21. **Other Items**A. **Extraordinary Items**

Not applicable.

B. **Troubled Debt Restructuring: Debtors**

Not applicable.

C. **Other Disclosures**

Assets with a carrying value of \$254,140,802 at December 31, 2005 were on deposit with government authorities or trustees as required by certain state insurance laws. ESI common stock valued at \$894,146,000 at December 31, 2005, were maintained as compensating balances or pledged as collateral for bank loans and other financing agreements.

D. **Uncollected Balances**

Based upon Company experience, the amount of premiums and other accounts receivable that may become uncollectible and result in a potential loss is not material to the Company's financial condition.

E. **Business Interruption Insurance Recoveries**

Not applicable.

F. **Additional Disclosures for Retirement Plans**

See Note 12.

NOTES TO FINANCIAL STATEMENTS

22. Events Subsequent

There have been no events occurring subsequent to the close of the books or accounts for this statement that would have a material effect on the financial condition of the Company.

23. Reinsurance

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

1. Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company? Yes (x) No () If yes, give full details.

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, NYLIAC and NYLAZ.

2. Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) which is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business? Yes () No (x). If yes, give full details.

Section 2 – Ceded Reinsurance Report – Part A

1. Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits? Yes () No (X)
 - i. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the company to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate.
 - ii. What is the total amount of reinsurance credits taken, whether as an asset or as reduction of liability, for these agreements in this statement?
2. Does the Company have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts which, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies? Yes () No (X). If yes, give full details.

Section 3 – Ceded Reinsurance Report – Part B

1. What is the estimated amount of the aggregate reduction, in surplus, for agreements not reflected in Section 2 above, of termination of all reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. \$0; assuming termination is in accordance with the provisions of our various reinsurance treaties.

Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts which were in-force or which had existing reserves established by the company as of the effective date of the agreement? Yes () No (X). If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments?

B. Uncollectible Reinsurance

Not applicable.

C. Commutation of Ceded Reinsurance

Not applicable.

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

Not applicable.

25. Change in Incurred Losses and Loss Adjustment Expense

Not applicable.

26. Intercompany Pooling Arrangements

Not applicable.

27. Structured Settlements

The Company owns all rights, title and interest in and to certain structured settlement annuity contracts issued by its subsidiary NYLIAC. The carrying value of the annuity contracts is based upon the actuarially determined value of the obligations under the structured settlement contracts (noted below), which generally have some life contingent benefits.

NOTES TO FINANCIAL STATEMENTS

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, 2005, the carrying value of the annuity contracts and the corresponding obligations amounted to \$152,951,546.

28. **Health Care Receivables**

Not applicable.

29. **Participating Policies**

Individual and group life participating policies represent 93.11% of total individual and group life insurance inforce. The Company paid dividends in the amount of \$1,400,017,038 to individual and group life policyholders and did not allocate any additional income to such policyholders.

30. **Premium Deficiency Reserves**

Not applicable.

31. **Reserves for Life Contracts and Deposit-Type Contracts**

1. 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 included in Exhibit 5.
2. Certain substandard policies are valued on tables that are multiples of the standard table. Other substandard policies are valued as equivalent to standard lives on the basis of insurance age. Additional reserves are held on account of anticipated extra mortality for policies subject to extra premiums.
3. At December 31, 2005, the Company has \$8,065,431,750 of insurance in force for which the gross premiums are less than the net premiums according to the standard of valuation set by the State of New York. (Reserves to cover the above insurance totaled \$161,246,549 and are reported in Exhibit 5, Miscellaneous reserves, Line 0700001).
4. The tabular interest (Page 7, Line 4) for group annuities has been determined from the basic data for the calculation of policy reserves. The tabular interest for all other lines of business has been determined by formula as described in the instructions for Page 7. The tabular less actual reserve released (Page 7, Line 5) has been determined by formula as described in the instructions for Page 7 for all lines of business. The tabular cost (Page 7, Line 9) for individual life for 7 Year Term, for certain Survivorship Whole Life policies, and for ancillary coverages has been determined by formula as described in the instructions for Page 7. 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.
5. The tabular interest on funds not involving life contingencies (Exhibit 7, Line 3) is generally the interest actually credited to or accrued on such funds.
6. The details for "Other increases (net)" on Page 7, Line 7 relating to group annuities and individual life are:

Expense Charges	\$ (10,831,236)
Change in Interest Guarantee Reserves	(6,820,922)
Actual less Estimated Liability, 12/31/05	(721,576)
Experience Rating Adjustment	<u>14,319,116</u>
Total for Group Annuities	<u>\$ (4,054,618)</u>

Assumption of Reinsurance from NYLIAC	\$(49,041,041)
Correction to other reserves assumed from NYLIAC	(1,893,241)
Correction to Accidental Death Benefit Reserves	1,500,000
Correction to Pre Term Conversion Reserves	<u>6,137,897</u>
Total for Individual Life	<u>\$(43,296,385)</u>

Total \$(47,351,003)

"Other net change in Reserves" on Exhibit 7, Line 4 relate to GIC's and consists of:

Change in Interest Guarantee Reserves	\$ 485,608
Foreign Exchange	<u>(429,021,015)</u>
Total	<u>\$(428,535,407)</u>

32. **Analysis of Annuity Actuarial Reserves and Deposit Liabilities by Withdrawal Characteristics**

	<u>Amount</u>	<u>% of Total</u>
A. Subject to discretionary withdrawal:		
(1) With market value adjustment	\$ 7,486,110,265	19%
(2) At book value less current surrender charge of 5% or more	-	-
(3) At fair value	<u>3,503,066,030</u>	<u>9</u>
(4) Total with adjustment or at market value (Total of 1 through 3)	10,989,176,295	28
(5) At book value without adjustment (minimal or no charge or adjustment)	1,974,207,650	5
B. Not subject to discretionary withdrawal	<u>25,630,365,955</u>	<u>67</u>
C. Total (gross: direct + assumed)	38,593,749,900	100%
D. Reinsurance ceded	-	
E. Total (net)* (C)-(D)	<u><u>\$38,593,749,900</u></u>	

* Reconciliation of total annuity actuarial reserves and deposit fund liabilities.

NOTES TO FINANCIAL STATEMENTS

F.	Life & Accident & Health Annual Statement:	<u>Amount</u>
	(1) Exhibit 5, Annuities Section, Total (net)	\$16,717,967,671
	(2) Exhibit 5, Supplementary Contracts with Life Contingencies Section, Total (net)	15,663,139
	(3) Exhibit 7, Line 14, Total (net)	<u>16,228,268,891</u>
	(4) Subtotal	<u>32,961,899,701</u>
	Separate Accounts Annual Statement:	
	(5) Exhibit 3, Annuities Section, Total (net)	5,631,696,872
	(6) Exhibit 3, Supplementary Contracts with Life Contingencies Section, Total (net)	153,327
	(7) Page 3, Line 2, Column 3	<u>-</u>
	(8) Subtotal	<u>5,361,850,199</u>
	(9) Combined Total (4) + (8)	<u>\$ 38,593,749,900</u>

33. **Premium and Annuity Considerations Deferred and Uncollected**

A. Deferred and uncollected life insurance premiums and annuity considerations at December 31, 2005, were as follows:

Type	Gross	Net of Loading
Ordinary new business	\$ 95,166,091	\$ 44,252,889
Ordinary renewal	976,278,364	904,902,650
Group	<u>327,348,106</u>	<u>266,480,473</u>
Total	<u>\$ 1,398,792,561</u>	<u>\$ 1,215,636,012</u>

34. **Separate Accounts**

A. **General Nature and Characteristics of Separate Account Business**

The Company has separate accounts funding group annuity contracts. A book value separate account funds guaranteed benefits and market value separate accounts fund both guaranteed and non-guaranteed benefits.

The book value separate account guarantees principal and interest. At contract discontinuance, the contract holder is entitled to the guaranteed amount, if the market value of the assets exceeds the guaranteed amount. 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.

Certain market value separate accounts provide a guaranteed minimum interest rate; 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. For accounts where the guarantee is tied to an index, at contract discontinuance, the contract holder is entitled to the guaranteed amount plus one-half of the excess performance. 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.

Market value separate accounts funding non-guaranteed benefits provide no guarantee of principal or interest and payout is at market value at contract discontinuance.

NOTES TO FINANCIAL STATEMENTS

Information regarding the separate accounts of the Company at December 31, 2005 is as follows (in thousands):

	(1)	(2)	(3)	(4)	(5)
	Indexed	Non-indexed Guarantee less than/equal to 4%	Non- indexed Guarantee more than 4%	Non- Guaranteed Separate Accounts	Total
Premiums, considerations	\$ -	\$ 853,315	\$ -	\$ 98,354	\$ 951,669
Reserves:					
2. For accounts with assets at:					
a. Market value	\$ 1,179,256	\$ 81,673	\$ -	\$ 2,242,137	\$ 3,503,066
b. Amortized cost	-	2,128,784	-	-	2,128,784
c. Total reserves *	<u>\$ 1,179,256</u>	<u>\$ 2,210,457</u>	<u>\$ -</u>	<u>\$ 2,242,137</u>	<u>\$ 5,631,850</u>
3. By withdrawal characteristics:					
a. Subject to discretionary withdrawal:					
b. With MV adjustment	\$ -	\$ 2,128,784	\$ -	\$ -	\$ 2,128,784
c. At BV without MV adjustment and with current surrender charge of 5% or more	-	-	-	-	-
d. At market value	1,179,256	81,673	-	2,242,137	3,503,066
e. At book value without MV adjustment and with current surrender charge less than 5%	-	-	-	-	-
f. Subtotal	<u>1,179,256</u>	<u>2,210,457</u>	<u>-</u>	<u>2,242,137</u>	<u>5,631,850</u>
g. Not subject to discretionary withdrawal	-	-	-	-	-
h. Total Reserves	<u>\$ 1,179,256</u>	<u>\$ 2,210,457</u>	<u>\$ -</u>	<u>\$ 2,242,137</u>	<u>\$ 5,631,850</u>

*Line 2c should equal line 3h

4. Reserves for Asset Default Risk in Lieu of AVR

At December 31, 2005, the Company held an asset default risk reserve in regard to its market value guaranteed separate account in the amount of \$16,457,333, as required under New York State Regulation 128.

B. Reconciliation of Net Transfers to (From) Separate Accounts

1. Transfers as reported in the Summary of Operations of the Separate Accounts Statement:	
a. Transfer to Separate Accounts (Page 4, Line 1.4)	\$ 951,668,553
b. Transfers from Separate Accounts (Page 4, Line 10)	<u>1,057,603,508</u>
c. Net transfers to/(from) Separate Accounts (a) – (b)	<u>\$ (105,934,955)</u>
2. a. Reinsurance assumed	\$ 10,925,626
b. Transfers to/(from) Separate Accounts net of reinsurance assumed	<u>\$ (95,009,329)</u>
3. Transfers as Reported in the Summary of Operations of the Life, Accident & Health Annual Statement (Page 4, Line 26)	<u>\$ (95,009,329)</u>

35. Loss/Claim Adjustment Expenses

Not applicable.

OVERFLOW PAGE FOR WRITE-INS

L002 Additional Aggregate Lines for Page 02 Line 23.

*ASSETS - Assets

	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2304. Amount due for undelivered securities.....	12,410,280	65,212	12,345,068	460,851,630
2305. Federal employees' group life conversion pool fund.....	3,378,073		3,378,073	3,160,428
2306. Administrative and other fees due and unpaid.....	1,325,730		1,325,730	1,127,289
2307. Prepaid real estate taxes.....	718,798		718,798	360,515
2308. Miscellaneous.....	1,140,717,946	1,140,717,946		8,047,721
2309. Receivable for benefit plans' cost stabilization reserve.....				5,000,000
2397. Summary of remaining write-ins for Line 23 from Page 02	1,158,550,827	1,140,783,158	17,767,669	478,547,583

L003 Additional Aggregate Lines for Page 03 Line 25.

*LIAB - Liabilities

	1	2
	Current Year	Prior Year
2504. Obligations under structured settlement agreements.....	152,951,546	151,143,636
2505. Indemnity reserve on surplus notes.....	100,000,000	100,000,000
2506. General contingency reserve.....	58,767,204	65,636,918
2507. Adjustment to agents' progress sharing plan liability.....	20,864,717	22,436,208
2508. Liability for interest on claims.....	17,642,185	22,663,906
2509. Reserves required on certain group annuity separate accounts.....	16,457,333	43,052,490
2510. Conversion costs payable.....	6,350	6,635
2597. Summary of remaining write-ins for Line 25 from Page 3	366,689,335	404,939,793

L004 Additional Aggregate Lines for Page 04 Line 27.

*SUMOPS - Summary of Operations

	1	2
	Current Year	Prior Year
2704. Fines and penalties from regulatory authorities.....	79,246	138,305
2705. Reinsurance premium.....		633,630
2797. Summary of remaining write-ins for Line 27 from Page 4	79,246	771,935

L004 Additional Aggregate Lines for Page 04 Line 53.

*SUMOPS - Summary of Operations

	1	2
	Current Year	Prior Year
5304. Minimum pension liability adjustment.....	(20,784,971)	(13,790,759)
5397. Summary of remaining write-ins for Line 53 from Page 4	(20,784,971)	(13,790,759)

OVERFLOW PAGE FOR WRITE-INS

L006 Additional Aggregate Lines for Page 06 Line 27.
 *ANAOPS - Analysis of Operations by Lines of Business

	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Industrial Life	Life Insurance	Individual Annuities	Supplementary Contracts	Credit Life (Group and Individual)	Life Insurance (a)	Annuities	Group	Credit (Group and Individual)	Other	Aggregate of All Other Lines of Business
2704. Fines and penalties from regulatory authorities.....	79,245		59,521	1,619	267		5,934	11,172	279		453	
2797. Summary of remaining write-ins for Line 27 from page 6	79,245		59,521	1,619	267		5,934	11,172	279		453	

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