New York Life Global Funding

$11,000,000,000
GLOBAL DEBT ISSUANCE PROGRAM

This supplement (the "Base Prospectus Supplement") is supplemental to and must be read in conjunction with the Offering Memorandum dated October 27, 2009 (the "Offering Memorandum"), as supplemented by base prospectus supplements dated December 7, 2009 and March 8, 2010 (collectively the "base prospectus supplements") prepared by New York Life Global Funding (the "Issuer") under the Issuer's $11,000,000,000 Global Debt Issuance Program for the issuance of senior secured medium-term notes (the "Notes").

The Base Prospectus Supplement has been approved by the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC (the "Prospectus Directive"). The Irish Financial Services Regulatory Authority only approves this Base Prospectus Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

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

On March 18, 2010, New York Life Insurance Company ("New York Life") published its annual audited statutory statements (including any notes thereto, the "2009 and 2008 Audited Statutory Financial Statements") the text of which is set out in Annex 1 to this document. Copies of such 2009 and 2008 Audited Statutory Financial 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 or the base prospectus supplements since the publication of the Offering Memorandum.

Except as disclosed in this document, there has been no other significant new factor, material mistake or inaccuracy relating to the information included in the Offering Memorandum or the base prospectus supplements since the publication of the Offering Memorandum.

Each of the Issuer and New York Life accepts responsibility for the information contained in this Base Prospectus Supplement. To the best of the knowledge of each of the Issuer and New York Life (having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Base Prospectus Supplement dated March 22, 2010

ANNEX 1

NEW YORK LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS
(STATUTORY BASIS)

DECEMBER 31, 2009 and 2008

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Center
300 Madison Avenue
New York NY 10017
Telephone (646) 471 3000
Facsimile (813) 286 6000

Report of Independent Auditors

To the Board of Directors of
New York Life Insurance Company:

We have audited the accompanying statutory statements of financial position of New York Life Insurance Company (the "Company") as of December 31, 2009 and 2008, and the related statutory statements of operations, of changes in surplus, and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the Insurance Department of the State of New York ("statutory basis of accounting"), which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America are material; they are described in Note 1.

In our opinion, the financial statements referred to above (1) do not present fairly in conformity with generally accepted accounting principles, the financial position of the Company as of December 31, 2009 and 2008, or the results of its operations or its cash flows for the years then ended because of the effects of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America referred to in the third paragraph of this report, and (2) present fairly, in all material respects, its financial position and the results of its operations and its cash flows, on the statutory basis of accounting described in Note 1.

As described in Note 1 to the financial statements, the Company changed its method of accounting for other-than-temporary impairments for loan-backed and structured securities, its method of accounting for deferred taxes and its measurement date for defined pension and other postretirement plans in 2009.

PricewaterhouseCoopers LLP

March 17, 2010

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2009	**2008**
	(in millions)	
Assets		
Bonds	$ 65,222	$ 65,391
Common and preferred stocks	7,062	6,519
Mortgage loans	9,540	9,758
Real estate	452	440
Policy loans	7,548	7,051
Limited partnerships and other investments	7,196	6,917
Cash, cash equivalents and short-term investments	1,318	2,301
Other invested assets	508	1,016
Total cash and invested assets	98,846	99,393
Deferred and uncollected premiums	1,539	1,463
Investment income due and accrued	1,039	1,086
Separate account assets	6,608	5,875
Funds held by reinsurer	4,954	4,944
Other assets	4,849	4,545
Total assets	$ 117,835	$ 117,306
Liabilities and Surplus		
Liabilities:		
Policy reserves	$ 72,772	$ 69,957
Deposit funds	15,433	19,983
Dividends payable to policyholders	1,276	1,354
Policy claims	577	568
Borrowed money	1,752	775
Separate account liabilities	6,534	5,864
Amounts payable under security lending agreements	689	2,109
Other liabilities	4,105	4,158
Interest maintenance reserve	179	96
Asset valuation reserve	832	649
Total liabilities	104,149	105,513
Surplus:		
Surplus notes	1,990	992
Special surplus funds - deferred tax	514	-
Unassigned surplus	11,182	10,801
Total surplus	13,686	11,793
Total liabilities and surplus	$ 117,835	$ 117,306

See accompanying notes to financial statements

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	2009	**2008**
	(in millions)	
Income		
Premiums	$ 11,162	$ 11,286
Net investment income	5,061	5,173
Other income	589	465
Total income	16,812	16,924
Benefits and expenses		
Benefit payments:		
Death benefits	2,399	2,207
Annuity benefits	1,071	1,052
Health and disability insurance benefits	340	322
Surrender benefits	2,450	2,200
Payments on matured contracts	2,468	3,091
Other benefit payments	571	853
	9,299	9,725
Additions to reserves	3,044	3,330
Net transfers from Separate Accounts	158	(16)
Operating expenses	2,079	1,976
Total benefits and expenses	14,580	15,015
Gain from operations before dividends and federal income taxes	2,232	1,909
Dividends to policyholders	1,333	1,421
Gain from operations before federal income taxes	899	488
Federal income taxes	105	55
Net gain from operations	794	433
Net realized capital (losses), after tax and transfers to interest maintenance reserve	(339)	(997)
Net income/(loss)	$ 455	$ (564)

See accompanying notes to financial statements

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF CHANGES IN SURPLUS

	December 31,	
	2009	**2008**
	(in millions)	
Surplus, beginning of year	$ 11,793	$ 11,959
Net income/(loss)	455	(564)
Change in surplus notes	998	-
Cumulative effect of changes in accounting principles - deferred tax	514	-
Change in net unrealized gains/(losses) on investments	353	(1,549)
Change in net deferred income tax	101	(76)
Change in surplus notes indemnification reserve	67	11
Change in nonadmitted assets	66	(202)
Cumulative effect of changes in accounting principles - (See Note 1)	28	328
Change in reserve valuation basis	10	268
Change in asset valuation reserve	(183)	1,608
Change in additional minimum pension liability	(520)	13
Other adjustments, net	4	(3)
Surplus, end of year	$ 13,686	$ 11,793

See accompanying notes to financial statements

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2009	2008
	(in millions)	
Cash flow from operating activities:		
Premiums received	$ 11,070	$ 11,175
Net investment income received	4,833	4,928
Other	378	142
Total received	16,281	16,245
Benefits and other payments	8,901	8,857
Operating expenses	2,139	2,088
Dividends to policyowners	1,410	1,665
Federal income taxes	(352)	187
Other	220	(100)
Total paid	12,318	12,697
Net cash from operations	3,963	3,548
Cash flow from investing activities:		
Proceeds from investments sold	18,834	26,889
Proceeds from investments matured or repaid	24,166	21,557
Cost of investments acquired	(42,851)	(49,454)
Net change in policy loans and premium notes	(498)	(433)
Net cash from investing activities	(349)	(1,441)
Cash flow from financing and miscellaneous activities:		
Surplus Notes issued	998	-
Net borrowings under repurchase agreements	566	13
Net borrowings (repayments) under credit agreements	68	(529)
Other changes in borrowed money	257	(60)
Net (outflows) from deposit contracts	(5,499)	(1,941)
Net change in amounts payable under security lending agreements	(1,420)	(1,939)
Other miscellaneous (uses)	433	42
Net cash from financing and other activities	(4,597)	(4,414)
Net (decrease) in cash, cash equivalents and short-term investments	(983)	(2,307)
Cash, cash equivalents and short-term investments, beginning of year	2,301	4,608
Cash, cash equivalents and short-term investments, end of year	$ 1,318	$ 2,301

See accompanying notes to financial statements

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF CASH FLOWS (supplemental)

	Years Ended December 31,	
	2009	2008
	(in millions)	
Supplemental disclosures of cash flow information:		
Non-cash investing and financing activities during the year not included in the Statutory Statements of Cash Flows:		
Transfer of unaffiliated equity investment to investment in subsidiary	$ 319	$ 901
Transfer of investment in subsidiary to unaffiliated equity investment	266	11
Transfer of debt investment to investment in subsidiary	94	301
Transfer of receivable to investment in subsidiary	76	-
Conversion of equity securities to debt securities	65	-
Exchange of debt investment to equity investment	5	-
Transfer of affiliated equity investment in fulfillment of contractual liability	-	305
Conversion of debt securities to equity securities	3	17
Exchange of mortgage loan to real estate	27	1
Total non-cash transactions	$ 855	$ 1,536

See accompanying notes to financial statements

NOTE 1 - NATURE OF OPERATIONS

New York Life Insurance Company ("the Company"), a mutual life insurance company, and its subsidiaries offer a wide range of insurance and investment products and services including life and health insurance, long term care, annuities (including single premium immediate annuities, or "guaranteed lifetime income annuities"), pension products, mutual funds (through its broker/dealer subsidiary), and other investments and investment advisory services. The Company is domiciled in New York State and is comprised of four primary business operations: U.S. Life Insurance and Agency, Retirement Income Security, Investment Management and International operations. U.S. Life Insurance and Agency operations are conducted primarily through the Company and its wholly owned U.S. insurance subsidiaries New York Life Insurance and Annuity Corporation ("NYLIAC") and NYLIFE Insurance Company of Arizona ("NYLAZ"). U.S. Life Insurance and Agency comprises the individual, group and corporate owned life insurance operations. This business unit also includes group membership association operations, which underwrite group life, health and disability programs for professional and affinity organizations, and AARP operations, which is the exclusive provider of life insurance (through the Company) and fixed immediate and deferred annuities (through NYLIAC) to members of AARP. Retirement Income Security operations are conducted primarily through the Company and NYLIAC. Retirement Income Security comprises the Company's guaranteed lifetime income annuities, fixed and variable investment annuities, and long-term care insurance. Investment Management activities are conducted primarily through the Company and various registered investment advisory subsidiaries of its wholly owned subsidiary, New York Life Investment Management Holdings LLC ("New York Life Investments"). The Company markets individual insurance and investment products in Asia and Latin America primarily through New York Life International, LLC ("NYLI"), a wholly owned subsidiary of the Company. NYLIFE LLC is a wholly owned subsidiary of the Company, and is a holding company for certain non-insurance subsidiaries of the Company. NYLIFE LLC, through its subsidiaries, offers securities brokerage, financial planning and investment advisory services, trust services and capital financing.

Basis of Presentation

The accompanying financial statements have been prepared using accounting practices prescribed by the New York State Insurance Department ("statutory accounting practices"), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP").

The New York State Insurance Department ("NYSID") recognizes only statutory accounting practices prescribed or permitted by the State of New York for determining and reporting the financial position and results of operations of an insurance company and for determining its solvency under New York Insurance Law. The National Association of Insurance Commissioners' ("NAIC") *Accounting Practices and Procedures Manual* ("NAIC SAP") has been adopted as a component of prescribed practices by the State of New York. Prescribed statutory accounting practices include state laws and regulations. Permitted statutory accounting practices encompass accounting practices that are not prescribed; such practices differ from state to state, may differ from company to company within a state, and may change in the future. The Company has no permitted practices.

For the years ended December 31, 2009 and 2008, 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, 2009 and 2008 between NAIC SAP and practices prescribed by the State of New York is shown below (in millions):

	2009	2008
Statutory Surplus, New York basis	$ 13,686	$ 11,793
State Prescribed Practices:		
Surplus notes indemnification reserve	-	67
Statutory Surplus, NAIC SAP	$ 13,686	$ 11,860

On May 15, 2009 the Company released the indemnification reserve held in connection with surplus notes issued in 2003. For details see Note 12 – Surplus.

Certain amounts in prior years have been reclassified to conform to the current year presentation. These reclassifications had no effect on net income or surplus as previously reported.

Changes in Accounting Principles

Accounting changes adopted to conform to the provisions of NAIC SAP are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is generally reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle. Generally the cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods.

In December 2009, the NAIC adopted Statements of Statutory Account Principles ("SSAP") No. 10R *"Income Taxes-Revised, A Temporary Replacement of SSAP No. 10"* (SSAP No. 10R). This guidance provides an increase in the admissibility limitation from 10% to 15% of surplus and an increase in the reversal/realization periods from one to three years. It requires gross deferred tax assets ("DTAs") to be reduced by a statutory valuation allowance if it is more likely than not that some portion or all of the gross deferred tax assets will not be realized. This guidance is effective for 2009 annual statements and 2010 interim and annual statements. In the event subsequent deferred tax asset admission guidance is not adopted by the end of this statement's effective period, SSAP No. 10 is reinstated as authoritative guidance for accounting and reporting of income taxes for statutory financial statements. As of December 31, 2009, the effect of adopting this pronouncement was an increase to surplus of $514 million and is reported as a specifically identified change in accounting principle in the Statutory Statements of Changes in Surplus.

In September 2009, the NAIC issued SSAP No. 43R, "*Loan-backed and Structured Securities*," (SSAP No. 43R) an amendment of SSAP No. 43, "*Loan-Backed and Structured Securities*", replacing SSAP No. 98, "*Treatment of Cash Flows When Quantifying Changes in Valuation and Impairments, an Amendment of SSAP No. 43-Loan-backed and Structured Securities*". SSAP No. 43R provides that for loan-backed and structured securities for which (i) fair value is less than cost, (ii) the Company does not intend to sell the security and (iii) the Company has the intent and ability to hold the security until recovery, the Company should determine if there is a non-interest related impairment by comparing the present value of the cash flows expected to be collected to the amortized cost basis. If the net present value of cash flows expected to be collected is less than amortized cost, the security is impaired, and the difference is

recorded as a realized loss in net income. The new cost basis of the security is the previous amortized cost basis less the non-interest impairment recognized in net income.

If fair value is less than amortized cost and the Company (i) has the intent to sell the security, or (ii) does not have the intent and ability to retain the security until recovery of its carrying value, the security is written down to fair value with the associated realized loss reported in net income. The non-interest portion of the realized loss is recognized in the asset valuation reserves ("AVR"), and the interest portion in the interest maintenance reserves ("IMR"). The fair value at the time of the impairment becomes the security's new cost basis.

SSAP No. 43R requires that for beneficial interests in securitized financial assets that are not of high credit quality, determined at acquisition, or can contractually be prepaid or otherwise settled in such a way that the reporting entity would not recover substantially all of its recorded amount, if fair value is less than amortized cost, and there has been a negative change in cash flows, an other-than-temporary impairment ("OTTI") must be taken. The amount of the impairment is based upon the criteria discussed above. The carrying value of these securities is determined using the prospective yield method.

The Company adopted SSAP No. 43R effective July 1, 2009 and recorded an increase to surplus of $67 million, net of taxes as a change in accounting principle in the Statutory Statements of Changes in Surplus.

In addition, in 2009, the Company changed the measurement date of its defined benefit plans to December 31st from September 30th. The Company determined its net periodic benefit costs over the 15 month period, and allocated 20% of the cost as a change in accounting principle. The Company recorded a $39 million reduction to surplus as a change in accounting principle in the Statutory Statements of Changes in Surplus.

The New York State legislature passed a bill that was signed by the governor on July 21, 2008 that removed the statutory impediments to full adoption of NAIC SAP as the accounting basis for insurance companies in New York State. The bill amended aspects of insurance law to alter what can be treated as an admitted asset and what is considered nonadmitted for the purpose of presentation of insurance company results in annual and quarterly statements. The Company recorded a net positive impact on surplus of $328 million as of December 31, 2008 as a change in accounting principle in the Statutory Statements of Changes in Surplus. This positive impact was the result of the admission of EDP equipment and operating software of $38 million and goodwill and intangibles of non-insurance subsidiaries of $311 million that was previously nonadmitted and nonadmitting aircraft owned by a subsidiary of $21 million that was previously admitted. The surplus notes indemnification reserve listed as a difference between accounting practices prescribed by the State of New York and NAIC SAP was not addressed by the bill and continued to be a difference. The reserve was released in accordance with its original schedule, on May 15, 2009.

New Accounting Pronouncements

The NAIC modified SSAP No. 9, "*Subsequent Events*". This guidance establishes general standards for accounting and disclosures of events that occur subsequent to the balance sheet date, but before the issuance of the financial statements. In addition, the Company must disclose the date through which subsequent events have been evaluated, and the date the financial statements were issued or available to be issued. This guidance is effective for the year ending December 31, 2009. The adoption of the guidance did not have an impact on the Company's financial statements. The required disclosure of the date through which subsequent events have been evaluated is provided in Note 19 – Subsequent Events.

The NAIC issued SSAP No. 100, "*Fair Value Measurements*", effective for financial statements for periods ending on or after December 31, 2010. This statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This statement does not require any new fair value measurements, but the application of this statement could change current practices in determining fair value. This guidance is not expected to have a material impact on the Company's financial statements.

The NAIC issued INT 09-04, "*Application of the Fair Value Definition*", which provides guidance for fair value measurements and disclosures when (i) estimating the fair value of an asset or liability if there was a significant decrease in the volume and level of trading activity for these assets or liabilities and (ii) identifying transactions that are not orderly. It also clarified that fair value continues to be the amount at which an asset or liability could be bought or sold in a current transaction between willing parties, that is not in a forced liquidation sale. This guidance was effective June 30, 2009. The Company adopted this guidance effective June 30, 2009; however, it did not have a material impact on the Company's financial statements.

The NAIC issued SSAP No. 99, "*Accounting for Debt Securities Subsequent to an Other-Than-Temporary Impairment*", which provides guidance for the accounting treatment of premium or discount for a debt security subsequent to other-than-temporary impairment recognition. This guidance was effective January 1, 2009 with early adoption permitted. The Company adopted this guidance effective January 1, 2009 with a prospective application.

The NAIC issued SSAP No. 98, "Treatment of Cash Flows when Quantifying Changes in Valuation and Impairments", an amendment to SSAP No. 43 with an effective date of January 1, 2009 with early adoption permitted. The Company early adopted this guidance in 2008 and the adoption did not have a material impact on the Company's financial statements. This guidance was superseded by SSAP No. 43R.

The NAIC approved an initiative to create a new modeling and rating process for non-agency residential mortgage-backed securities ("RMBS"), "The RMBS Initiative". For each RMBS within the scope of the guidance, the model determines the price at which the modeled expected loss equals the midpoint between the risk-based capital charges for each NAIC designation, i.e. each price point that, if exceeded, changes the NAIC designation. A security's carrying amount is based upon the initial NAIC Designation, which is determined using the security's amortized cost. A final NAIC designation is determined using the security's carrying amount. This final NAIC designation is applicable for all statutory accounting and reporting purposes, including establishing the IMR, AVR, and Risk Based Capital except for establishing the appropriate carrying value. This guidance was effective for December 31, 2009.

The NAIC issued nonsubstantive modifications to existing statutory accounting guidance effective June 2008 to allow audited U.S. tax basis prepared financial statements as an acceptable basis for valuing investments in joint ventures, partnerships, and limited liability companies in which the reporting entity has a minor ownership interest (i.e., less than 10%) or lacks control as stipulated in paragraphs 9 and 10 of SSAP No. 48, "*Joint Ventures, Partnerships and Limited Liability Companies*", and for which audited GAAP financial statements of the investee are not available. The effect of applying this clarification resulted in an increase in surplus of $24 million and is included in the change in nonadmitted assets in the Statutory Statements of Changes in Surplus for the year ended December 31, 2008.

The NAIC issued nonsubstantive modifications to existing statutory accounting requirements effective June 2008 to allow audited IFRS or foreign GAAP prepared financial statements as an acceptable basis for valuing investments in non-U.S. joint ventures, partnerships, and limited liability companies where the reporting entity has a minor ownership interest (i.e., less than 10%) or lacks control as set forth in

paragraphs 9 and 10 of SSAP No. 48 and for which audited U.S. GAAP financial statements of the investee are not available, provided that such audited IFRS or foreign GAAP prepared financial statements include an audited footnote reconciliation of the investee's IFRS or foreign GAAP income and equity to U.S. GAAP income and equity. The effect of applying this clarification resulted in no change to surplus.

The NAIC issued modifications effective December 31, 2008 to allow multiple market based valuations to be utilized as an alternative to published SVO unit prices. See Note 2 - Significant Accounting Policies, for further details on the Company's policy on securities valuation.

Effective for 2008 and future financial statements, the NAIC issued disclosure requirements for all security lending arrangements, whether on or off balance sheet as of the date of each balance sheet. See Note 2 - Significant Accounting Policies, for further details on the Company's policy on security lending arrangements.

Effective for 2008 and future financial statements, the NAIC issued disclosure requirements for funding agreements issued to a Federal Home Loan Bank. See Note 8 - Insurance Liabilities, for these additional disclosures.

Effective for 2008 and future financial statements, the NAIC issued amendments to SSAP No. 86, "*Accounting for Derivatives Instruments and Hedging Activities*" and SSAP No. 5, "*Liabilities, Contingencies and Impairments of Assets*" regarding, disclosures for credit derivatives. See Note 2 - Significant Accounting Policies, for the Company's policy on derivatives.

The NYSID raised an issue with the industry's statutory accounting for reinsurance credits when premiums are paid to reinsurers at a different frequency than received from policyholders. It is very common for reinsurance premiums to be paid annually even though the underlying policy premiums are collected on a mode other than annual to accommodate customer demand. When net valuation premiums exceed gross premiums, this can result in a negative net liability or a net asset that is larger than the total of the gross premiums the ceding insurer will receive between the valuation date and the next reinsurance premium due date. At issue is how to value reinsurance credit under statutory accounting. The NYSID has not required any changes in statutory accounting for this situation in 2009.

Statutory vs. GAAP Basis of Accounting

Financial statements prepared under NAIC SAP vary from those prepared under GAAP. The primary differences that apply to the financial statements of the Company are as follows:

- non-public majority owned subsidiaries are generally carried at net equity value with earnings of such subsidiaries recognized in net investment income only when dividends are declared whereas, under GAAP, they would be consolidated with net income from such subsidiaries and recognized when earned, and dividends would be eliminated in consolidation;

- the costs related to acquiring business, principally commissions, certain policy issue expenses and sales inducements, are charged to income in the year incurred, whereas under GAAP they would be deferred and amortized over the periods benefited;

- life insurance reserves are based on different assumptions than they are under GAAP and dividends on participating policies are recognized for the full year when approved by the Board of Directors, whereas under GAAP, they would be accrued when earned by policyholders;

- life insurance companies are required to establish an AVR by a direct charge to surplus to offset potential investment losses, whereas under GAAP, the AVR would not be recognized;

- investments in bonds are generally carried at amortized cost or values as prescribed by the NYSID whereas, under GAAP, investments in bonds that are classified as available for sale or trading would be carried at fair value, with changes in fair value of bonds classified as available for sale charged or credited to equity and changes in fair value of bonds classified as trading would be reflected in earnings;

- realized gains and losses resulting from changes in interest rates on fixed income investments are deferred in the IMR and amortized into investment income over the remaining life of the investment sold, whereas under GAAP, the gains and losses would be recognized in income at the time of sale;

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

- the benefit of a tax position is offset by a reserve if it is probable that the Company will have to pay additional tax and related charges as a result of a tax audit, whereas under GAAP, a tax position must be more-likely-than-not to be sustained upon examination by tax authorities before any tax benefit would be recorded in the financial statements and the amount of the benefit for any uncertain tax position would be the largest amount that is greater than 50 percent likely of being realized upon settlement.

- certain reinsurance transactions are accounted for using deposit accounting and assets and liabilities are reported net of reinsurance whereas, under GAAP, these transactions qualify for reinsurance accounting and assets and liabilities would be reported gross of reinsurance;

- certain assets, such as intangible assets, furniture and equipment, deferred taxes that are not realizable within three years and unsecured receivables are considered nonadmitted and excluded from assets, whereas they would be included under GAAP, subject to a valuation allowance, as appropriate;

- contracts that have any mortality and morbidity risk, regardless of significance, and contracts with life contingent annuity purchase rate guarantees are classified as insurance contracts, whereas under GAAP, contracts that do not subject the Company to significant risks arising from policyholder mortality or morbidity would be accounted for in a manner consistent with the accounting for interest bearing or other financial instruments;

- goodwill held in an insurance company is admitted subject to a 10% limitation on surplus and amortized over the useful life of the goodwill, not to exceed 10 years and goodwill held by non-insurance subsidiaries is assessed in accordance with GAAP, subject to certain limitations for holding companies and foreign insurance subsidiaries whereas, under GAAP, goodwill, which is considered to have an indefinite useful life, is tested for impairment and a loss recorded, where appropriate;

- pension and other postretirement obligations are measured for only vested employees and agents, whereas under GAAP, these costs would be measured for both vested and non-vested employees and agents;

- surplus notes are included as a component of surplus, whereas under GAAP, they would be presented as a liability;

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

- contracts that contain an embedded derivative are not bifurcated between components and are accounted for consistent with the host contract, whereas under GAAP the embedded derivative would be bifurcated from the host contract and accounted for separately;

- an additional minimum liability ("AML") is required for pensions only when the accumulated benefit obligation exceeds the fair value of the plan assets, changes in the AML are recorded as a direct impact to surplus, whereas under GAAP, the overfunded or underfunded status of defined benefit pension and postretirement plans would be recognized as an asset or liability in the statement of financial position, and changes in the funded status would be recognized through other comprehensive income;

- all other-than-temporarily impaired corporate securities are written down to fair value and, if certain conditions are met, the non-credit portion of OTTI on a loan-back or structured security is not recognized; whereas, under GAAP, if certain conditions are met, the non-credit portion of OTTI on a debt security is recorded through other comprehensive income. A non-credit loss exists when the fair value of a security is less than the present value of projected future cash flows expected to be collected;

- undistributed income and capital gains and losses for limited partnership and limited liability companies are reported in surplus as unrealized gains or losses, whereas under GAAP, in many cases, under specialized accounting treatment for investment companies, unrealized gains and losses would be included in net income;

- changes in the fair value of derivative financial instruments not carried at amortized cost are recorded as unrealized capital gains or losses and reported as changes in surplus, whereas under GAAP, these changes would generally be reported through earnings unless deemed an effective hedge;

- certain derivative instruments are carried at amortized cost, whereas under GAAP, all derivative instruments would be carried at fair value; and

- certain group annuity policies which do not pass through all investment gains to policyholders are maintained in separate accounts, whereas GAAP reports these policies in the general account assets and liabilities of the Company.

The effects on the financial statements of the variances between NAIC SAP and GAAP are material to the Company.

The following table reconciles the Company's statutory surplus determined in accordance with statutory accounting practices with consolidated New York Life GAAP equity, excluding non-controlling interests, determined on a GAAP basis (in millions):

	Years Ended December 31,	
	2009	**2008**
Statutory surplus	$ 13,686	$ 11,793
AVR	832	649
Statutory surplus and AVR	14,518	12,442
Adjustments to statutory basis for:		
Inclusion of AVR of domestic insurance companies	491	384
Inclusion of deferred policy acquisition cost asset ("DAC")	8,930	10,132
Re-estimation of future policy benefits and policyholders' account balances	(2,610)	(2,009)
Mark-to-market on investments	599	(8,207)
Removal of interest maintenance reserve ("IMR")	213	106
Deferred tax asset (liability)	(695)	2,571
Inclusion of certain assets that are non-admitted for statutory accounting	1,328	1,317
Inclusion of goodwill in excess of statutory limitations	380	371
Liability for pension and post retirement benefits	(1,599)	(1,923)
Removal of surplus notes, net of indemnification reserve	(1,989)	(924)
Net assets of separate accounts	(73)	(557)
Other	(77)	(24)
Total adjustments	4,898	1,237
Total consolidated New York Life GAAP equity, excluding non-controlling interests	$ 19,416	$ 13,679

The following table reconciles the Company's statutory net income (loss) determined in accordance with statutory accounting practices with consolidated New York Life GAAP net income (loss) determined on a GAAP basis (in millions):

	Years Ended December 31,	
	2009	2008
Statutory net gain from operations	$ 794	$ 433
Net realized capital losses	(339)	(997)
Statutory net income/(loss)	455	(564)
Adjustments to statutory net income/(loss) for:		
Inclusion of net income (loss) from subsidiaries	676	(222)
Removal of dividend income from subsidiaries	(244)	-
Inclusion of DAC	19	792
Re-estimation of future policy benefits and policyholders' account balances	124	240
Policyholder dividends	(96)	(148)
Removal of IMR capitalizations, net of amortization	83	(171)
Inclusion of GAAP net investment gains (losses)	758	(439)
Inclusion of deferred income taxes	(246)	174
Fair value adjustment of certain liabilities	(269)	345
Inclusion of unrealized limited partnership gains (losses)	98	(995)
Other	(31)	(28)
Total adjustments	872	(452)
Total consolidated New York Life GAAP net income (loss)	$ 1,327	$ (1,016)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Management is also required to disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the period. Actual results may differ from those estimates.

Investments

Investments are valued in accordance with methods and values prescribed by the NYSID.

Bonds are stated at amortized cost using the interest method. Bonds in or near default (rated NAIC 6) are stated at the lower of amortized cost or fair value.

Loan-backed bonds and structured securities are valued at amortized cost using the interest method including anticipated prepayment at the date of purchase. Changes in prepayment speeds and estimated cash flows from the original purchase assumptions are evaluated quarterly. For high credit quality loan-backed bonds and structured securities (those rated AA or above at date of acquisition), projected future cash flows are updated quarterly, and the amortized cost and effective yield of the security are adjusted to reflect historical prepayment experience and changes in estimated future prepayments. The adjustments to amortized cost are recorded as a charge or credit to net investment income in accordance with the

retrospective method. The prospective yield method is used for securities that are not of high credit quality (rated below AA at acquisition), certain floating rate securities and securities that have the potential for loss of a portion of the original investment (e.g. interest only securities). See Note 17 - Fair Value of Financial Instruments, for discussion of valuation methods for bonds.

Preferred stocks in "good standing" (NAIC designation of 1 to 3) are valued at amortized cost. Preferred stocks "not in good standing" (NAIC designation of 4 to 6) are valued at the lower of amortized cost or fair value. See Note 17 - Fair Value of Financial Instruments, for discussion of valuation methods for preferred stocks.

Common stocks include the Company's investments in unaffiliated stocks, mutual funds and the following direct, wholly owned subsidiaries and membership interests: NYLIAC, NYLAZ, NYLI, NYLIFE LLC, and New York Life Investments.

Unaffiliated common stocks are carried at fair value. See Note 17 - Fair Value of Financial Instruments, for a discussion of valuation methods of unaffiliated common stocks.

Investments in stocks of U.S. insurance subsidiaries are carried as an asset provided their U.S. statutory net asset value is audited. Investments in stocks and membership interests of all other subsidiaries are carried as an asset provided the entity's U.S. GAAP equity is audited. In the absence of an admissible audit, the entire investment is nonadmitted. Each of the Company's subsidiaries has a U.S. GAAP audit with the exception of New York Life Haier, J.V. ("HAIER"), which is nonadmitted. The remaining subsidiaries are stated as follows: (1) domestic insurance subsidiaries are stated at the value of their underlying 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 statutory accounting practices; otherwise the investment is nonadmitted; (3) non-insurance subsidiaries are carried at U.S. GAAP equity unless they are engaged in certain transactions that are for the benefit of the Company or its affiliates and receive 20% or more of their revenue from the Company or its affiliates; in this case, non-insurance subsidiaries are carried at U.S. GAAP equity adjusted for the same items as foreign insurance subsidiaries; (4) all other assets and liabilities in a downstream holding company are accounted for in accordance with the appropriate NAIC SAP guidance. Dividends and distributions from subsidiaries are recorded in investment income when declared and changes in the equity of subsidiaries are recorded as unrealized gains or losses.

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 on individual mortgage loans are based on the fair value of the collateral. If impairment is other than temporary, a direct write-down is recognized as a realized loss and a new cost basis, which is equal to the fair value of the collateral for the individual mortgage loan, is established. See Note 17 - Fair Value of Financial Instruments, for discussion of valuation methods for mortgage loans.

Real estate held for the production of income and home office properties are stated at cost less accumulated depreciation and encumbrances. Real estate held for sale is stated at the lower of cost less accumulated depreciation or fair value less encumbrances and estimated cost to sell, which may result in an other–than- temporary impairment. 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.

Policy loans are stated at the aggregate balance due. The excess of the unpaid balance of a policy loan that exceeds the cash surrender value is nonadmitted.

Limited partnerships and limited liability companies, which have admissible audits, are carried at the underlying audited equity of the investee. The Company nonadmits the entire investment when an admissible audit is not performed. 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.

The cost basis of bonds, equity securities, limited partnerships and limited liability companies is adjusted for impairments in value deemed to be other than temporary. Factors considered in evaluating whether a decline in value is other than temporary include: 1) whether the decline is substantial; 2) the financial condition and near-term prospects of the issuer; 3) the amount of time that the fair value has been less than cost; and 4) the Company's ability and intent to retain the investment for the period of time sufficient to allow for an anticipated recovery in value.

The cost basis of loan-backed and structured securities is adjusted for impairments in value that are deemed to be other than temporary. An other than temporary loss is recognized in earnings when it is anticipated that the amortized cost will not be recovered. The entire difference between the loan-backed or structured security's amortized cost and its fair value is recognized in net income only when either the Company (a) has the intent to sell the security or (b) it does not have the intent and ability to hold the security to recovery. If neither of these two conditions exists, a realized loss would be recognized in net income for the difference between the amortized cost basis of the security and the net present value of projected future cash flows expected to be collected. The net present value is calculated by discounting the Company's best estimate of projected future cash flows at the effective interest rate implicit in the loan-backed or structured security prior to impairment.

The determination of cash flow estimates in the net present value is subjective and methodologies will vary, depending on the type of security. The Company considers all information relevant to the collectability of the security, including past events, current conditions, and reasonably supportable assumptions and forecasts in developing the estimate of cash flows expected to be collected. This information generally includes, but may not be limited to, the remaining payment terms of the security, estimated prepayment speeds, defaults, recoveries upon liquidation of the underlying collateral securing the notes, and the financial condition of the issuer(s), credit enhancements and other third party guarantees. In addition, other information, such as industry analyst reports and forecasts, sector credit ratings, the financial condition of the bond insurer for insured fixed income securities and other market data relevant to the collectability may also be considered, as well as the expected timing of the receipt of insured payments, if any. The estimated fair value of the collateral may be used to estimate recovery value if the Company determines that the security is dependent on the liquidation of the collateral for recovery.

When it is determined that a decline in value of corporate bonds, equity securities, limited partnerships and limited liability companies is other than temporary, the cost basis of the investment is reduced to its fair value with the associated realized loss reported in net income. The new cost basis of an impaired bond is not adjusted for subsequent increases in estimated fair value. In periods subsequent to the recognition of an other-than-temporary impairment, the impaired bond is accounted for as if it had been purchased on the measurement date of the impairment. Accordingly, the discount (or reduced premium) based on the new cost basis may be accreted into net investment income in future periods based on prospective changes in cash flow estimates, to reflect adjustments to the effective yield.

Derivative instruments that are effective hedges are valued consistent with the items being hedged. Investment income or expense is recorded on an accrual basis. Gains and losses related to contracts that are effective hedges on specific assets and liabilities are recognized in income in the same period as the gains or losses on the hedged assets or liabilities. Realized gains and losses that are recognized upon termination or maturity where the underlying is subject to the IMR are transferred, net of taxes, to the IMR. All other realized gains and losses are recognized in net income, net of taxes, upon termination or maturity of derivative contracts.

Written equity covered call options that are entered into as income generation transactions are carried at fair value, with changes in fair value reported as unrealized gains and losses in surplus. Realized gains and losses are recognized, net of taxes, in net income upon expiration or termination.

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 derivatives are reported in realized gains or losses for hedges that are not highly effective. Realized gains and losses upon termination, maturity or expiration are reported in net income, net of taxes. See Note 17 – Fair Value of Financial instruments, for a discussion of valuation methods for derivative instruments.

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 stated at amortized cost. 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.

All securities are recorded in the financial statements on a trade date basis except for the acquisition of private placement bonds, which are recorded on the funding date.

The AVR is used to stabilize surplus from fluctuations in the market value of bonds, stocks, mortgage loans, real estate, limited partnerships and other investments. Changes in the AVR are accounted for as direct increases or decreases in surplus. The IMR captures interest related realized gains and losses on sales (net of taxes) and interest related other-than-temporary impairments (net of taxes) of bonds, preferred stocks, mortgage loans and derivative instruments which are amortized into net income over the expected years to maturity of the investments sold or the item being hedged by the derivative for those derivatives that qualify for hedge accounting using the grouped method. An interest related other-than-temporary impairment occurs when the Company has the intent to sell an investment, at the balance sheet date, before recovery of the cost of the investment. For loan-backed and structured securities, if the Company intends to sell, or does not have the intent and ability to hold the security at the balance sheet date before recovery of the cost of the investment, the non-interest related other-than-temporary impairment is booked to AVR, and the interest related portion to IMR.

Loaned Securities and Repurchase Agreements

The Company has entered into securities lending agreements whereby certain general account investment securities are loaned to third parties for the purpose of enhancing income on certain securities held. The Company receives cash collateral equal to 102% and 105% of the fair value of domestic and foreign securities loaned, respectively. Securities loaned are treated as financing arrangements. A liability is recorded at the amount of cash received and is included in "Amounts Payable Under Security Lending Agreements" in the accompanying Statutory Statements of Financial Position. The Company monitors the fair value of securities loaned and obtains additional collateral as necessary.

The Company enters into agreements to sell and repurchase securities for the purpose of enhancing income on the securities portfolio. Under agreements to sell and repurchase securities, the Company obtains the use of funds from a broker for generally one month. Assets to be repurchased are the same, or substantially the same, as the assets transferred. Securities sold under agreements to repurchase are treated as financing arrangements. Cash collateral received is invested in short-term investments and long-term bonds with an offsetting collateral liability included in "Borrowed Money" in the accompanying Statutory Statements of Financial Position. The Company receives cash collateral equal to at least 95% of the fair value of the securities to be repurchased. The fair value of the securities to be repurchased is monitored and additional collateral is obtained, where appropriate, to protect against credit exposure.

The Company enters into agreements to purchase and resell securities for the purpose of enhancing income on the securities portfolio. Securities purchased under agreements to resell are treated as investing activities and are carried at amortized cost, and it is the Company's policy to generally take possession or control of the securities purchased under these agreements. However, for tri-party repurchase agreements, the Company's designated custodian takes possession of the underlying collateral securities. Securities purchased under agreements to resell are reflected in "Cash, Cash Equivalents and Short-Term Investments" on the accompanying Statutory Statements of Financial Position. The Company receives securities as collateral, having a fair value at least equal to 102% of the purchase price paid by the Company for the securities. The fair value of the securities to be resold is monitored and additional collateral is obtained, where appropriate, to protect against credit exposure.

Premiums and Related Expenses

Life premiums are taken into income over the premium-paying period of the policies. Annuity considerations are recognized as revenue when received. Commissions and other costs associated with acquiring new business are charged to operations as incurred. Guaranteed investment contracts ("GICs") 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 Statutory Statements of Financial Position as an adjustment to "Deposit Funds" and not reflected in the Statutory Statements of Operations.

Dividends to Policyholders

The liability for dividends to policyholders consists principally of dividends expected to be paid during the subsequent year. The allocation of dividends is approved annually by the Board of Directors and is determined by means of formulas, which reflect the relative contribution of each group of policies to divisible surplus.

Policy Reserves

Policy reserves are based on mortality tables and valuation interest rates, which are consistent with statutory requirements and are designed to be sufficient to provide for contractual benefits. The Company holds reserves greater than those developed under the minimum statutory reserving rules when the Valuation Actuary determines that the minimum statutory reserves are inadequate. See Note 8 - Insurance Liabilities, for a discussion of reserves in excess of minimum NAIC requirements.

Federal Income Taxes

Current federal income taxes are charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year and any adjustments to such estimates from prior years. Deferred federal income tax assets ("DTAs") and liabilities ("DTLs") are recognized for expected future tax consequences of temporary differences between statutory and taxable income. Temporary differences are identified and measured using a balance sheet approach whereby statutory and tax balance sheets are compared. Changes in DTAs and DTLs are recognized as a separate component of surplus (except for the net deferred tax asset related to unrealized gains, which is reclassed to be included in unrealized gains and losses). Net deferred tax assets are admitted to the extent permissible under NAIC SAP.

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.

Separate Accounts

The Company has established both non-guaranteed and guaranteed separate accounts with varying investment objectives which are segregated from the Company's general account and are maintained for the benefit of separate account contractholders. Separate account assets are primarily invested in bonds and common stocks and are generally stated at market value. The liability for non-guaranteed separate accounts represents contractholders' interests in the separate account assets, including accumulated net investment income and realized and unrealized gains and losses on those assets.

Guaranteed separate accounts maintained on a market value basis provide a guarantee of principal and interest for contracts held to maturity. Guaranteed separate accounts maintained on an amortized cost/book value basis provide a guarantee of principal and interest during active status, and a book value payout with market value adjustment at discontinuance.

Nonadmitted Assets

Under statutory accounting practices, certain assets are designated as "nonadmitted assets" and are not included in the accompanying Statutory Statements of Financial Position since these assets are not permitted by the NYSID to be taken into account in determining an insurer's financial condition. Nonadmitted assets often include furniture and equipment, agents' debit balances, deferred tax assets not realizable within three years (one year in 2008), receivables over 90 days old, and the prepaid pension assets on qualified plans. Changes to nonadmitted assets are reported as a direct adjustment to surplus in the Statutory Statements of Changes in Surplus.

Fair Values of Financial Instruments and Insurance Liabilities

Fair values of various assets and liabilities are included throughout the notes to the financial statements. Specifically, fair value disclosure of investments held is reported in Note 3 - Investments. Fair values for derivative financial instruments are included in Note 5 - Derivative Financial Instruments and Risk

Management. Fair values for insurance liabilities are reported in Note 8 - Insurance Liabilities. The aggregate fair value of all financial instruments summarized by type is included in Note 17 – Fair Values of Financial Instruments.

Contingencies

Amounts related to contingencies are accrued if it is probable that a liability has been incurred and an amount is reasonably estimable. Regarding litigation, management evaluates whether there are incremental legal or other costs directly associated with the ultimate resolution of the matter that are reasonably estimable and, if so, includes such costs in the accrual.

Foreign Currency Translation

The Company's Canadian insurance operations are stated in Canadian dollars, with a single foreign currency adjustment of the net value reflected in unrealized gains and losses as a component of surplus. For all other foreign currency items, income and expenses are translated at the average exchange rate for the period while balance sheet items are translated using the spot rate in effect at the balance sheet date. In addition, the impact of the cumulative translation adjustment on the Company's foreign insurance subsidiary is included in the investment in subsidiaries with the change reported as an unrealized gain/loss.

Business Risks and Uncertainties

The securities and credit markets have been experiencing extreme volatility and disruption and under certain interest rate scenarios, the Company could be subject to disintermediation risk and/or reduction in net interest spread or profit margins.

The Company's investment portfolio consists principally of fixed income securities as well as mortgage loans, policy loans, limited partnerships, preferred and common stocks and equity real estate. The fair value of the Company's investments varies depending on economic and market conditions and the interest rate environment. Furthermore, with respect to investments in mortgage loans, mortgage-backed securities and other securities subject to prepayment and/or call risk, significant changes in prevailing interest rates and/or geographic conditions may adversely affect the timing and amount of cash flows on these investments, as well as their related values. In addition, the amortization of market premium and accretion of market discount for mortgage-backed securities is based on historical experience and estimates of future payment experience underlying mortgage loans. Actual prepayment timing will differ from original estimates and may result in material adjustments to asset values and amortization or accretion recorded in future periods.

Certain of these investments lack liquidity, such as privately placed fixed income securities; leveraged leases; equity real estate, including real estate joint ventures; and other limited partnership interests. The Company also holds certain investments in asset classes that are liquid but have been experiencing significant market fluctuations, such as mortgage-backed and other asset-backed securities. If the Company was to require significant amounts of cash on short notice in excess of cash on hand and its portfolio of liquid investments, the Company could have difficulty selling these investments in a timely manner, be forced to sell them for less than the Company otherwise would have been able to realize, or both.

In periods of high or increasing interest rates, life insurance policy loans and surrenders and withdrawals may increase as policyholders seek investments with higher perceived returns. This could result in cash

outflows requiring us to sell invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which could cause us to suffer realized investment losses. In addition, when interest rates rise, the Company may face competitive pressure to increase crediting rates on certain insurance and annuity contracts, and such changes may occur more quickly than corresponding changes to the rates earned on the Company's general account investments.

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

Although management of the Company employs a number of asset/liability management strategies to minimize the effects of interest rate volatility, no guarantee can be given that it will be successful in managing the effects of such volatility.

Issuers or borrowers whose securities or loans the Company holds, customers, trading counterparties, counterparties under swaps and other derivative contracts, reinsurers, clearing agents, exchanges, clearing houses and other financial intermediaries and guarantors may default on their obligations to us due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons. In addition, the underlying collateral supporting the Company's structured securities, including mortgage-backed securities, may deteriorate or default causing these structured securities to incur losses.

Weak equity market performance may adversely affect the Company's subsidiaries'sales of variable products, mutual funds or investment management products, cause potential purchasers of the Company's products to refrain from new or additional investments, and may cause current customers to surrender or redeem their current products and investments.

Revenues of the Company's subsidiaries from variable products, mutual funds and other investment management businesses are to a large extent based on fees related to the value of assets under management (except for its Elite Annuity product, where future revenue is based on adjusted premium payments). Consequently, poor equity market performance reduces fee revenues. The level of assets under management could also be negatively affected by withdrawals or redemptions.

One of the Company's insurance subsidiaries issues certain variable products with various types of guaranteed minimum benefit features. The subsidiary establishes reserves for the expected payments resulting from these features. The Company bears the risk that payments may be higher than expected as a result of significant, sustained downturns in the stock market. The Company also bears the risk that additional reserves may be required if partial surrender activity increases significantly for some annuity products during the period when account values are less than guaranteed amounts.

The Risk-Based Capital, or RBC ratio, is the primary measure by which regulators evaluate the capital adequacy of the Company. RBC is determined by statutory rules that consider risks related to the type and quality of invested assets, insurance-related risks associated with the Company's products, interest-rate risk and general business risks. A continuation or worsening of the disruptions in the capital markets could increase equity and credit losses and reduce the Company's statutory surplus and RBC ratio. To the extent that the Company's statutory capital resources are deemed to be insufficient to maintain a particular rating by one or more rating agencies, the Company may seek to improve its capital position, including through operational changes and potentially seeking outside capital.

The Company faces significant competition.

The Company faces strong competition in its Life Insurance and Agency, Retirement Income Security, Investment Management, and International businesses. The Company's ability to compete is based on a number of factors, including product features, investment performance, service, price, distribution capabilities, scale, commission structure, name recognition and financial strength ratings. Industry consolidation, including acquisition of insurance and other financial service companies in the U.S. by international companies, could result in larger competitors with strong financial resources, marketing and distribution capabilities and brand identities.

The Company's career agency force is the primary means by which it distributes life insurance products. In order to continue increasing life insurance sales, the Company must retain and attract additional productive career agents.

Rating agencies assign the Company financial strength/claims paying ability ratings, based on their evaluations of the Company's ability to meet its financial obligations. These ratings indicate a rating agency's view of an insurance company's ability to meet its obligations to its insureds. In certain of the Company's markets, ratings are important competitive factors of insurance companies. Rating organizations continue to review the financial performance and condition of insurers, including the Company. A significant downgrade in the Company's ratings could materially and adversely affect its competitive position in the life insurance market and increase its cost of funds.

Significant Estimates

Policy reserves for the Company's products are established using tables and valuation interest rates prescribed by the NYSID. In addition, the Company holds reserves greater than those developed under minimum reserving rules when the Valuation Actuary determines that minimum statutory reserves are inadequate. Actual results could differ from these estimates and may result in the establishment of additional reserves. The Valuation Actuary monitors actual experience and, where circumstances warrant, revises assumptions and the related estimates for policy reserves.

The Company determines its pension and other post retirement benefit plan costs based on estimates, including assumed discount rates, expected rates of return on plan assets and expected increases in compensation levels and trends in health care costs. A prolonged decline in the equity markets or drop in fixed income rates may result in increased expenses and reduce the Company's profitability.

Regulatory developments in the markets in which the Company operates could affect the Company's business.

Although the federal government does not directly regulate the business of insurance, federal legislation and administrative policies in several areas, including pension regulation, financial services regulation and federal taxation, can significantly and adversely affect the insurance industry and the Company. There are a number of current or potential regulatory measures that may affect the insurance industry. The Company is unable to predict whether any changes will be made, whether any administrative or legislative proposals will be adopted in the future, or the effect, if any, such proposals would have on the Company.

The attractiveness to the Company's customers of many of its products is due, in part, to favorable tax treatment. Current federal income tax laws generally permit the tax-deferred accumulation of earnings on the premiums paid by the holders of annuities and life insurance products. Taxes, if any, are payable

generally on income attributable to a distribution under the contract for the year in which the distribution is made. Death benefits under life insurance contracts are received free of federal income tax. Changes to the favorable tax treatment may reduce the attractiveness of the Company's products to its customers.

As substantially all of the net assets of NYLI are held in foreign countries, there is a potential for adverse impact on net assets from economic and political changes in these countries.

NOTE 3 – INVESTMENTS

Bonds

The carrying value and estimated fair value of bonds as of December 31, 2009 and 2008, by contractual maturity are presented below (in millions). See Note 17 - Fair Value of Financial Instruments, for discussion of valuation methods for bonds. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2009		2008	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Due in one year or less	$ 1,357	$ 1,386	$ 1,392	$ 1,376
Due after one year through five years	11,052	11,508	11,618	10,925
Due after five years through ten years	12,989	13,623	13,927	12,808
Due after ten years	18,768	19,507	19,055	19,923
Mortgage and asset backed securities:				
U.S. government or U.S. government agency	149	156	213	219
Residential mortgage-backed securities	11,042	10,334	8,626	7,585
Commercial mortgage-backed securities	6,119	5,550	6,228	4,657
Other asset-backed securities	3,746	3,439	4,332	3,560
Total	$ 65,222	$ 65,503	$ 65,391	$ 61,053

The Company has exposure to subprime and midprime (primarily Alt-A) residential mortgage lending through its fixed maturity investments that are collateralized by mortgages that include subprime or midprime lending. Subprime residential mortgage lending is the origination of residential mortgage loans to customers with weak credit profiles, including using relaxed mortgage-underwriting standards that provide for affordable mortgage products. These investments are primarily in the form of asset-backed securities (ABS) supported by subprime or midprime mortgage loans or collateralized debt securities (CDO) that contain a subprime or midprime loan component. At December 31, 2009, the collective carrying value of the subprime investments was $134 million with an unrealized loss of $60 million. Of this amount, 88.56% had "AAA" or "AA" credit quality ratings. At December 31, 2009, the collective carrying value of the midprime investments was $591 million with an unrealized loss of $193 million. Of this amount, 55.03% had "AAA" or "AA" credit quality ratings. The Company manages its subprime and midprime risk exposure by limiting the Company's holdings in these types of instruments, maintaining high credit quality investments, and performing ongoing analysis of cash flows, prepayment speeds, default rates and other stress variables.

At December 31, 2009 and 2008, the distribution of gross unrealized gains and losses on bonds was as follows (in millions):

	2009			
	Carrying Amount	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Treasury and U.S. Government corporations	$ 6,385	$ 596	$ 111	$ 6,870
U.S. agencies, state and municipal	795	19	34	780
Foreign governments	1,278	124	7	1,395
U.S. corporate	28,032	1,447	503	28,976
Foreign corporate	7,825	440	106	8,159
Residential mortgage-backed securities	11,042	265	973	10,334
Commercial mortgage-backed securities	6,119	66	635	5,550
Other asset-backed bonds	3,746	22	329	3,439
Total	$ 65,222	$ 2,979	$ 2,698	$ 65,503

	2008			
	Carrying Amount	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Treasury and U.S. Government corporations	$ 7,151	$ 2,022	$ 4	$ 9,169
U.S. agencies, state and municipal	540	9	49	500
Foreign governments	1,386	300	15	1,671
U.S. corporate	29,248	656	3,181	26,723
Foreign corporate	7,880	148	840	7,188
Residential mortgage-backed securities	8,626	229	1,270	7,585
Commercial mortgage-backed securities	6,228	5	1,576	4,657
Other asset-backed bonds	4,332	6	778	3,560
Total	$ 65,391	$ 3,375	$ 7,713	$ 61,053

Common and Preferred Stocks

The carrying value of common and preferred stocks as of December 31, 2009 and 2008 consists of the following (in millions):

	2009	2008
Affiliated common stock	$ 6,648	$ 5,232
Unaffiliated common stock	352	1,127
Preferred stock	62	160
Total	$ 7,062	$ 6,519

The Company records its share of gains or losses from investments in subsidiaries and affiliates, including membership interests, as unrealized gains or losses. In 2009 and 2008, the Company recorded net unrealized gains (losses) of $165 million and $(1,937) million, respectively. Included in the net unrealized losses in 2008 was the reversal of cumulative unrealized gains of $1,254 million from the Shared Appreciation Income Linked Securities II ("SAILS II") settlement, whereby the Company delivered approximately 21 million shares of Express Scripts, Inc ("ESI") to Credit Suisse on the settlement date. This was partially offset by the reversal of cumulative unrealized losses of $1,240 million (included in the change in net unrealized gains/(losses) in investments in the Statutory Statements of Changes in surplus) in 2008 related to the contingent liability due to Credit Suisse under the SAILS II forward contract agreement.

In 2009 and 2008, the Company recorded net unrealized (losses) gains on unaffiliated common stock of $(64) million and $449 million, respectively.

Mortgage Loans

The Company's mortgage loans are diversified by property type, location and borrower, and are collateralized. The maximum and minimum lending rates for commercial mortgage loans funded during 2009 were 8.28% and 1.65% (8.82% and 3.36% for 2008). There were no residential mortgage loans funded in 2009 or 2008. The maximum percentage of any one commercial loan to the value of the security at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages was 92%. The maximum percentage of any residential loan to the value of the security at the time of the loan was 80%. The Company has no significant credit risk exposure to any one individual borrower.

At December 31, 2009 and 2008, the distribution of the mortgage loan portfolio by property type and geographic location was as follows (in millions):

	2009		2008	
	Carrying Amount	**% of Total**	**Carrying Amount**	**% of Total**
Property Type:				
Office Buildings	$ 3,251	34.08%	$ 3,308	33.90%
Industrial	2,128	22.31%	2,068	21.20%
Retail Facilities	2,115	22.17%	2,168	22.22%
Apartment Buildings	1,789	18.75%	1,911	19.58%
Residential	103	1.08%	137	1.40%
Other	154	1.61%	166	1.70%
Total	$ 9,540	100.00%	$ 9,758	100.00%

	2009		2008	
	Carrying Amount	**% of Total**	**Carrying Amount**	**% of Total**
Geographic Location:				
Central	$ 2,653	27.81%	$ 2,797	28.66%
South Atlantic	2,353	24.66%	2,317	23.74%
Middle Atlantic	2,047	21.46%	2,107	21.59%
Pacific	2,030	21.28%	2,095	21.47%
New England	454	4.76%	439	4.51%
Other	3	0.03%	3	0.03%
Total	$ 9,540	100.00%	$ 9,758	100.00%

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. Interest income on non-performing loans is generally recognized on a cash basis. At December 31, 2009 and 2008, the Company did not have any investments in mortgage loans with interest reductions, investments in mortgage loans excluding accrued interest or investments in mortgage loans excluding advances of taxes, assessments or other advances.

At December 31, 2009 and 2008, the Company had no interest on mortgages that was more than 180 days past due.

Impaired mortgage loans at December 31, 2009 and 2008 were as follows (in thousands):

	2009	2008
Impaired loans with related allowance for credit losses	$ 68,927	$ 930
Related allowance for credit losses	$ 19,606	$ 67
Impaired loans without an allowance for credit losses	$ -	$ -
Average recorded investment in impaired loans	$ 27,751	$ 383
Interest income recognized during the period	$ 990	$ 7
Interest income recognized on a cash basis during the period	$ 1,066	$ -

The related allowance for credit losses for the years ended December 31, 2009 and 2008 are summarized below (in thousands):

	2009	2008
Beginning balance	$ 67	$ -
Additions charged to operations	27,453	67
Direct write-downs charged against the allowance	(7,678)	-
Recoveries of amounts previously charged off	(236)	-
Ending Balance	$ 19,606	$ 67

Changes in the valuation allowance for mortgage loans are recorded as unrealized gains and losses. If the loan is determined to be other-than-temporarily impaired, a realized loss is recorded.

At December 31, 2009 and 2008, the Company did not have any investments in restructured mortgage loans and no allowance for credit losses for restructured mortgage loans. During the year ended December 31, 2009 and 2008, no investments in restructured mortgage loans were foreclosed. No additional funds were committed to debtors whose terms have been modified in the years ended December 31, 2009 and 2008.

Real Estate

At December 31, 2009 and 2008, the Company's real estate portfolio, at carrying amount, consisted of the following (in millions):

	2009	2008
Commercial:		
Investment	$ 95	$ 99
Acquired through foreclosure	63	37
Properties for Company use	294	304
Total real estate	$ 452	$ 440

Accumulated depreciation on real estate at December 31, 2009 and 2008 was $293 million and $273 million, respectively. Depreciation expense for 2009 and 2008 totaled $20 million and $18 million, respectively, and was recorded as an investment expense, a component of net investment income in the accompanying Statutory Statements of Operations.

The Company reported $1 million consisting of 2 residential properties and $1 million consisting of 1 residential property at December 31, 2009 and 2008, respectively, of real estate as held for sale, acquired through foreclosure. The Company had $1 million or less of impairments on real estate held for sale during each of 2009 and 2008, which are reflected in realized losses in the accompanying Statutory Statements of Operations. The Company actively markets its properties held for sale.

During 2009 and 2008, the Company recognized less than $1 million of realized gains on the sale of properties held for sale.

Limited Partnerships and Other Investments

The carrying value of limited partnerships and other investments as of December 31, 2009 and 2008 is presented below (in millions):

	2009	2008
Limited partnerships and limited liability companies	$ 4,086	$ 3,623
New York Life Short Term Fund ("NYL STIF")	912	852
Low income housing tax credit investment ("LIHTC")	285	231
Loan to Madison Capital Funding ("MCF")	1,913	2,211
Total Limited Partnerships and Other Invested Assets	$ 7,196	$ 6,917

Limited partnerships and limited liability companies primarily consist of limited partnership interests in venture capital, leveraged buy-out funds, real estate and other equity investments. Net unrealized gains (losses) of $311 million and $(952) million were recorded on these investments for the years ended December 31, 2009 and 2008, respectively. The Company recognized $213 million and $125 million in impairment write-downs on its investment in limited partnerships and limited liability companies during the years ended December 31, 2009 and 2008, respectively.

At December 31, 2009 and 2008, the Company had $149 million and $135 million, respectively, of investments in limited partnerships and limited liability companies that were nonadmitted. During the years ended December 31, 2009 and 2008, the change in nonadmitted assets resulted in a $14 million charge to surplus and a $130 million increase to surplus, respectively.

During 2000, the Company and its affiliates formed the NYL STIF to improve short-term returns through greater flexibility to choose attractive maturities and enhanced portfolio diversification. The NYL STIF is primarily invested in short-term U.S. government and agency securities, CDs, bankers' acceptance notes, medium term floating rate notes, commercial paper and repurchase agreements, which maintained a weighted average maturity of fifty days. Net unrealized gains (losses) of $1 million and $(3) million were recorded on the NYL STIF for the years ended December 31, 2009 and 2008, respectively.

The Company's unexpired tax credits on its investments in LIHTC expire within a range of less than 2 years to 12 years. The minimum holding period required for the Company's LIHTC investments extends from less than 2 years to 12 years. The LIHTC investments are periodically subject to regulatory reviews by housing authorities where the properties are located. The Company is not aware of any adverse issues related to such regulatory reviews. During 2009, there were no write-downs due to the forfeiture or ineligibility of tax credits.

See Note 6 - Related Party Transactions, for a more detailed discussion on the Loan to Madison Capital Funding.

Assets on Deposit or Pledged as Collateral

Assets with a carrying value of $300 million and $295 million at December 31, 2009 and 2008, respectively, were on deposit with government authorities or trustees as required by certain state insurance laws and are included within related invested assets in the accompanying Statutory Statements of Financial Position.

NOTE 4 - INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES

The components of net investment income for the years ended December 31, 2009 and 2008 were as follows (in millions):

	2009	2008
Bonds	$ 3,669	$ 3,882
Mortgage loans	586	594
Affiliated common stocks	244	-
Unaffiliated common and preferred stocks	36	93
Real estate	96	84
Limited partnerships	157	185
Policy loans	457	422
Other investments	67	154
Short-term investments	8	112
Derivatives	2	9
Other	9	15
Gross investment income	5,331	5,550
Investment expenses	(295)	(401)
Net investment income	5,036	5,149
Amortization of IMR	25	24
Net investment income, including IMR	$ 5,061	$ 5,173

Due and accrued investment income is excluded from surplus when amounts are over 90 days past due or collection is uncertain. Due and accrued investment income excluded from net investment income in 2009 and 2008 was less than $1 million each year.

For the years ended December 31, 2009 and 2008, realized capital gains and losses on sales computed under the specific identification method were as follows (in millions):

	2009		2008	
	Gains	**Losses**	**Gains**	**Losses**
Bonds	$ 348	$ 486	$ 344	$ 982
Mortgage loans	-	14	2	-
Affiliated common stock	-	-	66	-
Unaffiliated common and preferred stock	318	118	267	857
Real estate	-	-	-	1
Other investments	4	222	3	125
Derivatives	334	506	127	308
Other	-	104	2	-
	$ 1,004	$ 1,450	$ 811	$ 2,273
Net realized capital (losses) before tax and transfers to the IMR	$ (446)		$ (1,462)	
Less:				
Capital gains tax benefit	215		319	
Net realized capital losses (gains) after-tax transferred to the IMR	(108)		146	
Net realized capital (losses) after-tax and transfers to the IMR	$ (339)		$ (997)	

The following table provides a summary of other-than-temporary impairment losses included as realized capital losses (in millions):

	2009	2008
Bonds	$ (328)	$ (394)
Mortgage loans	(8)	-
Unaffiliated common and preferred stocks	(30)	(180)
Limited Partnerships and other investments	(214)	(127)
Total	$ (580)	$ (701)

Proceeds from investments in bonds sold were $14,873 million and $15,314 million for the years ended December 31, 2009 and 2008, respectively.

The Company did not have any loan-backed and structured securities which were other-than-temporarily impaired where the Company intended to sell, or did not have the intent and ability to hold until recovery.

The following table lists each loan-backed bond and structured security at a cusip level where the present value of cash flows expected to be collected is less than the amortized cost basis as of September 30, 2009 and December 31, 2009 (in thousands).

September 30, 2009

(1) Cusip [1]	(2) Book/Adj Carrying Value Amortized Cost before Current Period OTTI	(3) Projected Cash Flows	(4) Current Period Recognized Other-than-Temporary Impairment	(5) Amortized Cost After Other-than-Temporary Impairment	(6) Fair Value
General Account					
058933BH4	$ 976	$ 462	$ 514	$ 462	$ 16
05946XHV8	1,138	1,081	57	1,081	843
059515AE6	226	224	2	224	83
05951FAK0	437	433	4	433	142
05951KAZ6	442	430	12	430	292
05951KBA0	10,487	10,234	254	10,234	5,887
07386HXZ9	4,490	4,266	224	4,266	2,915
07386HYA3	1,999	1,276	723	1,276	1,276
11777LAC5	2,714	2,663	51	2,663	2,062
12489WNN0	40	39	1	39	35
12628KAD4	2,121	1,234	887	1,234	1,234
12628KAF9	2,242	2,198	45	2,198	1,031
12629EAD7	226	221	5	221	125
12638PAE9	1,743	1,716	26	1,716	1,087
126670LF3	869	856	13	856	602
12667G7X5	4,640	4,602	39	4,602	2,522
12667GPU1	2,377	2,376	1	2,376	1,380
126685DX1	1,027	883	144	883	408
12668BFB4	9,790	7,434	2,356	7,434	4,183
12668BKG7	12,174	11,630	544	11,630	6,303
126694FW3	4,152	3,701	452	3,701	2,689
126694UJ5	2,672	2,590	82	2,590	1,995
16162WQS1	37	18	19	18	18
170256AB7	336	299	37	299	299
17307GPS1	1,887	1,775	112	1,775	1,098
17307GT65	2,994	2,074	921	2,074	1,357
17309BAB3	890	862	28	862	581
17311FAH7	5,438	5,340	98	5,340	3,004
225470A86	11,937	10,563	1,374	10,563	5,756
225470E74	606	549	56	549	447
2254W0MD4	10,998	10,353	646	10,353	7,244
23242MAD3	465	397	68	397	249
251510GQ0	1,751	1,633	118	1,633	932
251511AF8	6,011	5,849	161	5,849	2,824
251513AV9	825	802	23	802	431
251513BC0	3,786	3,710	75	3,710	2,209
32051GZR9	6,631	6,613	18	6,613	3,916
36185MDU3	112	46	66	46	46
3622ELAG1	4,707	4,590	117	4,590	2,531
3622EUAB2	657	643	14	643	462
3622EUAC0	3,516	3,440	76	3,440	2,027
3622EUAF3	2,749	2,696	53	2,696	1,493
362334MD3	716	710	5	710	595
362375AF4	24,940	24,074	867	24,074	17,248
36244SAF5	1,850	1,805	46	1,805	1,117
393505XH0	714	699	14	699	686
45660LDD8	199	196	4	196	188
45660LGQ6	3,511	3,469	43	3,469	1,872
45660LS75	18,196	16,921	1,275	16,921	9,246
45660LSY6	4,766	4,703	62	4,703	3,612
45661ECX0	490	149	341	149	136
45661HAR8	14,037	13,737	300	13,737	8,340
456673AB8	4,440	3,852	589	3,852	1,496
46628SAK9	228	203	24	203	193

September 30, 2009 (continued)

(1) Cusip [1]	(2) Book/Adj Carrying Value Amortized Cost before Current Period OTTI	(3) Projected Cash Flows	(4) Current Period Recognized Other-than-Temporary Impairment	(5) Amortized Cost After Other-than-Temporary Impairment	(6) Fair Value
46628SAL7	76	61	14	61	60
46629BAF6	4,997	4,701	297	4,701	2,976
46629BAG4	188	126	62	126	126
576433XW1	2,092	2,000	92	2,000	1,281
57644DAR4	2,581	2,086	495	2,086	576
59020UXH3	2,518	2,470	48	2,470	1,581
61749EAD9	1,125	1,099	26	1,099	686
61749EAE7	452	442	10	442	263
61749EAH0	3,750	3,465	285	3,465	2,086
61750YAE9	3,750	3,545	205	3,545	1,570
61750YAJ8	4,250	4,034	216	4,034	2,095
61752RAM4	5,933	5,849	83	5,849	3,666
65535VDM7	1,504	1,407	97	1,407	1,098
65536VAC1	243	238	5	238	120
69121PCK7	4,998	4,530	468	4,530	2,028
73316PJR2	519	514	5	514	405
76110HS34	7,457	6,785	672	6,785	4,653
76110HT82	1,431	1,262	168	1,262	937
81377CAD0	2,677	95	2,583	95	13
863579G85	593	517	76	517	506
863579U89	1,921	1,051	870	1,051	484
86362TAF4	2,013	1,864	149	1,864	925
87222PAD5	2,497	2,047	450	2,047	1,778
92925CDU3	490	76	414	76	63
93363NAB1	5,011	4,934	77	4,934	3,251
93934FKQ4	6,089	5,470	619	5,470	2,058
93935HAD9	15,000	14,771	229	14,771	5,668
94983JAJ1	1,115	1,071	44	1,071	203
94983JAK8	353	115	238	115	25
94984AAR1	17,663	16,970	691	16,970	9,232
Subtotal - general account	**310,688**	**286,914**	**23,774**	**286,914**	**169,176**
Guaranteed Separate Accounts					
059469AF3	6,684	6,566	118	6,867	4,159
059515AE6	4,523	4,473	50	4,473	1,665
05951EAA5	1,330	1,135	195	1,135	827
05951KAZ6	2,209	2,151	58	2,151	1,460
12627HAK6	4,998	4,722	276	4,722	2,888
12628KAF9	5,381	5,275	107	5,275	2,473
126683AC5	1,483	1,273	210	1,273	599
126685DX1	2,752	2,369	383	2,369	1,089
170256AK7	7,893	7,389	503	7,389	4,407
17309BAB3	4,353	4,214	139	4,214	2,843
23242MAC5	2,450	2,129	321	2,129	1,353
23242MAD3	2,326	1,985	341	1,985	1,243
251510LG6	519	443	75	419	443
251510LM3	4,536	4,512	25	4,512	692
32052MAA9	284	250	35	250	135
32056JAB0	3,372	1,449	1,923	1,449	1,004
3622E8AF2	2,000	1,916	84	1,916	1,006
3622ELAG1	4,833	4,713	120	4,713	2,594
36244SAC2	4,599	4,492	107	4,492	2,716
45660LS75	5,003	4,650	352	4,650	2,535
456673AB8	5,563	4,825	738	4,825	1,874
45669EAE6	3,692	3,549	142	3,549	2,089
46628LAA6	610	589	21	589	423
46629BAG4	377	252	124	125	252
46629BAH2	363	215	149	65	215

September 30, 2009 (continued)

(1) Cusip [1]	(2) Book/Adj Carrying Value Amortized Cost before Current Period OTTI	(3) Projected Cash Flows	(4) Current Period Recognized Other-than-Temporary Impairment	(5) Amortized Cost After Other-than-Temporary Impairment	(6) Fair Value
46629CAN7	4,316	3,100	1,216	3,100	1,355
46630KAC0	1,500	1,387	113	1,387	644
59025GAB7	3,495	2,432	1,063	2,432	1,106
61749EAD9	1,801	1,759	42	1,759	1,097
61749EAH0	2,000	1,848	152	1,848	1,113
61750YAD1	3,000	2,837	163	2,837	1,522
61750YAJ8	3,000	2,848	152	2,848	1,479
61751DAE4	500	466	34	466	263
74958XAF1	3,830	3,692	138	3,692	2,266
76112BKN9	2,133	2,131	2	2,131	1,418
863579Y36	4,803	4,277	527	4,277	1,475
86361PAF3	3,032	2,787	245	2,787	1,928
86361PAK2	1,790	1,496	294	1,496	1,145
92925GAA1	5,790	5,750	40	5,750	1,568
933636AC6	3,745	3,719	26	3,719	2,512
933636AH5	7,984	4,954	3,030	4,954	1,934
94984UAE6	3,373	3,313	60	3,313	1,812
Subtotal - guaranteed separate accounts	138,225	124,332	13,893	124,332	65,621
Grand Total as of September 30, 2009	$ 448,913	$ 411,246	$ 37,667	$ 411,246	$ 234,797

December 31, 2009

(1) Cusip [1]	(2) Book/Adj Carrying Value Amortized Cost before Current Period OTTI	(3) Projected Cash Flows	(4) Current Period Recognized Other-than-Temporary Impairment	(5) Amortized Cost After Other-than-Temporary Impairment	(6) Fair Value
General Account					
00442KAB7	$ 11,541	$ 10,692	$ 849	$ 10,692	$ 4,517
00761HBH3	4,000	3,387	613	3,387	2,320
02147GAC8	11,838	11,098	740	11,098	6,065
02660TAX1	1,237	1,067	170	1,067	926
02660TGR8	2,419	2,418	1	2,418	774
058933BH4	461	21	440	21	11
05946XHV8	1,039	950	89	950	860
05950GBR3	1,978	101	1,480	499	499
05951KAZ6	430	423	8	423	284
05951KBA0	10,234	10,192	42	10,192	6,257
05953YAA9	1,258	1,261	1	1,257	535
07386HRW3	173	147	26	147	58
07386HXZ9	4,164	3,665	499	3,665	2,675
07386HYA3	1,057	929	24	1,033	1,033
12628KAD4	1,025	127	898	127	74
12629EAD7	221	216	5	216	124
12638PAE9	1,716	1,643	73	1,643	1,087
12667G7X5	4,602	4,586	15	4,586	2,466
12667GPU1	2,376	2,343	33	2,343	1,521
126685DX1	847	819	28	819	427
126686AB0	2,889	2,521	368	2,521	1,826
12668BFB4	7,434	5,861	1,572	5,861	4,183

December 31, 2009 (continued)

(1) Cusip [(1)]	(2) Book/Adj Carrying Value Amortized Cost before Current Period OTTI	(3) Projected Cash Flows	(4) Current Period Recognized Other-than-Temporary Impairment	(5) Amortized Cost After Other-than-Temporary Impairment	(6) Fair Value
12668BKG7	11,630	11,378	252	11,378	6,448
126694FW3	3,578	3,310	268	3,310	2,323
126694UJ5	2,580	2,165	416	2,165	1,484
15132EKT4	452	451	1	451	256
15132ELG1	470	470	0	470	194
16162WQS1	2	0	1	1	1
17307GPS1	1,763	1,582	181	1,582	1,038
17307GT65	2,011	1,152	665	1,345	1,345
17309BAB3	814	792	22	792	521
17309YAF4	5,197	5,101	96	5,101	2,694
225470A86	10,318	9,176	1,142	9,176	5,724
225470E74	536	391	145	391	288
2254W0MD4	10,040	9,375	665	9,375	6,730
23242MAA9	1,063	909	154	909	870
23242MAD3	375	362	14	362	240
251510GQ0	1,619	1,308	311	1,308	802
251510LM3	3,409	3,052	357	3,052	2,173
251511AC5	4,750	4,379	371	4,379	2,306
251511AF8	5,769	5,595	174	5,595	3,256
251513AV9	802	778	25	778	428
251513BC0	3,667	3,571	97	3,571	2,171
32028GAG0	7,484	7,392	92	7,392	30
32051GMV4	594	565	29	565	372
32051GXC4	4,851	4,357	494	4,357	3,694
32051GZ73	5,507	5,505	2	5,505	2,380
32051GZR9	6,613	6,537	76	6,537	4,003
36185N6M7	2,164	1,962	202	1,962	1,755
3622E8AF2	7,913	7,339	574	7,339	3,924
3622ELAG1	4,560	4,376	184	4,376	2,532
3622EUAB2	643	638	5	638	393
3622EUAC0	3,440	3,405	35	3,405	2,002
3622EUAF3	2,696	2,678	17	2,678	1,619
362375AF4	23,759	22,985	774	22,985	16,323
36244SAF5	1,781	1,742	39	1,742	1,076
38011AAC8	2,587	2,395	193	2,395	1,165
456606MZ2	1,048	969	78	969	175
45660LDD8	178	177	1	177	163
45660LGQ6	3,328	2,920	408	2,920	1,765
45660LS75	16,921	14,066	2,856	14,066	9,198
45660LSY6	4,703	4,678	25	4,678	3,525
45661ECX0	55	25	30	25	19
45661HAR8	13,737	9,818	3,919	9,818	7,958
456673AB8	3,720	2,765	955	2,765	1,306
46628SAK9	203	146	17	186	186
46628SAL7	61	34	14	48	48
46629BAF6	4,692	4,511	181	4,511	3,601
576433XW1	1,881	1,691	190	1,691	1,135
59020UXH3	2,404	2,136	269	2,136	1,509
61748HFC0	827	814	13	814	622
61748HYC9	2,331	2,319	13	2,319	390
61749EAD9	1,099	1,066	33	1,066	659
61749EAE7	442	427	14	427	279
61749EAH0	3,418	3,324	94	3,324	2,000
61750YAE9	3,545	3,435	110	3,435	1,434
61750YAJ8	4,001	3,878	123	3,878	2,042
61752RAH5	1,000	967	33	967	553
61752RAJ1	1,500	1,444	56	1,444	820
65535VDM7	1,399	1,265	134	1,265	1,158
65536VAC1	238	234	4	234	154
68389BAD5	6,441	6,322	119	6,322	35
69336RDS6	204	89	114	89	63

December 31, 2009 (continued)

(1) Cusip [1]	(2) Book/Adj Carrying Value Amortized Cost before Current Period OTTI	(3) Projected Cash Flows	(4) Current Period Recognized Other-than-Temporary Impairment	(5) Amortized Cost After Other-than-Temporary Impairment	(6) Fair Value
73316PJR2	507	505	3	505	434
76110HS34	6,410	5,453	957	5,453	4,068
76110HT82	1,066	937	129	937	738
81377CAD0	95	24	71	24	9
863579G85	505	462	43	462	353
863579U89	1,008	489	519	489	457
86362TAF4	1,864	1,567	297	1,567	871
87222PAD5	2,047	1,989	58	1,989	1,715
92925CDU3	76	38	17	59	59
93363NAB1	4,934	4,155	779	4,155	3,655
93934FKQ4	5,565	5,024	541	5,024	2,038
93934FLB6	9,713	9,055	659	9,055	4,627
93935YAA8	3,971	3,636	334	3,636	1,917
941034AB6	2,706	2,238	466	2,238	1,848
94984AAR1	16,972	16,766	203	16,766	8,949
Subtotal-General Account	**355,191**	**323,498**	**30,926**	**324,265**	**193,617**
Guaranteed Separate Accounts					
05606QAB5	3,466	3,466	0	3,466	2,950
059469AF3	6,785	6,643	143	6,643	4,140
05951EAA5	1,132	999	133	999	757
05951KAZ6	2,151	2,113	38	2,113	1,419
126683AC5	1,198	1,175	23	1,175	736
126685DX1	2,272	2,198	74	2,198	1,139
170256AK7	7,191	6,564	627	6,564	5,003
17309BAB3	3,981	3,876	106	3,876	2,550
17309YAF4	2,970	2,915	55	2,915	1,539
23242MAC5	2,013	1,949	64	1,949	1,433
23242MAD3	1,877	1,809	68	1,809	1,198
251510LM3	4,480	4,032	447	4,032	2,875
251511AC5	3,000	2,766	234	2,766	1,456
32052MAA9	242	227	15	227	182
32056JAB0	1,401	1,345	56	1,345	981
3622E8AF2	1,895	1,832	63	1,832	981
3622ELAG1	4,683	4,492	190	4,492	2,594
36244SAC2	4,492	4,404	88	4,404	2,666
38011AAC8	4,958	4,595	364	4,595	2,228
38012TAE2	1,925	1,796	129	1,796	778
45660LS75	4,650	3,871	780	3,871	2,521
456673AB8	4,661	3,464	1,197	3,464	1,636
45669EAE6	3,336	3,168	168	3,168	1,880
46628LAA6	568	502	66	502	408
46629CAN7	2,950	1,630	1,320	1,630	1,193
46630KAC0	1,387	1,282	105	1,282	773
59025GAB7	2,309	1,621	689	1,621	1,044
61749EAD9	1,759	1,706	53	1,706	1,054
61749EAH0	1,823	1,773	50	1,773	1,067
61750YAD1	2,837	2,746	91	2,746	1,489
61750YAJ8	2,824	2,737	87	2,737	1,442
61751DAE4	466	458	8	458	268
64352VGK1	1,535	1,530	5	1,530	825
74958XAF1	3,490	3,010	480	3,010	2,281
76112BKN9	2,009	1,953	56	1,953	1,594
863579Y36	4,277	3,085	1,192	3,085	1,692
86361PAF3	2,751	2,643	108	2,643	1,815
86361PAK2	1,452	1,364	88	1,364	1,127

			December 31, 2009 (continued)		
(1) Cusip [1]	**(2) Book/Adj Carrying Value Amortized Cost before Current Period OTTI**	**(3) Projected Cash Flows**	**(4) Current Period Recognized Other-than-Temporary Impairment**	**(5) Amortized Cost After Other-than-Temporary Impairment**	**(6) Fair Value**
92925GAA1	2,113	1,875	238	1,875	1,530
933636AC6	3,608	3,179	429	3,179	2,421
933636AH5	4,812	4,170	641	4,170	1,990
941034AB6	1,337	1,107	229	1,107	913
94984UAE6	3,130	2,699	431	2,699	2,048
Subtotal - guaranteed separate accounts	**122,196**	**110,769**	**11,428**	**110,769**	**70,616**
Grand Total as of December 31, 2009	**$ 477,387**	**$ 434,267**	**$ 42,354**	**$ 435,034**	**$ 264,233**

(1) Only the impaired lots within each cusip are included within this table.

The following table represents the Company's credit losses recognized in earnings, as of December 31, 2009, for other-than-temporary impairments on loan-backed and structured securities held by the Company for which the interest related portion of the OTTI loss was not recognized.

Description (in millions)		
Balance, July 1, 2009	$	-
Additions		
Credit losses remaining in surplus related to the adoption of SSAP 43R		130
Credit loss impairment recognized in the current period on securities previously not impaired		57
Additional credit loss impairments recognized in the current period on securities previously impaired		23
Reductions		
Credit loss impairments previously recognized on securities which mature, paid down, prepaid or sold during the period		7
Credit loss impairment previously recognized on securities impaired to fair value during the period		-
Accretion on credit loss impairments previously recognized due to increase in cash flow expected to be collected, or due to the passage of time		-
Balance at December 31, 2009	$	203

The following table presents the Company's gross unrealized losses and fair values for bonds and equities aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2009 and 2008 (in millions):

	2009					
	Less than 12 months		Greater than 12 months		Total	
	Estimated Fair Value	Unrealized Losses (1)	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Bonds						
U.S. Treasury and U.S. Government corporations	$ 1,946	$ 111	$ 8	$ - *	$ 1,954	$ 111
U.S. agencies, state and municipal	233	7	124	27	357	34
Foreign governments	159	4	12	3	171	7
U.S. corporate	2,762	85	4,771	418	7,533	503
Foreign corporate	985	27	1,006	79	1,991	106
Residential mortgage-backed securities	3,062	183	2,035	790	5,097	973
Commercial mortgage-backed securities	503	10	2,799	625	3,302	635
Other asset-backed securities	93	11	2,000	318	2,093	329
Total Bonds	9,743	438	12,755	2,260	22,498	2,698
Equity Securities (Unaffiliated)						
Common Stock	4	- *	-	-	4	-
Preferred Stock	17	2	-	-	17	2
Total Equity Securities	21	2	-	-	21	2
Total	$ 9,764	$ 440	$ 12,755	$ 2,260	$ 22,519	$ 2,700

(1) For loan-backed and structured securities, the aging of the unrealized losses as of December 31, 2009 was reset back to the date the security would have been first impaired under SSAP No. 43R.
* Aggregate unrealized losses are less than $1 million.

	2008					
	Less than 12 months		Greater than 12 months		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Bonds						
U.S. Treasury and U.S. Government corporations	$ 13	$ 1	$ 24	$ 3	$ 37	$ 4
U.S. agencies, state, and municipal	173	45	26	4	199	49
Foreign Government	97	15	1	- *	98	15
U.S. corporate	10,722	1,329	6,118	1,852	16,840	3,181
Foreign corporate	3,224	312	1,997	528	5,221	840
Residential mortgage-backed securities	1,264	475	1,476	795	2,740	1,270
Commercial mortgage-backed securities	3,037	696	1,268	880	4,305	1,576
Other asset-backed securities	1,303	129	2,087	649	3,390	778
Total Bonds	19,833	3,002	12,997	4,711	32,830	7,713
Equity Securities (Unaffiliated)						
Common Stock	248	43	9	1	257	44
Preferred Stock	34	26	18	9	52	35
Total Equity Securities	282	69	27	10	309	79
Total	$ 20,115	$ 3,071	$ 13,024	$ 4,721	$ 33,139	$ 7,792

* Aggregate unrealized losses are less than $1 million.

At December 31, 2009, the gross unrealized loss on bonds was comprised of approximately 2,981 different securities. Equity securities consisted of 21 securities. Of the total amount of bond unrealized losses, $1,938 million or 72% is related to unrealized losses on investment grade securities. Investment grade is defined as a security having a credit rating from the NAIC of 1 or 2; a rating of Aaa, Aa, A or Baa from Moody's or a rating of AAA, AA, A or BBB from Standard & Poor's (''S&P''); or a comparable internal rating if an externally provided rating is not available. Unrealized losses on bonds with a rating below investment grade represent $760 million or 28% of the total amount of bond unrealized losses.

The amount of gross unrealized losses for bonds where fair value had declined by 20% or more of the amortized cost, totaled $1,560 million. The amount of time that each of these securities has continuously been below amortized cost by 20% or more consists of $222 million for 6 months or less, $81 million for greater than 6 months through 12 months, and $1,257 million for greater than 12 months. In accordance with the Company's impairment policy, the Company performed quantitative and qualitative "money-good" analysis to determine if the decline was temporary. For those securities where the decline was considered temporary, the Company did not take an impairment when it had the ability and intent to hold until recovery.

The overall improvement in the Company's fixed maturity investment generally reflects higher market prices, mainly due to credit spread tightening throughout the year.

Corporate Bonds. Unrealized losses on corporate bonds were $609 million or 23% of the total bond unrealized losses. The amount of unrealized losses on the Company's investment in corporate bonds was spread over 1,190 individual securities with varying interest rates and maturities. Corporate securities that were priced below 80% of the security's amortized cost represented $150 million or 6% of the total bond unrealized losses. While the losses were spread across all industry sectors, the largest unrealized losses on securities that were priced below 80% of the security's amortized cost were Finance ($55 million), Real Estate Investment Trust ("REITs") ($16 million), Banks ($15 million), Gaming and Leisure ($15 million) and Utilities ($11 million). These securities are evaluated in accordance with the Company's impairment policy. Because the securities continue to meet their contractual payments and the Company has the ability and intent to retain the investment for the period of time sufficient to allow for an anticipated recovery in value, the Company did not consider these investments to be other-than-temporarily impaired at December 31, 2009.

Residential Mortgage-Backed Securities. Unrealized losses on residential mortgage-backed securities were $973 million or 36% of the total bond unrealized losses. These losses were spread across approximately 700 fixed and variable rate investment grade securities as well as 245 below investment grade securities. The majority of the Company's holdings (over 84%) were investment grade and management believes all deals remain well collateralized. Residential mortgage-backed securities that were priced below 80% of the security's amortized cost represented $811 million or 83% of the total unrealized losses for residential mortgage-backed securities. The Company evaluates these securities for other-than-temporary impairments in accordance with the Company's impairment policy using cash flow modeling techniques coupled with an evaluation of facts and circumstances. The Company has the ability and intent to retain the investment for the period of time sufficient to allow for an anticipated recovery in value and therefore, the Company did not consider these investments to be other-than-temporarily impaired at December 31, 2009.

Commercial Mortgage-Backed Securities. Unrealized losses on commercial mortgage-backed securities were $635 million or 24% of the total bond unrealized losses. These losses were spread across approximately 433 fixed and variable rate investment grade securities. The majority of the Company's holdings (over 98%) were investment grade and management believes all deals remain well collateralized. Commercial mortgage-backed securities that were priced below 80% of the security's amortized cost represented $401 million or 63% of the total unrealized losses for commercial mortgage-backed securities. The Company evaluates these securities for other-than-temporary impairments in accordance with its impairment policy using cash flow modeling techniques coupled with an evaluation of facts and circumstances. The Company has the ability and intent to retain the investment for the period of time sufficient to allow for an anticipated recovery in value and therefore, the Company did not consider these investments to be other–than- temporarily impaired at December 31, 2009.

Other Asset-Backed Securities. Unrealized losses on asset-backed securities were $329 million or 12% of the total bond unrealized losses. These losses were spread across 281 securities. Asset-backed securities that were priced below 80% of the security's amortized cost represented $178 million or 54% of the total unrealized losses for asset-backed securities. The Company evaluates these securities for impairments based on facts and circumstances. The Company did not consider these investments to be other–than- temporarily impaired at December 31, 2009 because the Company has the ability and intent to retain the investment for the period of time sufficient to allow for an anticipated recovery in value.

NOTE 5 - DERIVATIVE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company uses derivative financial instruments to manage interest rate, currency, credit, and market risk. These derivative financial instruments include foreign exchange forward contracts, commodity, interest rate and equity options and interest rate swaps, inflation swaps, credit default and currency swaps. The Company also uses written covered call options to generate income and enters into future contracts to replicate equity positions. 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. 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 netting arrangements incorporated in master agreements and adjusts transaction levels, when appropriate, to minimize risk. The Company's policy is to not offset the fair value amounts recognized for derivatives with the associated collateral.

To further minimize risk, credit support annexes ("CSA") are negotiated as part of swap documentation entered into by the Company with counterparties. The CSA defines the terms under which collateral is transferred in order to mitigate credit risk arising from "in the money" derivative positions. 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. Collateral received is invested in short-term investments. Those agreements also include credit contingent provisions whereby the threshold typically declines on a sliding scale with a decline in the counterparties' rating. In addition, certain of the Company's contracts contain provisions that require the Company to maintain a specific investment grade credit rating and if the Company's credit rating were to fall below that specified rating, the counterparty to the derivative instrument could request immediate payout or full collateralization. The aggregate fair value of all over the counter derivative instruments with credit-risk-related contingent features that are in a net liability position as of December 31, 2009 and 2008 was $202 million and $816 million for which the Company has posted collateral with a fair value of $105 million and $710 million, respectively. If the credit contingent features had been triggered as of December 31, 2009, the Company estimates that it would have been required to post an additional $17 million of collateral for a one notch downgrade in the Company's credit rating and $97 million for a downgrade that would trigger full collateralization or termination.

In September 2008 one of the Company's derivative counterparties, Lehman Brothers, filed for Chapter 11 bankruptcy. As a result, the Company terminated all derivative contracts with Lehman Brothers prior to their scheduled maturity dates. A gain of $109 million was recorded for derivatives that were classified as qualified hedge transactions. The realized gain represents the effective portion of these contracts at the date they were dedesignated of which $15 million became subject to the IMR. The remaining $94 million represents the change in the spot rate for the effective portion of the Company's currency swap positions, which will remain in surplus and impact realized gains and losses when the hedged item occurs. The ineffective portion of the hedge transactions, along with the gain or loss on contracts that did not qualify for hedge accounting resulted in an additional $136 million realized loss.

Notional or contractual amounts of derivative financial instruments provide a measure of involvement in these types of transactions and do not represent the amounts exchanged between the parties engaged in the transaction. The amounts exchanged are determined by reference to the notional amounts and other terms of the derivative financial instruments, which relate to interest rates, exchange rates, or other financial indices.

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 netting provisions are specified in the master agreements, 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 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. As of December 31, 2009 and 2008, the Company held collateral for derivatives of $268 million and $57 million, respectively. Credit risk exposure in a net gain position, net of offsets and collateral, was $14 million and $41 million at December 31, 2009 and 2008, respectively.

All derivatives that qualify for hedge accounting are reported in a manner similar to the item being hedged.

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 are recorded in surplus as unrealized gains or losses, net of deferred tax.

Interest Rate Risk Management

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 interest amounts calculated by reference to an agreed notional amount. 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. Swap contracts outstanding at December 31, 2009 and 2008 are between less than 1 year and 30 years to maturity. The Company does not act as an intermediary or broker in interest rate swaps.

Interest rate cap 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 interest rates exceed an agreed upon strike price. Changes in the fair value of open contracts are recognized in surplus as unrealized gains or losses, net of deferred taxes.

Currency Risk Management

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.

The Company’s foreign exchange forward contracts involve the exchange of 6 currencies at a specified future date and at a specified price. The contracts range in duration from one to twenty-four months. No cash is exchanged at the time the agreement is entered into.

The Company did not have any outstanding purchased or written foreign currency options as of December 31, 2009 and 2008.

Market Risk Management

The Company has purchased equity put options to minimize exposure to the market risk associated with underlying equities. There are upfront fees paid or received related to option contracts at the time the agreements are entered into.

Credit Risk

The Company enters into credit default swaps to transfer the credit exposure of fixed income products.

Income Generation

The Company seeks to increase profits and to mitigate losses in underlying equity positions by selling covered call options.

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 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.

The following tables present the notional amount, number of contracts, gross fair value and carrying value of derivative instruments that are qualifying and designated as hedging instruments, by type of hedge designation, and those that are not designated as hedging instruments at December 31, 2009 and 2008 (in millions, except for number of contracts). See Note 2 - Significant Accounting Policies for more information on derivatives and how they are accounted for. Also, for a discussion of valuation methods for derivative instruments refer to Note 17 – Fair Value Measurements.

		December 31, 2009					
		Volume		Fair Value (a)		Carrying Value (a)	
Derivative type	**Primary Risk Exposure**	**Notional**	**Number of Contracts**	**Asset**	**Liability**	**Asset**	**Liability**
Derivatives qualifying and designated as hedging:							
Fair Value Hedges:							
Interest rate swaps	Interest	$ 1	1	$ -	$ -	$ -	$ -
Currency swaps	Currency	-	-	-	-	-	-
Equity swaps	Market	-	-	-	-	-	-
Cash Flow Hedges:							
Interest rate swaps	Interest	1,676	51	80	6	-	-
Currency swaps	Currency	2,960	34	172	171	203	156
Net Investment Hedges:							
Currency forwards	Currency	193	3	3	9	3	9
Total derivatives qualifying and designated as hedging instruments		**$ 4,830**	**89**	**$ 255**	**$ 186**	**$ 206**	**$ 165**
Derivatives not qualifying or designated as hedging:							
Interest rate swaps	Interest	3,216	120	76	95	76	95
Interest rate options	Interest	920	1	-	-	-	-
Currency swaps	Currency	2,468	31	271	107	202	99
Currency forwards	Currency	462	29	-	58	-	58
Equity options	Market	-	-	-	-	-	-
Inflation swaps	Market	39	1	-	-	-	-
Credit default swaps:							
Buy protection	Credit	33	4	-	1	-	1
Sell protection	Credit	-	-	-	-	-	-
Total derivatives not qualifying or designated as hedging instruments		**$ 7,138**	**186**	**$ 347**	**$ 261**	**$ 278**	**$ 253**
Accrued investment income				59	15	59	15
Total Derivatives		**$ 11,968**	**275**	**$ 661**	**$ 462**	**$ 543**	**$ 433**

(a) The carrying value of all derivatives in an asset position is reported within other invested assets with the exception of Investment Income Due and Accrued on derivatives which is reported with Investment Income Due and Accrued in the accompanying Statutory Statements of Financial Position and the carrying value of all derivatives in a liability position, including investment income payable on derivatives, is reported within other liabilities in the accompanying Statutory Statements of Financial Position.

Derivative type	Primary Risk Exposure	Volume: Notional	Volume: Number of Contracts	Fair Value (a): Asset	Fair Value (a): Liability	Carrying value (a): Asset	Carrying value (a): Liability
		December 31, 2008					
Derivatives qualifying and designated as hedging:							
Fair Value Hedges:							
Interest rate swaps	Interest	$ 16	3	$ -	$ -	$ -	$ -
Currency swaps	Currency	-	-	-	-	-	-
Equity swaps	Market	-	-	-	-	-	-
Cash Flow Hedges:							
Interest rate swaps	Interest	846	69	307	-	-	-
Currency swaps	Currency	3,056	46	197	385	51	397
Net Investment Hedges:							
Currency forwards	Currency	172	3	14	2	14	2
Total derivatives qualifying and designated as hedging instruments		**$ 4,090**	**121**	**$ 518**	**$ 387**	**$ 65**	**$ 399**
Derivatives not qualifying or designated as hedging:							
Interest rate swaps	Interest	4,413	296	224	454	224	454
Interest rate options	Interest	920	1	-	-	-	-
Currency swaps	Currency	4,978	32	438	358	546	281
Currency forwards	Currency	550	53	11	17	11	17
Equity options (b)	Market	23	42	-	-	-	-
Inflation swaps	Market	-	-	-	-	-	-
Credit default swaps:							
Buy protection	Credit	33	4	-	1	-	1
Sell protection	Credit	-	-	-	-	-	-
Total derivatives not qualifying or designated as hedging instruments		**$ 10,917**	**428**	**$ 673**	**$ 830**	**$ 781**	**$ 753**
Accrued investment income				60	32	60	32
Total Derivatives		**$ 15,007**	**549**	**$ 1,251**	**$ 1,249**	**$ 906**	**$ 1,184**

(a) The carrying value of all derivatives in an asset position is reported within other invested assets with the exception of Investment Income Due and Accrued on derivatives which is reported with Investment Income Due and Accrued in the accompanying Statutory Statements of Financial Position and the carrying value of all derivatives in a liability position, including investment income payable on derivatives, is reported within other liabilities in the accompanying Statutory Statements of Financial Position.
(b) Equity options include non-qualified hedges with a notional amount of $870 million related to ESI.

Cash Flow Hedges

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. For these cash flow hedges of interest rate risk, the Company uses either the short-cut method, if appropriate, or regression analysis to assess hedge effectiveness to changes in the benchmark interest rate. Derivative instruments used in cash flow hedges that meet the criteria of a highly effective hedge are valued and reported in a manner that is consistent with the hedged asset or liability. The Company designates and

accounts for the following as cash flow hedges*:* (i) interest rate swaps to convert floating rate investments to fixed rate investments; (ii) interest rate swaps to convert floating rate liabilities into fixed rate liabilities; (iii) foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated investments and liabilities; and (iv) interest rate swaps to hedge the interest rate risk associated with forecasted transactions.

In December 2009, the Company discontinued cash flow hedge accounting on interest rate swaps that were hedging the forecasted interest payments on an underlying interest only strip. A $9 million impairment loss was taken on the underlying bond. The Company believes that it is no longer probable that all the cash flows will still occur due to credit concerns. As such, hedge accounting was discontinued. A $9 million unrealized gain was recognized as the swaps were previously reported at amortized cost. The swaps will be carried at fair value with changes recognized in surplus as unrealized gains or losses.

There were no other gains or losses recognized in unrealized gains or losses during the reporting period resulting from derivatives that no longer qualify for hedge accounting.

The following table presents the effects of derivatives in cash flow hedging relationships in the accompanying Statutory Statements of Operations and Statutory Statements of Changes in Surplus for the years ended December 31, 2009 and 2008 (in millions).

Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in Surplus on Derivatives (a)		Amount of Gain or (Loss) Recognized in Net Realized Capital (Losses) on Derivatives (b)		Amount of Gain or (Loss) Recognized in Net Investment Income on Derivatives (b)	
	2009	2008	2009	2008	2009	2008
Interest rate contracts	$ -	$ -	$ 51	$ 24	$ 6	$ (61)
Currency contracts	118	(632)	60	(3)	(23)	67
Total	$ 118	$ (632)	$ 111	$ 21	$ (17)	$ 6

(a) The amount of gain or (loss) recognized in surplus is reported as a change in net unrealized gains (losses) in the accompanying Statutory Statements of Changes in Surplus.
(b) The amount of gain or (loss) recognized in earnings is reported in net realized capital (losses) or net investment income in the accompanying Statutory Statements of Operations. The amounts include periodic settlement payments received or paid on the derivatives.

Fair Value Hedges

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.

The Company designates and accounts for the following as fair value hedges when they have met the requirements for a qualified hedge: (i) interest rate swaps to convert fixed rate investments to floating rate investments; (ii) foreign currency swaps to hedge the foreign currency fair value exposure of foreign currency denominated investments; (iii) equity swaps to hedge the market price risk for common stock investments.

For fair value hedges, the Company generally uses a qualitative assessment to assess hedge effectiveness, which matches the critical terms of the derivative with the underlying hedged item. For fair value hedges of equity investments, the Company uses regression analysis, which measures the correlation to the equity

exposure being hedged. The Company's fair value hedges are primarily hedges of fixed maturity securities.

The Company recognizes gains and losses on both the derivative instrument and the related hedged item in fair value hedges within net investment income in the accompanying Statutory Statements of Operations. For 2009 and 2008, these gains and losses were less than $1 million.

For fair value hedges, all components of each derivative's gain or loss were included in the assessment of hedge effectiveness. There were no instances during 2009 and 2008 in which the Company discontinued fair value hedge accounting due to a hedged firm commitment no longer qualifying as a fair value hedge due to hedge ineffectiveness.

Net Investment Hedges

The following table presents the effects of derivatives in net investment hedging relationships in the accompanying Statutory Statements of Changes in Surplus for the years ended December 31, 2009 and 2008 (in millions):

Derivatives in Net Investment Hedging Relationships	Amount of Gain or (Loss) Recognized in Surplus on Derivatives (a)		Amount of Gain or (Loss) Recognized in Net Realized Capital (Losses) on Derivatives (b)	
	2009	2008	2009	2008
Currency contracts	$ (22)	$ 34	$ -	$ -

(a) The amount of gain or (loss) is reflected in unrealized gains and losses as part of the foreign currency translation adjustment in the accompanying Statutory Statements of Changes in Surplus.
(b) The amount of gain or (loss) recognized in earnings is reported in net realized capital gains (losses) in the accompanying Statutory Statements of Operations.

Derivatives Not Qualifying or Designated as Hedging Instruments

The Company has derivative instruments that are not designated or do not qualify for hedge accounting treatment.

The following table provides the classification and amount of gains and losses on derivative instruments not designated as hedging instruments for the years ended December 31, 2009 and 2008 (in millions):

Derivatives not Qualifying or Designated as Hedging	Amount of Gain or (Loss) Recognized in Surplus on Derivative (a)		Amount of Gain or (Loss) Recognized in Net Realized Capital (Losses) on Derivatives (b)		Amount of Gain or (Loss) Recognized in Net Investment Income on Derivatives (b)	
	2009	2008	2009	2008	2009	2008
Interest rate swaps (c)	$ 224	$ (127)	$ (352)	$ (47)	$ 2	$ 1
Interest rate options	2	-	-	-	(2)	(2)
Currency swaps	79	(245)	78	(81)	20	4
Currency forwards	(48)	(39)	(8)	7	-	-
Equity options	-	-	1	1	-	-
Inflation swaps*	-	-	-	-	-	-
Futures	-	-	-	(83)	-	-
Credit default swaps						
CDS - buy protection	(1)	(1)	(1)	-	-	-
Income generation						
Covered call options*	-	-	-	-	-	-
Total	**$ 256**	**$ (412)**	**$ (282)**	**$ (203)**	**$ 20**	**$ 3**

(a) The amount of gain or (loss) recognized in surplus is reported as a change in net unrealized gains (losses) in the accompanying Statutory Statements of Changes in Surplus.
(b) The amount of gain or (loss) recognized in earnings is reported in net realized capital (losses) or net investment income in the accompanying Statutory Statements of Operations. The amounts include periodic settlement payments received or paid on the derivatives.
(c) Includes $9 million unrealized gain on discontinued cash flow hedges for 2009.
* Amounts are less than $1 million.

NOTE 6 – RELATED PARTY TRANSACTIONS

For the years ended December 31, 2009 and 2008, the Company made the following capital contributions to its insurance and holding company subsidiaries (in millions):

	2009	2008
NYLIAC	$ 1,000 *	$ 1,218 *
NYLI	243	254
NYLIFE LLC	7	-
HAIER	-	16
Total	$ 1,250	$ 1,488

* In 2009 the capital contribution to NYLIAC was primarily a cash transfer and in 2008 the capital contribution was primarily a non-cash transfer.

During 2009, the Company received dividend distributions from NYLIFE LLC of $244 million. In 2008, the Company did not receive a dividend distribution from any of its subsidiaries. Dividend distributions are included in net investment income on the Statutory Statements of Operations.

During 2009, the Company sold fixed maturity and public equity securities to its subsidiary, NYLIAC. The aggregate statement value and market value of securities sold to NYLIAC were $1,109 million and $1,123 million, respectively. In connection with these transactions the Company deferred aggregate realized capital gains of $32 million.

During 2009, the Company purchased public equity securities from NYLIAC in the amount of $266 million.

The Company has a loan agreement with NYLI dated April 1, 2006 associated with proceeds deposited with the Company from excess capital in a principal amount of $128 million. 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 5.57% 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, 2010, but either party may terminate this arrangement with a minimum three months' notice. The outstanding payable to NYLI totaled $134 million and $47 million at December 31, 2009 and 2008, respectively, and includes capitalized accrued interest of $5 million and $4 million at December 31, 2009 and 2008. In 2009, the Company borrowed an additional $85 million. In 2008, the Company paid $60 million in principal. In addition, during 2009 and 2008, the Company made coupon interest payments of $6 million and $5 million respectively.

During August 2003, the Company transferred without recourse several private placement debt securities to MCF. MCF is a wholly owned subsidiary of New York Life Investments, which is in turn a wholly-owned subsidiary of the Company. MCF paid the purchase price of the securities transferred by delivering to the Company promissory notes with terms identical to the securities transferred. During 2009 and 2008, the Company received interest payments from MCF totaling $1 million and $2 million, respectively, which are included in net investment income on the accompanying Statutory Statements of Operations. At both December 31, 2009 and 2008, the outstanding balance payable to the Company totaled $14 million. These amounts are included with "Other Invested Assets" on the accompanying Statutory Statements of Financial Position.

The Company has a revolving loan agreement with MCF dated April 16, 2001, as amended and restated as of October 1, 2007, to provide funding to MCF in a principal amount not to exceed the lesser of $3,200 million or 3% of the Company's admitted assets as of December 31 of the prior year. Terms of the loan specify that quarterly interest be paid on 85% of the outstanding balance used to fund senior loans be paid in cash based on the 90 day LIBOR rate plus a spread based on an agreed upon formula, with quarterly interest on the remaining 15% accruing at the rate of 16% per annum, compounded quarterly. Effective June 1, 2003, the MCF loan agreement was amended to provide that a portion of the loan, not to exceed $300 million, used to acquire equity investments would earn interest at 10% per annum, payable quarterly. Effective October 1, 2007 the MCF loan agreement was amended to provide that a portion of the loan, not to exceed $50 million, used to fund subordinated loans would earn interest at 9.5% per annum, payable quarterly. The principal balance and compounded interest is not due until maturity on October 1, 2012. During 2009 and 2008, the Company received interest payments from MCF totaling $89 million and $124 million, which are included in net investment income on the accompanying Statutory Statements of Operations. At December 31, 2009 and 2008, the Company had outstanding loans receivable from MCF of $1,887 million and $2,185 million, respectively. These amounts are included with "Other Invested Assets" on the accompanying Statutory Statements of Financial Position.

The Company has purchased from MCF participations in collateralized loans to third parties underwritten by MCF. Under the participation agreements, the Company assumes the performance risk on these loans with no recourse against MCF. In 2009 and 2008 the Company did not purchase any loans from MCF.

At December 31, 2009, the Company held loans with a total commitment amount of $23 million of which $12 million had been funded and $11 million remained unfunded.

The Company executed a promissory note with NYLIFE LLC, dated August 22, 2001, whereby NYLIFE LLC loaned the Company $239 million. The note had a par value of $243 million and an interest rate of 3.3% per annum. Interest on the note was payable quarterly until maturity on August 21, 2011. During 2009 and 2008, the Company made $8 million in coupon interest payments each year and amortized $1 million each year. At December 31, 2008, the amount due under this note, which was included with Borrowed Money on the accompanying Statutory Statements of Financial Position, totaled $243 million and included $1 million of accrued interest. On December 31, 2009, the Company prepaid the principal balance of $243 million in accordance with prepayment provisions of the promissory note.

New York Life Capital Corporation ("NYLCC"), a wholly-owned subsidiary of NYLIFE LLC, has a credit agreement with the Company dated October 1, 1997, as amended on January 1, 2006, whereby NYLCC has agreed to make loans to the Company in an amount up to but, not exceeding $3 billion, from proceeds from the issuance of commercial paper. In connection with borrowings under this agreement during 2009 and 2008, the Company recorded interest expense of $4 million and $26 million, respectively. At December 31, 2009 and 2008, the Company had a loan payable to NYLCC of $531 million and $463 million, respectively, which is included with "Borrowed Money" on the accompanying Statutory Statements of Financial Position.

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 $3 billion. As of December 31, 2009 and 2008, the par value of commercial paper outstanding under this agreement was $592 million and $476 million, respectively.

Effective July 15, 2008, the Company, NYLI and their Indian affiliate Max New York Life Insurance Company Limited ("Max NYL") entered into a brand licensing and technical services agreement. The Company and NYLI agreed to provide various technical, insurance, financial, administrative and support services to Max NYL, and grant a license to Max NYL to use the trade name and trademarks of the Company in the conduct of Max NYL's operations in India. In consideration for the license and providing various services, Max NYL will pay the Company the sum of $73 million, less any applicable withholding taxes, over a period of five years. Max NYL's initial payment of $15 million less applicable taxes was paid on the effective date of this agreement. Max NYL has since paid quarterly installments of $3 million less applicable taxes through December 31, 2009. The amount of future payments received and income recognized are contingent upon, among other things, whether and when India raises the cap on foreign ownership in the insurance sector from 26% to 49%. The Company's current indirect ownership percentage is at 26%. The Company recognized $3 million and $1 million in "Other Income" in the Statutory Statements of Operations in 2009 and 2008, respectively. The remaining amounts received have been deferred and are recorded in "Other Liabilities" in the Statutory Statements of Financial Position and will be recognized as income when earned.

On April 1, 2000, the Company entered into Investment Advisory and Administrative Services Agreements with New York Life Investment Management LLC ("NYLIM") to receive investment advisory and administrative services from NYLIM. At December 31, 2009 and 2008, the total cost to the Company for these services amounted to $101 million and $115 million, respectively. The terms of the settlement require that these amounts be settled in cash within ninety days.

Under various written agreements, the Company has agreed to provide certain of its direct and indirect subsidiaries with certain services and facilities including but not limited to the following: accounting, tax and auditing services, legal services, actuarial services, electronic data processing operations, and communications operations. The Company is reimbursed for the identified costs associated with these services and facilities. Such costs amounting to $863 million and $829 million for the years ended December 31, 2009 and 2008, respectively, were incurred by the Company and billed to its subsidiaries. The terms of the settlement require that these amounts be settled in cash within ninety days.

At December 31, 2009 and 2008, the Company reported a net amount of $211 million and $282 million, respectively, due from subsidiaries and affiliates. The terms of the settlement require that these amounts be settled in cash within ninety days.

The Company has purchased various Corporate Owned Life Insurance policies from NYLIAC for the purpose of informally funding certain benefits for the Company's employees and agents. These policies were issued to the Company on the same basis as policies sold to unrelated customers. For the years ended December 31, 2009 and 2008, the cash surrender value of these policies amounted to $2,602 million and $2,363 million, respectively, and is included with "Other Assets" on the accompanying Statutory Statements of Financial Position.

The Company has issued $5,521 million and $5,378 million at December 31, 2009 and 2008, respectively, of single premium annuities to NYLIAC in connection with NYLIAC's obligation under structured settlement agreements. The Company has guaranteed NYLIAC's obligation to unaffiliated third parties in the event of NYLIAC's insolvency.

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, 2009 and 2008, the carrying value of the annuity contracts and the corresponding obligations amounted to $152 million and $153 million, respectively.

The Company has compensated 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 years ended December 31, 2009 and 2008, the Company paid $17 million and $4 million, respectively, to NYLIAC.

The Company has been compensated by NYLAZ for policy credits associated with converting NYLAZ's term policies to permanent cash value life insurance policies issued by the Company without any additional underwriting. For the years ended December 31, 2009 and 2008, the Company received $2 million from NYLAZ for each year.

In the ordinary course of business the Company enters into reinsurance agreements with its subsidiaries and affiliates. Material reinsurance agreements have been disclosed in Note 11 – Reinsurance.

NOTE 7 – SIGNIFICANT SUBSIDIARY

NYLIAC is engaged in the life and annuity businesses. A summary of NYLIAC's statutory basis statement of financial position at December 31, 2009 and 2008 and results of operations for the years then ended are as follows (in millions):

	2009	2008
Assets:		
Bonds	$ 54,551	$ 43,687
Mortgage loans and real estate	5,667	5,534
Separate account assets	18,635	14,834
Other	9,980	10,889
Total assets	$ 88,833	$ 74,944
Liabilities and Surplus:		
Policy reserves	$ 51,644	$ 43,497
Separate account liabilities	18,624	14,829
Other liabilities	13,567	13,022
Capital and surplus	4,998	3,596
Total liabilities and surplus	$ 88,833	$ 74,944
Results of Operations:		
Net gain from operations	$ 351	$ (129)
Net realized capital gain (losses)	(126)	(258)
Net income (loss)	$ 225	$ (387)

NOTE 8 - INSURANCE LIABILITIES

Policy Reserves and Deposit Funds Liabilities

Reserves for life insurance policies are maintained principally using the 1941, 1958, 1980 and 2001 Commissioners' Standard Ordinary ("CSO") Mortality Tables under the net level premium method or the Commissioners' Reserve Valuation Method ("CRVM") with valuation interest rates ranging from 2.0% to 6.0%. Based on Regulation 126 of New York State insurance law the Company's Individual Life reserves were tested as of December 31, 2007 and the results showed a margin of $2.0 billion to $3.5 billion in excess of the reserve balance required by the NYSID. Similar margins were expected in the December 31, 2008 Regulation 126 testing due to the variable nature of the Company's dividend scales for participating policies. Due to this large margin in reserves the Company requested and the NYSID granted a valuation interest rate change and a change in the method of calculating certain term insurance reserves resulting in a release of $268 million of Individual Life reserves, effective January 1, 2008. This was recorded as a change in valuation basis on the accompanying Statutory Statements of Changes in surplus.

After a review of actual term conversion and mortality experience the Company updated conversion and related lapse assumptions and mortality assumptions utilized in the calculation of reserves. In addition, the valuation interest rate for converted policies was set equal to the current maximum rate rather than the rate at initial issuance of the converted policies. Upon approval by the NYSID, the Company released $10 million of reserves, effective January 1, 2009. The positive surplus impact of the reserve decrease

was recorded directly to surplus as a change in valuation basis in the accompanying Statutory Statements of Changes in Surplus.

Reserves for supplementary contracts involving life contingencies and annuities involving current mortality risks are based principally on 1951, 1971, 1983 Group Annuity Mortality ("GAM"), 1960 Mod. a-49, 1971 Individual Annuity Mortality ("IAM"), 1983 Table A, A2000 and the Commissioners' Annuity Reserve Valuation Method ("CARVM") with assumed interest rates ranging from 2.5% to 11.25%. Generally, owners of annuities in payout status are not able to withdraw funds from their policies at their discretion.

Reserves for accident and health policies are valued consistent with interest rate and morbidity tables, where applicable.

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 $671 million and $642 million in 2009 and 2008, respectively. The change in direct reserves decreased pre-tax net gain for the year ended December 31, 2009 by approximately $28 million and increased pre-tax net gain by approximately $46 million for the year ended December 31, 2008.

The Company waives deductions of deferred fractional premiums upon death of the insured and returns a portion of the final premium beyond the date of death. No surrender values are promised in excess of the total reserves. Certain substandard policies are valued on tables that are multiples of the standard table. Other substandard policies 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.

At December 31, 2009 and 2008, the Company had $15,588 million and $15,038 million, respectively, 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.

Tabular Interest credited to policy reserves for all other lines of business, except group annuities has been determined by formula as described in the NAIC instructions. For group annuities, Tabular Interest has been determined from the basic data for the calculation of policy reserves. The Tabular less Actual Reserve Released has been determined by formula as described in the NAIC instructions for all lines of business. The Tabular Cost for Individual Life Insurance for 7 Year Term, for certain Survivorship Whole Life policies, and for ancillary coverage has been determined by formula as described in the NAIC instructions. For all other coverages, including the bulk of Individual Life, the Tabular Cost has been determined from the basic data for the calculation of policy reserves. The Tabular Interest on funds not involving life contingencies is generally the interest actually credited to or accrued on such funds.

Accident and health claim reserves and liabilities were $1,221 million and $1,223 million at December 31, 2009 and 2008, respectively. During 2009, $129 million was paid for incurred losses and loss adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years at December 31, 2009 were $986 million as a result of re-estimation of unpaid claims and claim adjustment expenses principally on group medical, disability income, medicare supplement insurance, and long term care lines of insurance. The $108 million favorable prior-year development since December 31, 2008 to December 31, 2009 was generally the result of ongoing analysis of recent loss development trends. Original estimates were increased or decreased, as additional information became known regarding individual claims. The Company had no unfavorable prior year loss development on retrospectively rated

policies included in this decrease. However, the business to which it relates is subject to premium adjustments.

The balance in the liability for unpaid accident and health claim adjustment expenses as of December 31, 2009 and 2008 was $15 million and $14 million, respectively. The Company incurred $15 million and paid $14 million of claim adjustment expenses in the current year, of which $4 million of the paid amount was attributable to insured or covered events of prior years. The Company took into account estimated anticipated salvage and subrogation in its determination of the liability for unpaid claims/losses and did not reduce such liability in either 2009 or 2008.

GICs with life contingencies totaled $3,434 million and $3,169 million with a weighted average interest rate of 4.74% and 5.00% at December 31, 2009 and 2008, respectively. The weighted average remaining maturity was 2 years, 11 months and 3 years, 2 months at December 31, 2009 and 2008, respectively. Withdrawal prior to maturity is generally subject to 60 days deferral of payment and involves penalties if interest rates increased since contract issuance.

Deposit fund liabilities include GICs without life contingencies (i.e. funding agreements) issued by the Company, including those funding agreements issued to special purpose entities (“SPE”) and the Federal Home Loan Bank of New York (the “FHLB of NY”), and totaled $12,717 million and $17,252 million at December 31, 2009 and 2008, respectively. The weighted average interest rate was 2.95% and 3.90% at December 31, 2009 and 2008, respectively. The weighted average remaining maturity was 2 years 9 months and 2 years, 5 months at December 31, 2009 and 2008, respectively. Withdrawal prior to maturity is generally not permitted.

Included with funding agreements are amounts sold to SPEs which purchase the funding agreements with the proceeds of medium term notes having payment terms substantially identical to the funding agreements issued to the SPE. At December 31, 2009 and 2008, the balance under funding agreements sold by the Company to the SPEs was $8,509 million and $12,166 million, respectively.

On February 26, 2008, the Company became a member of the FHLB of NY and began issuing funding agreements to the FHLB of NY in exchange for cash. The proceeds from the sale of these funding agreements are invested to earn a spread on the business. The funding agreements are issued through the general account and are included in the liability for deposit funds on the balance sheet. When a funding agreement is issued, the Company is required to post collateral in the form of eligible securities including mortgage-backed, government and agency debt instruments for each of the advances that are entered. Upon any event of default by the Company, the FHLB of NY’s recovery on the collateral is limited to the amount of the Company’s liability to the FHLB of NY. The amount of the Company’s liability for funding agreements with the FHLB of NY was $2,052 million at December 31, 2009 and $1,006 million at December 31, 2008. The fair value of collateral posted was $2,711 million at December 31, 2009 and $1,290 million at December 31, 2008. At December 31, 2009, the Company’s borrowing capacity with FHLB of NY was $4,124 million of which $2,052 million has been used. At December 31, 2008, the Company’s borrowing capacity with FHLB of NY was $3,500 million of which $1,006 million had been used. At December 31, 2009 and 2008, the Company owned 129 million shares and 79 million shares, respectively, of FHLB of NY stock.

The weighted average interest rate for all GICs was 3.33% and 4.07% at December 31, 2009 and 2008, respectively. The combined weighted average remaining maturity was 2 years, 9 months and 2 years, 7 months at December 31, 2009 and 2008, respectively.

The Company had a $4 million liability at December 31, 2009 ($4 million at December 31, 2008) relating to Guaranteed Separate Accounts and Synthetic GICs valued under New York State Regulation 128,

which generally requires that a liability be accrued when the market value of the guaranteed separate accounts is less than the minimum value of contractual liabilities. The Company records the change in this liability as a component of surplus. Accordingly, $1 million and $2 million of gains were recorded on the accompanying Statutory Statements of Change in Surplus for the years ended December 31, 2009 and 2008, respectively.

The following table reflects the withdrawal characteristics of annuity reserves and deposit fund liabilities as of December 31, 2009 and 2008 (in millions):

	2009		2008	
	Amount	% of Total	Amount	% of Total
Subject to discretionary withdrawal:				
With market value adjustment	$ 9,286	24%	$ 8,446	20%
At market value	2,693	7%	2,313	5%
Total with adjustment or at market value	11,979	31%	10,759	25%
At book value without adjustment	1,965	5%	1,933	5%
Not subject to discretionary withdrawal provisions	24,651	64%	29,176	70%
Total annuity reserves and deposit fund liabilities	$ 38,595	100%	$ 41,868	100%

At December 31, 2009, of the total direct life, accident and health and annuity reserves of $68,149 million and deposit fund liabilities of $15,041 million, the total amounts related to policies and deposits that have surrender privileges were $52,792 million and $1,949 million, respectively. Of these reserves, the amounts redeemable for cash to policyholders and depositors at December 31, 2009 were $50,407 million and $1,949 million, respectively.

At December 31, 2008, of the total direct life, accident and health and annuity reserves of $65,313 million and deposit fund liabilities of $19,619 million, the total amounts related to policies and deposits that have surrender privileges were $49,971 million and $1,917 million, respectively. Of these reserves, the amounts redeemable for cash to policyholders and depositors at December 31, 2008 were $47,348 million and $1,917 million, respectively.

NOTE 9 - SEPARATE ACCOUNTS

Guaranteed Separate Accounts

The Company currently maintains guaranteed separate accounts with assets of $4,236 million and $3,878 million at December 31, 2009 and 2008, respectively. Of these amounts, $116 million and $26 million were maintained each year in supplemental separate accounts at December 31, 2009 and 2008, respectively. The Company has market value separate accounts and separate accounts maintained on a book value basis where assets are carried at amortized cost. These assets are invested primarily in investment grade mortgage-backed securities and short-term securities. The supplemental separate account assets are used to fund the excess of the actuarial liability for future guaranteed payments over the market value of the assets for these contracts.

Market value separate accounts funding guaranteed benefits provide either a guarantee tied to an index or a guarantee of principal and interest. 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. For the market value separate accounts that 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.

A 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 guaranteed market value separate accounts are tied to an index, if the return on the contract exceeds the index, the contract holder shares the excess performance equally with the Company. The excess performance is retained in the Separate Accounts, until the contract is terminated, and the Company reflects the amount in surplus. For the years ended December 31, 2009 and 2008, the Company reflected changes of $2 million and $(2) million, respectively, related to undistributed gains and losses on these contracts in "Other Adjustments", net, on the accompanying Statutory Statements of Changes in Surplus.

Non-Guaranteed Separate Accounts

The Company currently maintains non-guaranteed separate accounts with assets of $2,372 million and $1,997 million at December 31, 2009 and 2008, respectively. These separate accounts primarily include the Company's retirement and pension plans assets and are invested in common stock, long-term bonds, limited partnerships and short-term securities.

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

Information regarding separate accounts of the Company for the years ended December 31, 2009 and 2008 is as follows (in millions):

	2009				
	Indexed	**Non-indexed Guarantee Less than/Equal to 4%**	**Non-indexed Guarantee More than 4%**	**Non-guaranteed Separate Accounts**	**Total**
Premiums and considerations	$ -	$ 1,233	$ -	$ 79	$ 1,312
Reserves:					
For accounts with assets at:					
Market value	$ 227	$ 111	$ -	$ 2,354	$ 2,692
Amortized cost	-	3,845	-	-	3,845
Total reserves	$ 227	$ 3,956	$ -	$ 2,354	$ 6,537
By withdrawal characteristics:					
With market value adjustment	$ -	$ 3,845	$ -	$ -	$ 3,845
At market value	227	111	-	2,354	2,692
Total reserves	$ 227	$ 3,956	$ -	$ 2,354	$ 6,537

	2008				
	Indexed	**Non-indexed Guarantee Less than/Equal to 4%**	**Non-indexed Guarantee More than 4%**	**Non-guaranteed Separate Accounts**	**Total**
Premiums and considerations	$ -	$ 1,606	$ -	$ 155	$ 1,761
Reserves:					
For accounts with assets at:					
Market value	$ 217	$ 112	$ -	$ 1,984	$ 2,313
Amortized cost	-	3,577	-	-	3,577
Total reserves	$ 217	$ 3,689	$ -	$ 1,984	$ 5,890
By withdrawal characteristics:					
With market value adjustment	$ -	$ 3,577	$ -	$ -	$ 3,577
At market value	217	112	-	1,984	2,313
Total reserves	$ 217	$ 3,689	$ -	$ 1,984	$ 5,890

The following is a reconciliation of net transfers to or (from) the Company to the separate accounts (in millions):

	2009	2008
Transfers as reported in the Separate Accounts Statement:		
Transfers to Separate Accounts	$ 1,312	$ 1,761
Transfers from Separate Accounts	(1,155)	(1,818)
Reinsurance Assumed	1	41
Net transfers to (from) the Separate Accounts	$ 158	$ (16)

NOTE 10 - INCOME TAXES

Significant components of the current federal income tax (benefit) expense incurred for the years ended December 31, 2009 and 2008 were as follows (in millions):

	2009	2008
Current income tax expense:		
Current year U.S. income tax	$ 102	$ 50
Current year foreign income tax	3	5
Current income tax incurred	105	55
Capital gains tax benefits incurred	(215)	(318)
Total current income tax (benefit) incurred	$ (110)	$ (263)

The Company has elected to admit DTAs pursuant to paragraph 10e of SSAP No. 10R for December 31, 2009. As discussed in Note 1 – Changes in Accounting Principles, this election did not exist as of December 31, 2008. The Company recorded an increase in admitted DTAs of $514 million as the result of this election.

The components of the net deferred tax asset are as follows (paragraph references throughout Note 10 are to paragraphs of SSAP No.10R) (in millions):

	December 31, 2009			December 31, 2008
	Capital	Ordinary	Total	Total
Gross DTAs	$ 823	$ 2,424	$ 3,247	$ 1,987
Statutory valuation allowance	-	-	-	-
Adjusted gross DTAs	823	2,424	3,247	1,987
Gross deferred tax liabilities (DTLs)	607	926	1,533	273
Net deferred tax asset before admissibility test	$ 216	$ 1,498	$ 1,714	$ 1,714
Admitted gross DTAs (Paragraph 10.a)	$ 78	$ 264	$ 342	
Admitted gross DTAs (Paragraph 10.b)	-	329	329	
Admitted gross DTAs (Paragraph 10.c)	607	926	1,533	
Additional admitted gross DTAs (Paragraph 10.e.(i))	-	-	-	
Additional admitted gross DTAs (Paragraph 10.e.(ii))	75	439	514	
Additional admitted Gross DTAs (Paragraph 10.e.(iii))	-	-	-	
Gross admitted DTA	760	1,958	2,718	
Gross deferred tax liability	607	926	1,533	
Net Admitted DTAs or DTLs	$ 153	$ 1,032	$ 1,185	$ 599
Net deferred tax assets nonadmitted	$ 64	$ 465	$ 529	$ 1,115
Increase/(Decrease) in deferred taxes nonadmitted			$ (586)	$ 347

Net deferred tax assets are non-admitted primarily because they are not expected to be realized within three years of the balance sheet date. The admitted portion of the net deferred tax asset is included in "Other Assets" on the accompanying Statutory Statements of Financial Position.

The components of the Risk-Based Capital calculation are as follows (in millions):

	Paragraph 10a, 10b, 10c	Paragraph 10e	Difference
Admitted DTAs	$ 671	$ 1,185	$ 514
Admitted Assets	$ 117,169	$ 117,835	$ 666
Statutory Surplus	$ 13,020	$ 13,686	$ 666
Total Adjusted Capital	$ 14,973	$ 15,639	$ 666
Authorized Control Level Used in 10d	$ 1,787	$ 1,804	$ 17

The Company had no unrecognized deferred tax liabilities for December 31, 2009 and 2008. At December 31, 2009, the Company had no adjustments of a DTA or DTL for enacted changes in tax laws or rates, or a change in tax status. Additionally, the Company had no adjustments to gross DTAs because of a change in circumstances that causes a change in judgment about the realizablility of the related DTAs.

The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities are as follows (in millions):

	December 31, 2009	December 31, 2008	Increase/ (Decrease)
DTAs resulting from book/tax differences in:			
Policy reserves	$ 696	$ 138	$ 558
Deferred acquisition costs	519	496	23
Employee and agent benefits	760	491	269
Nonadmitted assets	-	114	(114)
Dividend provision	323	348	(25)
Investments	784	381	403
Other	165	19	146
Gross deferred tax asset	3,247	1,987	1,260
DTLs resulting from book/tax differences in:			
Policy reserves	461	-	461
Investments	1,004	273	731
Other	68	-	68
Gross DTL	1,533	273	1,260
Net DTA	$ 1,714	$ 1,714	$ -
Change in net deferred income taxes related to unrealized gains (losses)			$ (101)
Change in net deferred income taxes related to other items			101
Total change in net deferred tax assets			$ -

The Company's income tax (benefit) expense for the years ended December 31, 2009 and 2008 differs from the amount obtained by applying the statutory rate of 35% to net gain from operations after dividends to policyholders and before federal income taxes for the following reasons (in millions):

	2009	2008
Net gain from operations after dividends to policyholders and before federal income taxes at 35%	$ 314	$ 171
Net realized capital (losses) gains at 35%	(156)	(512)
Tax exempt income	(58)	33
Tax credits (net of withholding)	(57)	(46)
Amortization of IMR	(9)	(8)
Dividends from subsidiaries	(85)	-
Contiguous country branch income	(4)	(5)
Change in reserve on account of change in valuation basis	3	94
Prior year audit liability and settlement	5	5
Non-admitted assets	(2)	68
Accruals in surplus	(169)	8
Other	7	5
Income tax (benefit) expense incurred and change in net DTA during period	$ (211)	$ (187)
Federal income taxes reported in the Summary of Operations	$ 105	$ 55
Capital gains tax benefits incurred	(215)	(318)
Change in net deferred income taxes related to other items	(101)	76
Total statutory income tax (benefit) expense	$ (211)	$ (187)

The Company's federal income tax returns are routinely audited by the Internal Revenue Service ("IRS") and provisions are made in the financial statements in anticipation of the results of these audits. The IRS has completed audits through 2004 and is currently auditing tax years 2005 through 2007. There were no material effects on the Company's Statutory Statements of Operations as a result of these audits. The Company believes that its recorded income tax liabilities are adequate for all open years.

The Company has no net operating loss carry forwards and recorded an investment tax credit of $53 million during December 31, 2009. The total income taxes incurred that will be available for recoupment in the event of future net losses are $102 million, $0 million and $240 million related to December 31, 2009, 2008 and 2007, respectively.

Total interest expense associated with the liabilities for tax-related interest for the years ended December 31, 2009 and 2008 aggregated $7 million and $9 million, respectively, and are included in income tax expense in the accompanying Statutory Statements of Operations. At December 31, 2009 and 2008, the Company accrued $59 million and $52 million, respectively, of liabilities for tax-related interest, which is included in other liabilities on the accompanying Statutory Statements of Financial Position. The Company does not anticipate any significant changes to its total unrecognized tax benefits within the next 12 months.

As discussed in Note 2 - Significant Accounting Policies - Federal Income Taxes, the Company's federal income tax return is consolidated with NYLIAC, NYLAZ, NYLIFE LLC, NYLI and New York Life Investments.

At December 31, 2009 and 2008, the Company recorded a current income tax receivable of $121 million and $395 million, respectively. The current income tax receivables are included in "Other Assets" in the accompanying Statutory Statements of Financial Position.

At December 31, 2009, the Company had no protective tax deposits on deposit with the Internal Revenue Service under Section 6603 of the Internal Revenue Service Code.

NOTE 11 – REINSURANCE

The Company enters into reinsurance agreements in the normal course of its insurance business to reduce overall risk and to be able to issue life insurance policies in excess of its retention limits. Currently the Company reinsures the mortality risk on new life insurance policies on a quota-share yearly renewable term ("YRT") basis for all products except on its participating whole life products. Up until late 2004, the Company typically retained 10% of each risk on its individual life insurance policies, and varying retention amounts ranging from 30% to 50% on select group life insurance cases and product lines. Starting in late 2004, the Company began to retain a higher share on certain individual life products, with the quota share ranging from 10% up to 60% and a minimum size policy ceded of $1 million. Most of the reinsured business is on an automatic basis. Cases in excess of the Company's retention and certain substandard cases are reinsured facultatively. Generally, the Company does not have any individual life or group reinsurance agreements that do not transfer risk or contain risk limiting features.

Life insurance reinsured was 15% of total life insurance inforce at December 31, 2009 and 2008. The reserve reductions taken for life insurance reinsured at December 31, 2009 and 2008 were $312 million and $302 million, respectively.

At December 31, 2008, the Company assumed 90% of a block of inforce life insurance business under a coinsurance with funds withheld treaty from its indirect subsidiary, Hong Kong Worldwide ("Hong Kong"). A total reserve of $79 million consisting of whole life products was assumed under a coinsurance with funds withheld treaty. Under the Funds Withheld treaty, Hong Kong will maintain $71 million in assets for funds withheld in relation to the reserves and the Company will maintain $8 million in deficiency reserves. At the inception of the treaty, the Company incurred a $14 million ceding commission to Hong Kong. At December 31, 2009, the Company assumed reserves under coinsurance with funds withheld of $90 million.

In December 2004, the Company assumed 90% of a block of inforce life insurance business from its wholly-owned subsidiary, NYLIAC. A total reserve of $5,656 million consisting of Universal Life, Variable Universal Life, Target Life and Asset Preserver products was assumed using a combination of coinsurance with funds withheld for the fixed portion maintained in the General Account and modified coinsurance ("MODCO") for policies in the Separate Accounts. Under both the MODCO and Funds Withheld treaties, NYLIAC will retain the assets held in relation to the reserves. A $25 million ceding commission was paid by the Company at the inception of the treaty. An experience refund will be paid to NYLIAC at the end of each accounting period for 100% of profits in excess of $5 million. Experience refunds paid in 2009 and 2008 were $96 million and $109 million, respectively. At December 31, 2009 and 2008, the Company assumed reserves under coinsurance with funds withheld and MODCO of $5,968 million and $5,775 million, respectively.

On January 19, 2000, the Company entered into a modified coinsurance reinsurance agreement with Paul Revere Life Insurance Company ("Paul Revere") whereby Paul Revere reinsures 100% of the Company's individual disability income business with an effective date of January 1, 2000. The Company received consideration of $88 million, resulting in a deferred gain of $54 million after tax that is amortized into net gain over a twenty-year period. During 2009 and 2008, $3 million was amortized each year into net gain leaving $25 million at December 31, 2009 to be amortized in future years.

The Company has reinsurance agreements with 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.

The Company had reinsured certain policies with unauthorized companies that prevent it from recognizing full reinsurance credit. Since these reinsurers are not recognized in the State of New York, and the receivable owed to the Company is not secured by cash, securities or other permissible collateral, the Company established a liability equal to the net credit received. At December 31, 2009 and 2008, less than $1 million was held as a liability to offset the net reinsurance credit. The change in the liability is reflected as a direct adjustment to surplus and totaled less than $1 million for both years ended December 31, 2009 and 2008.

NOTE 12 – SURPLUS

Surplus Notes

On October 8, 2009, the Company issued Surplus Notes ("2009 Notes") with a principal balance of $1 billion, bearing interest at 6.75%, and with a maturity date of November 15, 2039. Proceeds from the issuance of the 2009 Notes were $998 million, net of discount. The 2009 Notes were issued pursuant to Rule 144A and under the Securities Act of 1933, as amended, and are administered by Citibank, as registrar/paying agent. Interest on the 6.75% 2009 Notes are payable semiannually on May 15th and November 15th of each year, beginning on May 15, 2010.

On May 5, 2003, the Company issued Surplus Notes ("2003 Notes") with a principal balance of $1 billion, bearing interest at 5.875%, and a maturity date of May 15, 2033. Proceeds from the issuance of the 2003 Notes were $990 million, net of discount. The 2003 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% 2003 Notes is paid semiannually on May 15th and November 15th of each year. Cumulative interest paid through December 31, 2009 totaled $383 million.

As part of the 2003 Notes offering, the NYSID required the Company to establish a special reserve in the amount of 10% of the face amount of the 2003 Notes, or $100 million. 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 2003 Notes. As allowed by NYSID, the reserve was reduced in equal increments of 1/9 of the initial reserve amount, or $11 million, on May 15, 2006, May 15, 2007 and May 15, 2008, with the remaining reserve of $67 million released on May 15, 2009 because there had been no claims. This was reflected as an increase to surplus.

The 2009 Notes and the 2003 Notes (collectively 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 Notes may be redeemed at the option of the Company at any time at the "make-whole" redemption price equal to the greater of: (i) the principal amount of the Notes to be redeemed, or (ii) the sum of the present values of the remaining scheduled interest and principal payments on the notes to be redeemed, excluding accrued interest as of the date on which the Notes are to be redeemed, discounted on a semi-annual basis at an adjusted treasury rate plus 20 and 40 basis points, respectively, plus in each case, the accrued interest on the notes to be redeemed to the redemption date.

At December 31, 2009 and 2008, there were no affiliates that held more than 10% of the Notes. At December 31, 2009, State Street Bank & Trust Co, Bank of New York Mellon and JP Morgan Chase Bank were each the holder of record at The Depository Trust Company of more than 10% of the outstanding amount of the Notes, with each holding Notes, at least in part, for the accounts of their respective clients.

Other Surplus Adjustments

Other increases or (decreases) in the Statutory Statements of Changes in Surplus includes the effects of the following (in millions):

	2009	2008
Special reserves for group life - Note 8	$ 6	$ -
Separate account surplus – Note 9	2	(2)
Regulation 128 reserve – Note 8	(1)	2
Ceding commission – Note 11	(3)	(3)
Additional minimum liability – Note 13	(520)	13
Total	$ (516)	$ 10

Cumulative unrealized (losses)/gains, gross of deferred taxes, recognized in unassigned surplus were $(989) million and $(1,443) million as of December 31, 2009 and 2008, respectively.

Nonadmitted Assets

Under statutory accounting rules, a nonadmitted asset is defined as an asset having economic value other than that which can be used to fulfill policyholder obligations, or those assets that are unavailable due to encumbrances or other third party interests. These assets are not recognized on the Statutory Statements of Financial Position, and are, therefore, considered nonadmitted. The changes between years in nonadmitted assets are charged or credited directly to surplus.

The following table shows the major categories of assets that are nonadmitted at December 31, 2009 and 2008, respectively (in millions):

	2009	2008	Increase (Decrease)
Overfunded pension asset	$ 671	$ 683	$ (12)
Net deferred tax asset	529	1,115	(586) *
Furniture, equipment and EDP	214	199	15
Invested assets	149	135	14
Other	114	125	(11)
Total	$ 1,677	$ 2,257	$ (580)

*$514 million of this change is due to the adoption of SSAP No. 10R, which is reported as a separate item in the Statutory Statements of Changes in Surplus. Please see Note 1 – Changes in Accounting Principles.

NOTE 13 - BENEFIT PLANS

Defined Benefit Plans

The Company maintains the New York Life Insurance Company Pension Plan (“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 non-qualified, unfunded arrangement, which provides benefits in excess of the maximum benefits that may be paid or accrued under the Pension Plan due to applicable IRS limits. The New York Life Excess Benefit Plan was amended and restated to comply with Internal Revenue Code (“IRC”) Section 409A.

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 with the Company or its domestic life insurance subsidiaries on or after January 1, 1982, the effective date of the Plan. Employees are not eligible for benefits under the Retirement Plan.

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 five years of vesting service. In general, 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 is calculated by multiplying the sum of his/her Pensionable Earnings credited after 1990 by 2.75%. In addition, the Retirement Plan also pays amounts to certain eligible agents whose retirement benefit under the Retirement Plan is less than their Senior NYLIC Income (i.e. compensation under certain agents' contracts for agents who have completed 20 NYLIC years) so that their total retirement benefit under the Retirement Plan is equivalent to their Senior NYLIC Income. The Company also maintains the NYLIC 415 and 401(a)(17) Excess Benefit Plan, which is a non-qualified, unfunded arrangement, which provides benefits in excess of the maximum benefits that may be paid or accrued under the Retirement Plan due to

applicable IRS limits. The NYLIC 415 and 401(a)(17) Excess Benefit Plan was amended and restated to comply with IRC Section 409A.

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 the IRC, and no greater than the maximum amount deductible for federal income tax purposes. The Company was not required to make any contributions to the Plans in 2008 to satisfy the minimum funding requirements under ERISA and IRC. The Company made no contributions to either the Pension Plan or Retirement Plan in 2009 and 2008. However, in 2008, the settlement agreement for the class action lawsuit, *Mehling, et al v. New York Life Insurance Company, et al,* directed a portion of the proceeds in the amount of $2 million to the Pension Plan and $1 million to the Retirement Plan.

The assets of the Pension Plan and Retirement Plan are maintained in separate trusts established under 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 the Company's 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. Pension plan assets of $2,128 million and $1,797 million are included in the Company's separate account assets and liabilities as of December 31, 2009 and 2008, respectively. Pension plan assets of $1,004 million and $1,143 million are included in the Company's reserve liability as of December 31, 2009 and 2008, respectively.

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, and affiliates of NYLIM act as sub-advisors of some 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 non-qualified arrangements for agents and employees to help protect non-qualified payments 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 and certain eligible employees of subsidiaries that adopt the Group Plan 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, third prior or established), age, level of benefits and location of residence.

Agents who retired under the Retirement Plan prior to January 1, 1993 and agents who retired under the Retirement Plan after December 31, 1992 but either had completed 30 or more years of service or attained 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 or reach age 70 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 (other than certain prescription drug coverage), dental coverage and life premiums for eligible retired individuals and their eligible dependents are paid by a combination of the VEBA Trusts' assets and contributions by the eligible retired individuals. The Company pays the remaining balance of these costs.

It has been the Company's practice to pre-fund postretirement benefits to the extent allowable for federal income tax purposes. Pre-funding contributions are made to the VEBA Trusts, which are used to partially fund postretirement health and life benefits other than pensions. For the years ended December 31, 2009 and 2008, pre-funding contributions to the Retired Employee VEBA Trust totaled $3 million and $5 million, respectively. For the years ended December 31, 2009 and 2008, pre-funding contributions to the Retired Agent VEBA Trust totaled less than $1 million and $2 million, respectively.

The assets of each VEBA Trust are invested in mutual funds in the MainStay Group of Funds, in Trust Owned Life Insurance ("TOLI") and in government securities. NYLIM is the investment advisor of the MainStay Group of Funds. The TOLI policies are Corporate Sponsored Universal Life ("CSUL") and Corporate Sponsored Variable Universal Life ("CSVUL") policies issued by NYLIAC. CSVUL policy premiums are invested in variable product mutual funds managed by NYLIM. VEBA Trust assets of $144 million and $121 million are included in the Company's separate account assets and liabilities as of December 31, 2009 and 2008, respectively. VEBA Trust assets of $146 million and $140 million are included in the Company's policyholder account balance liabilities as of December 31, 2009 and 2008, respectively.

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.

The table below is for financial reporting purposes only and does not reflect the status of the assets of both the Pension Plan and the Retirement Plan under applicable law (in millions):

	Pension Plan Benefits		Other Postretirement Plan Benefits	
	2009	2008	2009	2008
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 3,575	$ 4,050	$ 898	$ 1,013
Service cost	83	106	30	37
Interest cost	272	253	68	63
Contributions by plan participants	-	-	4	4
Actuarial (gains)/losses	667	(648)	80	(177)
Benefits paid	(205)	(197)	(68)	(45)
Plan amendments	-	11	-	-
Impact of Measurement date change	35	-	5	-
Medicare Part D Reimbursements	-	-	6	3
Benefit obligation at end of year[1]	$ 4,427	$ 3,575	$ 1,023	$ 898
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 3,331	$ 3,811	$ 421	$ 485
Actual return on plan assets	31	(304)	9	(61)
Contributions by employer	22	21	52	38
Contributions by plan participants	-	-	4	4
Benefits paid	(205)	(197)	(68)	(45)
Impact of Measurement date change	(48)	-	(5)	-
Fair value of plan assets at end of year[1]	$ 3,131	$ 3,331	$ 413	$ 421
Funded Status:				
Funded status	$ (1,296)	$ (244)	$ (610)	$ (477)
Unamortized prior service cost	33	42	-	1
Unrecognized net loss	1,525	524	265	155
Remaining net obligation at transition	-	-	21	31
Contributions by employer	-	5	-	12
Intangible asset[2]	32	(1)	-	-
Accumulated charge to surplus	(562)	(11)	-	-
Prepaid (accrued) benefit cost	$ (268)	$ 315	$ (324)	$ (278)
Accumulated Benefit obligation for all defined pension plans at December 31[1]	$ 4,043	$ 3,308		
Benefit obligation for non-vested participants[3]	$ 44	$ 32	$ 230	$ 316

[1] For 2009 a measurement date of December 31st was used and for 2008 a measurement date of September 30th was used.

[2]Prepaid asset and the intangible asset are non-admitted and are, therefore, not included in total statutory admitted assets.

[3]For 2009, the projected benefit obligation for pension plan benefits for non-vested participants was excluded from the benefit obligation at the end of the year reflected in the "Change in benefit obligation" section of the table above and was not included in the liabilities reported in the Statutory Statements of Financial Position. For 2008, the projected benefit obligation for pension plan benefits for non-vested participants was included in both the benefit obligation at the end of the year reflected in the "Change in benefit obligation" section of the table above and the liabilities reported in the Statutory Statements of Financial Position. This change was immaterial to the Company.

An additional minimum liability adjustment is required for pensions when the accumulated benefit obligation exceeds plan assets or accrued pension liabilities. Increases or decreases in the additional minimum pension liability, less allowable intangible assets, are reported as adjustments to surplus. At December 31, 2009, the Company reflected an additional net minimum liability ("AML") of $332 million ($11 million in 2008) for the Pension Plan and $199 million for the Retirement Plan ($(1) million in 2008). The change in the AML during 2009 and 2008 decreased surplus by $520 million in 2009 and increased surplus by $13 million in 2008.

The components of net periodic benefit cost at December 31 were as follows (in millions):

	Pension Plan Benefits		Other Postretirement Plan Benefits	
	2009	2008	2009	2008
Components of net periodic benefit cost:				
Service cost	$ 83	$ 106	$ 30	$ 36
Interest cost	272	253	68	63
Expected return on plan assets	(292)	(285)	(35)	(34)
Amortization of net asset at transition	-	-	8	8
Amortization of (gains)/losses	(1)	43	3	11
Amortization of prior service cost	8	7	-	-
Net periodic benefit cost	$ 70	$ 124	$ 74 *	$ 84 *

* Includes postretirement costs billed to subsidiaries of $31 million and $34 million for each of the years ended December 31, 2009 and 2008, respectively.

Other

The Company's accumulated postretirement benefit obligation ("APBO") and net periodic benefit costs include the effect of the federal subsidy provided by the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the "Act"). The Act introduced 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.

A summary of the reduction to the APBO and related reduction to the components of net periodic other postretirement benefit cost is as follows (in millions):

	Years Ended December 31,	
	2009	2008
Cumulative reduction in benefit obligation:		
Beginning of year	$ 77	$ 101
Eligibility cost	2	4
Interest cost	6	6
Net actuarial loss	12	(31)
Prescription drug subsidy	(6)	(3)
Impact of measurement date change	1	-
End of year	$ 92	$ 77
Reduction in net periodic benefit cost:		
Eligibility cost	$ 2	$ 4
Interest cost	6	6
Amortization of net actuarial loss	1	3
Total reduction in net periodic benefit cost	$ 9	$ 13

The Company received $7 million in Medicare Part D subsidy payments during the 2009 Measurement Period (10/1/2008 thru 12/31/2009). For the 2008 Measurement Period (10/1/2007 thru 9/30/2008), Company received $3 million in Medicare subsidy payments.

Weighted-average assumptions used to determine benefit obligations*:

	Pension Plan Benefits		Other Postretirement Plan Benefits	
	2009	2008	2009	2008
Discount rate	6.25%	7.80%	6.25%	7.80%
Rate of compensation increase:				
Employees	3.93%/5% **	3.93%/5% **	3.93%/5% **	3.93%/5% **
Agents	5.20%	5.20%	N/A	N/A

* For 2009 a measurement date of December 31st was used and for 2008 a measurement date of September 30th was used.
** Rate of compensation increase for 2010 is 3.93% and increases in the subsequent years to an ultimate rate of 5% beginning 2013.

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31, 2009 and 2008:

	Pension Plan Benefits		Other Postretirement Plan Benefits			
	2009	**2008**	**2009**		**2008**	
Discount rate	7.80%	6.40%	7.80%		6.40%	
Expected return on plan assets	8.25%	8.25%	7.25%/7.75%	***	7.25%/7.75%	***
Rate of compensation increase:						
Employees	3.93%/5%	5.40%	3.93%/5%		5.40%	
Agents	5.20%	5.60%	N/A		N/A	

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

The discount rates used to determine the Company's pension and other postretirement plan obligations were based on a hypothetical double A yield curve represented by a series of annualized individual discount rates. Each bond issue underlying the yield curve is required to be non-callable and have a rating of Aa by Moody's Investor Service, Inc. or a rating AA by Standard & Poor's. The yields are used to discount future pension and postretirement benefit plan cash flows at an interest rate specifically applicable to the timing of each respective cash flow. The sum of these discounted cash flows are totaled into a single present value and an equivalent weighted-average discount rate is calculated by imputing the singular interest rate that equates the total present value of the stream of future cash flows. This resulting interest rate is used by the Company as its discount rate for the pension and postretirement benefit plans.

The expected return on plan assets is based on (1) an evaluation of the historical behavior of the broad financial markets and, (2) the plan's investment portfolio modified by input from the plan's investment consultant of future returns based on today's economic and financial market conditions.

The assets that back the Company's pension plans consist of approximately 60% equities and 40% fixed income securities. The 8.25% long term rate of return (which has been in effect for several years) is based on this allocation and assumes total returns on equities that vary from 8% to 12% based on asset class, and expect yields on high quality corporate bonds of about 5% to 6%.

The determination of the annual rate of increase in the per capita cost of covered health care benefits are reviewed separately for medical and prescription drug plans as well as for participants under and over age 65. At December 31, 2009, these assumed future rates of increase are the same for both medical and prescription drug plans as well as for participants under and over 65. For dental plans, the annual rate of increase in the per capita cost utilizes a single rate for all participants.

In measuring the year-end 2009 obligations, the annual rate of increase in the per capita cost of covered health care medical benefits and prescription drug benefits was assumed to be 8.75% for 2010 for all participants. For the year-end 2009 measurement, the rate was assumed to decline gradually to 5% by 2015 for both medical and prescription drug benefits and remain at that level thereafter. For dental plans, the annual rate of increase in the per capita cost of covered health care benefits is assumed to be 5% for all participants and remain at that level.

In measuring the year-end 2008 obligations, the annual rate of increase in the per capita cost of covered health care medical benefits and prescription drug benefits was assumed to be 9.5% for 2009 for all

participants. For the year-end 2008 measurement, the rate was assumed to decline gradually to 5% by 2015 for both medical and prescription drug benefits and remain at that level thereafter. For dental plans, the annual rate of increase in the per capita cost of covered health care benefits is assumed to be 5% for all participants and remain at that level.

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

	2009 One Percent Increase	2009 One Percent Decrease
Effect on total of service and interest cost components	$ 10	$ (8)
Effect on accumulated postretirement obligations	$ 98	$ (80)

Plan Assets

The investment objectives for the Pension Plan, Retirement Plan and the VEBA Trusts are, first, to maintain sufficient income and liquidity to fund benefit payments; second, to preserve the capital value of the plans and trusts; third, to increase the capital value of the plans and trusts; and fourth, to earn a long-term rate of return which meets or exceeds plans' and trusts' assumed actuarial rates of return. Under the investment policies for each of the pension plans, the plans' assets are to be invested primarily in a balanced and diversified mix of high quality equities, fixed income securities, group annuity contracts, private equity investments and cash equivalents, and such other assets as may be appropriate. Under the investment policies for the VEBA Trusts, the assets of the trusts are to be invested primarily in insurance contracts (variable and/or fixed) and/or mutual funds which, in turn, invest in a balanced and diversified mix of high quality equities, fixed income securities and cash equivalents, and such other assets as may be appropriate. The Investment Committees of the Board of Trustees ("the Committees") monitor and review investment performance to insure assets are meeting plan objectives.

The Committees have established a broad investment strategy targeting an asset allocation of 60% equity securities and 40% fixed income for both the Pension Plan and the Retirement Plan, and 70% equity securities and 30% fixed income for the VEBA Trusts. Diversifying each asset class by style and type further enhances this allocation. In developing this asset allocation strategy, the Committees took into account, among other factors, the information provided to 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 allocations versus the targets and make adjustments as appropriate.

The weighted-average asset allocation for the employee and agent defined benefit pension plans at December 31, 2009 and September 30, 2008, and target allocations by asset category were as follows:

	Target Allocation	Percentage Of Plan Assets	
	2009 & 2008	December 31, 2009	September 30, 2008
Fixed Income	40%	39%	41%
Equity Securities	60%	61%	59%
Total	100%	100%	100%

Equity securities include common stock in the amount of $1,924 million (61% of total assets of the pension plans) and $1,977 million (59% of total assets of the pension plans) at December 31, 2009 and September 30, 2008, respectively.

The Company's weighted-average asset allocation for the other postretirement benefit plans at December 31, 2009 and September 30, 2008, and target allocations by asset category under the VEBA Trusts were as follows:

	Target Allocation Percentage		**Percentage of VEBA Trust Assets**			
	2009 & 2008		**December 31, 2009**		**September 30, 2008**	
	Health	**Life**	**Health**	**Life**	**Health**	**Life**
Fixed Income	30%	30%	47%	36%	46%	33%
Equity Securities	70%	70%	53%	64%	54%	67%
Total	100%	100%	100%	100%	100%	100%

Equity securities include common stock in the amount of $222 million (57% of total VEBA Trust Life and Health assets) and $233 million (58% of total VEBA Trust Life and Health assets) at December 31, 2009 and September 30, 2008, respectively.

The pooled separate accounts under the Pension Plans' SA Contract invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the financial statements.

Actuarial present values of accumulated benefits are reported based on certain actuarial assumptions, which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions could occur in the near term and would be material to the financial statements.

The fair values of the pension plan assets at December 31, 2009 are as follows (in millions):

	Quoted prices in Active Markets for Identical Assets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Fixed income investments:				
Immediate Participation Guarantee	$ -	$ -	$ 1,004	$ 1,004
High Yield Bond Separate Accounts	-	203	-	203
Equity type investment:				
Private equity separate accounts	-	-	413	413
Indexed Equity Separate Account	-	274	-	274
International Equity Separate Account	-	564	-	564
Small Cap Corp Separate Account	-	153	-	153
REIT Equity Separate Account	-	273	-	273
Large Cap Enhanced Separate Account	-	247	-	247
Total assets accounted for at fair value	$ -	$ 1,714	$ 1,417	$ 3,131

The table below presents a reconciliation of all level 3 assets and liabilities for the year ended December 31, 2009 (in millions):

	Immediate Participation Guarantee	Private Equity Separate Account	Total
Fair value, beginning of year	$ 1,143	$ 441	$ 1,584
Return of plan assets:			
Relating to assets still held at the reporting date	63	(40)	23
Purchases, sales and settlements	(202)	12	(190)
Fair value, end of year	$ 1,004	$ 413	$ 1,417

The fair values of other postretirement benefit plan assets at December 31, 2009 are as follows (in millions):

	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed income investments:				
MainStay Intermediate Term Bond Fund	$ 44	$ -	$ -	$ 44
CSUL Policies	-	-	127	127
Immediate Participation Guarantee	-	-	19	19
Short term treasury notes	-	1	-	1
Equity type investment:				
MainStay S&P 500 Index Fund	58	-	-	58
MainStay International Equity Fund	20	-	-	20
CSVUL				
MainStay VP Indexed Equity	-	-	111	111
MainStay VP International Equity	-	-	33	33
Total assets accounted for at fair value	$ 122	$ 1	$ 290	$ 413

The table below presents a reconciliation of all level 3 assets and liabilities for the year ended December 31, 2009 (in millions):

	CSUL Policies	CSVUL MainStay VP Indexed Equity	CSVUL MainStay VP International Equity	Immediate Participation Guarantee	Total
Fair value, beginning of year	$ 122	$ 92	$ 29	$ 18	$ 261
Return of plan assets:					
Relating to assets still held at the reporting date	6	23	5	1	35
Purchases, sales and settlements	(1)	(4)	(1)	-	(6)
Fair value, end of year	$ 127	$ 111	$ 33	$ 19	$ 290

Plan Amendments

Effective January 1, 2009, the Pension Plan was amended to provide that (i) surviving spouse benefits will be determined on the basis of actuarial equivalence rather than a fixed percentage reduction, and (ii) the automatic form of benefit for married participants (and their surviving spouses) will be a 75% joint and survivor annuity. Effective January 1, 2009, the Company's Excess Benefit Plan will apply a similar methodology.

Effective January 1, 2008, the Pension Plan and the Retirement Plan were amended to provide an optional 75% joint and survivor annuity for married participants pursuant to requirements under the Pension Protection Act of 2006.

Effective January 1, 2008, the Pension Plan was amended to (1) change the eligibility requirements for early retirement benefits from at least age 55 with 10 or more participation periods to the earlier of (i) at least age 55 with 15 or more participation periods or (ii) at least age 60 with 10 or more participation periods; and (2) change the reduction factors applicable to early retirement benefits accrued on and after January 1, 2008 from 3.6% per year to 5% per year for each year that a participant commences payment prior to age 65 (or age 62 if the participant has completed at least 30 participation periods). The early retirement eligibility and reduction rules in effect prior to January 1, 2008 continue to apply to employees who, (i) as of December 31, 2007, were either at least age 45 or at least age 40 with 15 or more years of service; or (ii) as of December 31, 2003, were at least age 50 or had 26 or more years of service.

In addition, effective January 1, 2008 the Company implemented changes to the retiree medical programs for Agents and Employees. The changes included replacing the current benefit options with account based options for retired agents and modifying the eligibility for retiree medical benefits and the level of Company-provided subsidy for certain employees.

Effective January 1, 2008, the Agents' medical options were replaced with a Health Maintenance Organization ("HMO") with a Health Reimbursement Account ("HRA"), HMO only, Health Savings Account ("HSA") with a Preferred Provider Organization ("PPO") and PPO with HRA. These changes were reflected in the 2007 year-end disclosures.

Cash Flows

The estimated future benefit payments are based on the same assumptions as used to measure the benefit obligations at December 31, 2009 and 2008. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in millions):

	Pension Benefits	Other Postretirement Benefits	Postemployment Plan Benefits	Estimated Federal Subsidy
2010	$ 231	$ 67	$ 9	$ 5
2011	246	71	9	5
2012	260	76	10	5
2013	275	80	10	6
2014	289	85	11	6
Thereafter (2015-2019)	1,652	485	64	35
Total	$ 2,953	$ 864	$ 113	$ 62

The Company does not expect to make any contributions to its qualified Pension and Retirement Plans during 2010. The Company expects to pay approximately $23 million of benefits to the non-qualified Pension and Retirement Plans during 2010. In addition, the Company expects to contribute approximately $4 million to its other postretirement benefit plans during 2010.

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.

At December 31, 2009 and 2008, the Company accrued a $24 million and $19 million obligation, respectively, related to the funding of these benefits. The net periodic benefit cost associated with these programs in 2009 and 2008 was $13 million and $7 million, respectively.

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 of New York Life and certain eligible employees of subsidiaries that adopt EPSI (individuals eligible under the Company's Agents' Progress-Sharing Investment Plan ("APSI") are not eligible under EPSI). Under EPSI, participants may contribute (i) 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 prior year's highly compensated threshold for qualified plans based on previous years' total pay ($105,000 in 2008 for 2009 contributions, and $100,000 in 2007 for 2008 contributions) and up to 15% for employees whose total annual compensation is below the highly compensated threshold), and (ii) 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 EPSI. EPSI also permits participants age 50 and over to make additional pre-tax 401(k) "catch-up" contributions ($5,500 for 2009 and $5,000 for 2008).

The Company annually determines the level of the Company's matching contributions to EPSI. In 2009 and 2008, the Company made matching contributions of up to 3% of base salary and eligible incentive pay. For the years ended December 31, 2009 and 2008, the Company's matching contributions to EPSI totaled $23 million and $22 million, respectively. The Company also maintains the Excess EPSI Plan for certain eligible participants, which is a non-qualified unfunded arrangement that credits deferrals contributions 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 Excess EPSI Plan was amended and restated to comply with IRC Section 409A.

The Company also maintains APSI, which is a qualified defined contribution plan covering substantially all contracted United States full-time agents (individuals eligible under EPSI are not eligible under APSI).

Under APSI, participants may elect to contribute by entering into commission reduction agreements with the Company whereby a percentage of their compensation (for the 2009 and 2008 plan years, up to 7% for agents whose total annual compensation for the prior year exceeds the prior year's highly compensated dollar threshold for qualified plans ($105,000 in 2008 for 2009 contributions, and $100,000 in 2007 for 2008 contributions), 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 APSI. APSI also permits participants age 50 and over to make additional pre-tax 401(k) "catch-up" contributions ($5,500 for 2009 and $5,000 for 2008).

The Company annually determines the level of the Company's contributions to APSI. Contributions are based on each participant's net renewal commissions, net renewal premiums and cash values for the plan year on policies for which the participant is the original writing agent. In 2009 and 2008, the Company's contributions to APSI totaled $2 million and $4 million, respectively. The Company also maintains the Excess APSI Plan, which is a non-qualified, 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. The Excess APSI Plan was amended and restated to comply with IRC Section 409A.

In 2008, the settlement agreement for the class action lawsuit, *Mehling, et al v. New York Life Insurance Company, et al,* directed a portion of the proceeds in the amount of $5 million to EPSI and $2 million to APSI.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Support and Credit Agreements

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 $3,200 million. The amount loaned cannot exceed 3% of the Company's admitted assets of December 31 of the prior year. See Note 6 – Related Party Transactions for details regarding loans extended to MCF under this agreement.

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 $3 billion.

At December 31, 2008, the Company issued a Limited Guaranty to a NYLI subsidiary for all obligations and liabilities of NYL-HK Capital Planning LLC a Delaware LLC wholly-owned by NYLI. Pursuant to this Limited Guaranty, the Company guaranteed the performance of the LLC under two capital planning

swap agreements between the LLC and the other NYLI subsidiary that received the benefit of the guarantee. The amount payable under the Limited Guaranty is capped at $25 million.

On August 11, 2004, the Company entered into a Credit Agreement with NYLAZ, whereby NYLAZ is able to borrow up to $10 million from the Company for short-term liquidity needs. During 2009, the credit facility was not used, no interest was paid and there was no outstanding balance due.

The Company has a Credit Agreement with NYLIAC, dated September 30, 1993, as amended, whereby NYLIAC may borrow from the Company up to $490 million. During 2009, 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 million. During 2009, the credit facility was not used, no interest was paid and there was no outstanding balance due.

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.

On August 16, 2001, NYLIFE LLC entered into an agreement with Credit Suisse, referred to as Shared Appreciation Income Linked Securities ("SAILS"). Under the agreement, NYLIFE LLC entered into a forward sale of certain of its shares of Express Scripts, Inc. ("ESI"). NYLIFE LLC may deliver up to 18 million shares of ESI common stock on August 22, 2011 or settle the transaction in cash, instead of delivering shares. According to the terms of the agreement, NYLIFE LLC receives a minimum value of $13.51 per share and 100% of the appreciation in the shares up to $17.57 per share. Credit Suisse will receive approximately 77% of the appreciation of ESI stock in excess of $17.57 per share. During 2007, NYLIFE LLC entered into another agreement (the "Overlay Agreement") which modifies the risk and opportunity allocated under SAILS, limiting the risk of loss by protecting a portion of the unrealized retained value in the SAILS transaction from potential decline in the ESI stock price. The terms of the Overlay Agreement allow NYLIFE LLC to protect 2,800,000 shares of ESI from any decline in stock price from $49.05 per share down to $17.57 per share. In exchange for limiting its downside risk, NYLIFE LLC has agreed to provide 100% of the appreciation in ESI stock price in excess of $70.38. The Company's investment in NYLIFE LLC reflects the obligations to Credit Suisse associated with the terms of the agreements, which the Company has guaranteed. The prices per share and number of shares in the foregoing paragraph have been adjusted for all stock splits, the most recent being effective June 25, 2007.

At December 31, 2009 and 2008, contractual commitments to extend credit under commercial mortgage loan agreements totaled $112 million and $88 million, respectively, at both fixed and variable rates of interest. These commitments are diversified by property type and geographic location. There were no contractual commitments to extend credit under residential loan agreements as of December 31, 2009 and 2008.

At December 31, 2009 and 2008, the Company had outstanding contractual obligations to acquire additional private placement securities amounting to $133 million and $11 million, respectively.

Unfunded commitments on limited partnerships and limited liability corporations, excluding MCF, amounted to $2,363 million and $2,827 million at December 31, 2009 and 2008, respectively. Unfunded commitments on LIHTC amounted to $47 million and $119 million at December 31, 2009 and 2008, respectively.

Litigation

The Company and/or its subsidiaries are defendants in individual and/or alleged class action suits arising from their agency sales force, insurance (including variable contracts registered under the federal securities law), investment, retail securities, employment and/or other operations, including actions involving retail sales practices. Most of the actions seek substantial or unspecified compensatory and punitive damages. The Company and/or its subsidiaries are also from time to time involved in various governmental, administrative and investigative proceedings and inquiries.

Notwithstanding the uncertain nature of litigation and regulatory inquiries, the outcome of which cannot be predicted, the Company believes that, after provisions made in the financial statements, the ultimate liability that could result from litigation and proceedings would not have a material adverse effect on the Company's financial position; however, it is possible that settlements or adverse determinations in one or more actions or other proceedings in the future could have a material adverse effect on the Company's operating results for a given year.

Lease Commitments

A summary of the approximate future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms for the next five years and thereafter is as follows (in millions):

Year	Real Property	Equipment	Total
2010	$ 90	$ 14	$ 104
2011	82	9	91
2012	74	5	79
2013	59	1	60
2014	47	-	47
Thereafter	172	-	172
Total	$ 524	$ 29	$ 553

The Company is a party to an affiliated group air transportation services agreement entered into with NYLIFE LLC in November 2004. Under the terms of the agreement, the Company, in conjunction with certain specified affiliates, leases an aircraft from NYLIFE LLC. Costs associated with the lease are determined on a fully allocated basis and allotted to the parties based on usage. The Company's share of expenses associated with the lease of the aircraft was $4 million and $6 million in 2009 and 2008, respectively. The agreement expired in November 2009 and was subsequently renewed for an additional five years, expiring in 2014. The aircraft is to be used by members of senior management and directors for business travel under certain circumstances. Personal use of the aircraft by employees and directors is not permitted.

Rent expense of all other leases amounted to $125 million and $129 million for the years ended December 31, 2009 and 2008, respectively, of which, $63 million and $64 million was billed to subsidiaries in accordance with an intercompany cost sharing arrangement for the years ended December 31, 2009 and 2008, respectively.

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 building at 169 Lackawanna Avenue, Parsippany, NJ. Under the equipment agreement, the Company 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.

The total amount of minimum rentals to be received in the future under non-cancelable subleases, at December 31, 2009, is less than $1 million.

In connection with the sale of one of its Home Office properties in 1995, the Company had entered into an agreement to lease back a portion of the building through 2010. Effective December 7, 2009, the Company renewed such lease through 2024, with total future lease obligations of $172 million as of December 31, 2009 that are included in the above table.

Borrowed Money

At December 31, 2009 and 2008, the carrying value of borrowed money reported in the Statutory Statements of Financial Position was $1,752 million and $775 million, respectively. Borrowed money, generally carried at the unpaid principal balance and any interest payable, consisted of the following at December 31, 2009 and 2008 (in millions):

	2009	2008
Dollar reverse repurchase agreements (average coupon rate of 4.55% and 5.00% for 2009 and 2008, respectively), See Repurchase Agreements	$ 579	$ 13
Loan payable to New York Life Capital Corporation, various maturities, latest being January 19, 2010 (weighted average interest rate of 0.20% and 1.20% for 2009 and 2008, respectively) See Note 6 - Related Party Transactions	531	463
Real Estate Mortgage Investment Conduit ("REMIC") - See description below	500	-
Loan payable to NYLI, expires March 31, 2010 (coupon rate of 5.57% less management fee of 5.5 basis points) - See Note 6 - Related Party Transactions	134	47
Note payable to Aeolus Wind Power II, LLC, due July 31, 2016 (fixed interest rate of 5.5%) - See description below	8	9
Loan payable to NYLIFE, LLC, due August 22, 2011 (coupon rate of 3.3%). See Note 6 - Related Party Transactions	-	243
Total borrowed money	$ 1,752	$ 775

During December 2009, the Company entered into a REMIC with a trust known as Madison ResCom Securities Funding Trust 2009 that meets the criteria for a qualified SPE. The Company transferred REMIC eligible mortgage-backed assets with a fair value and book value of $1,194 million and $1,722 million, respectively. The Trust, in turn, issued a $500 million senior debt tranche (“regular interest”) and a residual equity tranche (“residual interest”). The senior debt was sold to an outside third party and the Company retained the residual interest. The transfer of the assets to the trust was accounted for as a secured borrowing and the securities remain in the Company’s admitted assets with the $500 million proceeds received from the sale of the regular interest recognized as a liability. The cashflows from the transferred assets are used to pay down the regular interest. The REMIC is dissolved upon the earlier of the date on which the notes have been paid in full, March 1, 2012, or the occurrence of an Event of Default, at which time the Trustee will engage an auction to sell for cash all of the property owned by the

Trust for its fair market value. The excess proceeds, after payments of amounts due to the senior interest holder, are paid to the holder of the residual interest.

On November 1, 2006, the Company issued a promissory note in the amount of $10 million at a fixed interest rate of 5.5% per annum in connection with the purchase of a membership interest in Aeolus Wind Power II LLC. The note calls for the Company to make quarterly payments of principal and interest with the first installment being due on January 31, 2007 and the final installment being due on July 31, 2016. The note may not be prepaid in whole or in part and there are no collateral requirements. The carrying value of the note was $8 million and $9 million, respectively, at December 31, 2009 and 2008, including interest accrued.

Loaned Securities and Repurchase Agreements

The Company participates in securities lending agreements whereby securities, which are included in investments, are loaned to third parties for the purpose of enhancing income on securities held. At December 31, 2009 and 2008, the aggregate fair value of the Company's bonds that were on loan to others was $662 million and $2,016 million, respectively. 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 their fair value is required. If foreign securities are loaned and the denomination of the currency of the collateral is other than the denomination of the currency of the loaned foreign securities, the requirement is 105% of their fair value.

At December 31, 2009 and 2008, the Company recorded cash collateral received under these agreements of $689 million and $2,109 million, respectively, and established a corresponding liability for the same amount. The reinvested collateral is reported in bonds, common stock, cash equivalents and short-term investments in the Statutory Statements of Financial Position at December 31, 2009 and 2008. These collateral assets all had open terms. The total fair value of all collateral positions was $753 million and $2,250 million at December 31, 2009 and 2008, respectively.

The Company also enters into securities lending arrangements for separate account investment securities, utilizing similar procedures and collateral requirements as those for general account loaned securities. At December 31, 2009 and 2008, there were no separate account securities lending arrangements.

At December 31, 2009, the Company had agreements to purchase and resell securities totaling $239 million at an average coupon rate of 0.01%. At December 31, 2008, the Company had agreements to purchase and resell securities totaling $415 million at an average coupon rate of 0.02%. The Company generally requires collateral of at least 95% of the fair value of the securities throughout the term of the contract.

At December 31, 2009, the Company had agreements to sell and repurchase securities totaling $579 million at an average coupon rate of 4.55%. At December 31, 2008, the Company had agreements to sell and repurchase securities totaling $13 million at an average coupon rate of 5.00%. These agreements are used for the purpose of enhancing income on the securities portfolio.

The following table presents the term and amounts of cash collateral received under dollar reverse repurchase and securities lending agreements (in millions). The aggregate fair value of all securities acquired from the use of all collateral received is $1,332 million as of December 31, 2009.

	General Account Dollar Reverse Repurchase Agreements	Securities Lending
Open	$ -	$ 689
30 Days or Less	230	-
31 to 60 Days	349	-
61 to 90 Days	-	-
Greater Than 90 Days	-	-
Total Collateral Received	$ 579	$ 689

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 approximately $18 million, which have been accrued in Other Liabilities on the accompanying Statutory Statements of Financial Position.

Liens

Several commercial banks have customary security interests in certain assets of the Company to secure potential overdrafts and other liabilities of the Company that may arise under custody, securities lending and other banking agreements with such banks.

NOTE 15 – PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Under statutory accounting practices, the Company nonadmits all fixed assets and nonoperating software. Depreciation is determined using the straight-line method over the estimated useful lives of the assets, generally no more than five years.

Below is a chart highlighting the major classes of property and equipment at December 31, 2009 and 2008 (in millions):

	2009		
	Carrying Amount	Accumulated Depreciation	Depreciation
Software	$ 356	$ 203	$ 28
PC equipment	60	42	5
Website development	79	51	6
Subtotal EDP	$ 495	$ 296	$ 39
Office furniture	$ 53	$ 30	$ 5
Telecommunications	42	29	3
Leasehold improvements	63	30	4
Other	9	5	1
Subtotal Furniture	$ 167	$ 94	$ 13
Total	$ 662	$ 390	$ 52

	2008		
	Carrying Amount	Accumulated Depreciation	Depreciation
Software	$ 285	$ 151	$ 25
PC equipment	49	34	4
Website development	68	40	6
Subtotal EDP	$ 402	$ 225	$ 35
Office furniture	$ 47	$ 23	$ 5
Telecommunications	37	23	3
Leasehold improvements	55	24	4
Other	6	4	1
Subtotal Furniture	$ 145	$ 74	$ 13
Total	$ 547	$ 299	$ 48

NOTE 16 – WRITTEN PREMIUMS

Deferred and uncollected life insurance premiums at December 31, 2009 and 2008 were as follows (in millions):

	2009		2008	
	Gross	Net of Loading	Gross	Net of Loading
Ordinary new business	$ 125	$ 49	$ 115	$ 52
Ordinary renewal	1,093	1,067	1,070	1,038
Group Life	487	391	427	340
Total	$ 1,705	$ 1,507	$ 1,612	$ 1,430

Based upon Company experience, the amount of premiums that may become uncollectible and result in a potential loss is not material to the Company's financial position. For the years ended December 31, 2009 and 2008, the Company has nonadmitted $3 million of premiums that were over 90 days past due for each year.

Direct premiums written by third party administrators ("TPA") during 2009 and 2008 totaled $587 million and $591 million, respectively. Direct premiums written in 2009 by TPAs were less than 5% of the total Company's surplus. Direct premiums written in 2008 by TPAs were as follows (millions):

TPA Name	Address	Fed ID #	Exclusive contract? (Y/N)	Types of business written	Underwriting Authority, Claims Payment	Direct Written Premiums
Health Plan Services	3501 Frontage Rd. , Tampa, FL 33607	59-1407300	N	Group Life & A&H	Full, N	$ 157
Marsh Affinity	12421 Meredith Drive, Urbandale, IA 50398	52-0963964	N	Group Life & A&H	Full, Y	156
USI Colburn Insurance Services	One International Plaza 4th Floor, Philadelphia, PA 19113	25-0909496	N	Group Life	None, N	37
Affinity Insurance Services Inc	159 E. County Line Rd., Hatboro, PA 19040	36-3642411	N	Group Life & A&H	Full, Y	32
Sun Life Financial Inc.	225 King St. West 12th Floor, Toronto, ON M5V 3C5	10-5071005	N	Group Life	None, N	32
Pearl Carroll & Associates, LLC	12 Cornell Rd. , Latham, NY 12110	20-2563026	N	Group Life & A&H	None, Y	29
Assoc. Group Ins. Administrators	1155 Eugenia Pl. , Carpenteria, CA 93013-2062	95-2409500	N	Group Life & A&H	Full, Y	26
NEBCO (National Employee Benefits Companies, Inc.)	16 International Way, Warwick, RI 2886	05-0461576	N	Group Life & A&H	Full, N	25
Gilsbar, Inc.	2100 Covington Centre , Covington, LA 70433	72-0519951	N	Group Life & A&H	Full, Y	15
AAFP Insurance Services, Inc.	11400 Tomahawk Creek Pkwy. Suite 430, Leawood, KS 66211-2672	43-1226253	N	Group Life & A&H	Limited *, N	15
All others below $15 million						67
Total						$ 591

* Approval up to a specified dollar amount.

NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2009 and 2008 (in millions). The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Bonds	$ 65,222	$ 65,503	$ 65,391	$ 61,053
Mortgage loans	9,540	9,317	9,758	9,121
Common and preferred stocks	7,062	7,074	6,518	6,486
Limited partnerships and other investments	7,196	7,375	6,917	6,994
Cash, cash equivalents and short-term investments	1,318	1,318	2,300	2,300
Derivatives	543	661	906	1,251
Separate account assets	6,608	6,512	5,875	5,455
Liabilities:				
Deposit Fund Contracts:				
Funding Agreements	$ 12,717	$ 12,888	$ 17,252	$ 16,843
Annuities Certain	375	395	451	452
Other	1,953	1,953	1,921	1,921
Derivatives	433	462	1,184	1,249
Borrowed money	1,752	1,752	775	775
Amounts due under securities lending	684	684	2,105	2,105
Separate account liabilities - derivatives	1	-	5	5

Bonds

The fair value of bonds is determined by considering one of three primary sources. Security pricing is applied using a hierarchy approach whereby publicly available prices are first sought from third party pricing services, the remaining un-priced securities are submitted to independent brokers for prices, and lastly securities are priced using an internal pricing model.

The pricing service generally uses a discounted cash-flow model or market approach to determine fair value. Typical inputs used by these pricing services include, but are not limited to; benchmark yields, reported trades, issuer spreads, bids, offers, benchmark securities, estimated cash flows and prepayment speeds.

Independent pricing vendors do not cover private placement securities. These securities are priced by an internally developed model based upon assigned comparable public issues adjusted for liquidity, maturity and rating. The Company assigns a credit rating based upon internal analysis.

Prices from pricing services and broker quotes are validated on an ongoing basis to ensure the adequacy and reliability of the fair value measurement. The Company performs both quantitative and qualitative

analysis of the prices including initial and ongoing review of third party pricing methodologies, back testing of recent trades, and a thorough review of pricing trends and statistics.

Mortgage Loans

The estimated fair value of mortgage loans is determined by discounting the projected cash flows for each property to determine the current net present value. The discount rate used approximates the current rate for new mortgages with comparable characteristics and similar remaining maturities.

Common and preferred stocks

The fair value of unaffiliated equities securities is determined by considering one of three primary sources. Security pricing is applied using a hierarchy approach whereby publicly available prices are first sought from third party pricing services, the remaining un-priced securities are submitted to independent brokers for prices, and lastly securities are priced using an internal pricing model.

Prices from pricing services and broker quotes are validated on an ongoing basis to ensure the adequacy and reliability of the fair value measurement. The Company performs both quantitative and qualitative analysis of the prices including, initial and ongoing review of third party pricing methodologies, back testing of recent trades, and a thorough review of pricing trends and statistics.

The estimated fair value of affiliated common stock is equal to the carrying value since these entities are not publicly traded and a reliable value cannot be determined.

Limited Partnerships and Other Investments

The estimated fair value of limited partnerships and limited liability companies is presumed to be equal to the underlying net equity of the investee since the underlying investments held by the partnerships are generally at fair value. Estimated fair value includes the underlying GAAP equity of limited partnerships that have been excluded from the carrying value since they are unaudited.

Included in other investments are loans receivable from MCF. The estimated fair value at both 2009 and 2008 for the loans receivable is based on discounting future cash flows at a rate for comparable loans for revolving loan agreements and internal models, excluding accrued interest, for the promissory notes (see Note 6 - Related Party Transactions, for details on the loans).

The estimated fair value of the remaining investments within other investments is presumed to be equal to the carrying value.

Cash, Cash Equivalents and Short-Term Investments

Due to the short-term maturities, the carrying value of short-term investments, cash and cash equivalents is presumed to approximate fair value.

Derivatives

The fair value of derivative instruments is generally calculated using pricing valuation models, which utilize observable market data. The remaining derivatives are either exchange-traded or were priced by broker quotations. Over-the-counter ("OTC") derivatives are privately negotiated financial contracts and are fair valued using market-based inputs to models. Where models are used, the selection of a particular

model depends upon the contractual terms of, and specific risks inherent in the instrument, as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, and measures of volatility. Also, certain OTC derivatives are currently valued using broker quotations.

Separate Account Assets

Assets within the separate account are primarily invested in common stocks, preferred stocks and bonds. The fair value of investments in the separate accounts is calculated using the same procedures as are used for common stocks, preferred stocks and bonds in the general account.

The separate account also invests in limited partnerships ("LPs"). The fair value of such partnerships is determined by reference to the LP's net asset value ("NAV").

Deposit Fund Contracts

For funding agreements backing medium term notes, fair values were based on available market prices for the notes. For other guaranteed investment contracts and annuities certain liabilities, fair values are estimated using discounted cash flow calculations based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued.

For all other deposit funds, dividend accumulations and supplemental contracts, estimated fair value is equal to account value.

Borrowed Money

Borrowed money consists of intercompany borrowings, repurchase agreements and other financing arrangements. The carrying value approximates estimated fair value.

Amounts Due Under Securities Lending

Amounts Due Under Securities Lending consists of cash collateral received under securities lending agreements. The carrying value approximates estimated fair value.

Separate Account Liabilities - Derivatives

For separate account derivative instruments, fair value is determined using the same procedures as the general account disclosed above.

NOTE 18 – FAIR VALUE LEVELS

Included in various investment related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or, for certain bonds and preferred stocks when carried at the lower of cost or market.

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by GAAP authoritative guidance for Fair Value Measurements. This GAAP guidance establishes a three level fair value hierarchy that distinguishes between the inputs to valuation techniques (not the valuation techniques themselves) used to estimate fair value, considering the relative reliability of the input. The Company is including the disclosures required under the GAAP authoritative guidance.

Since the GAAP authoritative guidance only applies to items that are carried at fair value on either a recurring or nonrecurring basis, the items in the tables below are a subset of the amounts reported in Note 17.

The levels of the fair value hierarchy are based on the inputs to the valuation as follows:

Level 1 Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market. This would include active exchange-traded equity and derivative securities and open-ended mutual funds with a daily net asset value ("NAV"), and no restrictions.

Level 2 Observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active, or other model driven inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Fair values for bonds in this category are priced principally by independent pricing services or by internal models using observable inputs. Fair values for derivatives in this category are priced by internal models using observable inputs. This category also includes the fair values of separate accounts that invest in LP's that uses NAV, if the investment can be redeemed with the investee at NAV at the measurement date.

Level 3 Instruments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions in pricing the asset or liability. Pricing may also be based upon broker quotes that do not represent an offer to transact. Examples include certain private equity investments and separate accounts that invest in LP's that uses NAV, but where the investments cannot be redeemed with the investee as of the measurement date.

Inputs used to measure the fair value of an asset or liability may fall into different levels of the fair value hierarchy. The Company determines the level in which the fair value falls based upon the lowest level input that is significant to the determination of fair value. For most assets or liabilities that are classified into level 3, both observable and unobservable inputs are used in the determination of fair value.

The following table represents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2009 (in millions):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common Stocks	$ 215	$ -	$ 137	$ 352
Other invested assets (derivatives)	-	79	-	79
Separate account assets	1,714	927	25	2,666
Total assets accounted for at fair value on a recurring basis	$ 1,929	$ 1,006	$ 162	$ 3,097
Other liabilities (derivatives)	$ -	$ 175	$ -	$ 175
Separate accounts liabilities	-	1	-	1
Total liabilities accounted for at fair value on a recurring basis	$ -	$ 176	$ -	$ 176

The following table represents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2008 (in millions):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common Stocks	$ 1,042	$ -	$ 84	$ 1,126
Other invested assets (derivatives)	-	249	-	249
Separate account assets	1,357	900	13	2,270
Total assets accounted for at fair value on a recurring basis	$ 2,399	$ 1,149	$ 97	$ 3,645
Other liabilities (derivatives)	$ -	$ 499	$ -	$ 499
Separate accounts liabilities	1	4	-	5
Total liabilities accounted for at fair value on a recurring basis	$ 1	$ 503	$ -	$ 504

Common Stocks

Prices from a third party pricing vendor based on unadjusted quotes in an active market are classified as level 1 within the fair value hierarchy. An active market is defined as a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Also, open-ended mutual funds with a daily net asset value ("NAV") are level 1.

Common stocks that are not traded on an exchange are generally valued by an internal model and are classified as level 3.

Derivative Instruments (Other Invested Assets and Other Liabilities)

Derivative Instruments reported on the Statutory Statements of Financial Position at fair value are reported in aggregate write-ins for invested assets or liabilities. Derivatives that hedge investments in bonds (and other assets or liabilities carried at cost or amortized cost) are carried at amortized cost with no recognition of changes in fair value of the derivative. The fair value of these derivatives is excluded from the above tables.

Derivative instruments classified as level 1 in the fair value hierarchy include certain option contracts that are traded on an active exchange.

For OTC derivatives that trade in liquid markets, such as currency forwards, swaps and options, model inputs are observable in the market for substantially the full term and can be verified. Such instruments are classified within level 2 of the fair value hierarchy.

OTC derivatives that are currently valued using broker quotations are classified within level 3 of the fair value hierarchy.

Separate Account Assets

Level 1 consists of investments in exchange traded common stock and open-ended mutual funds. Level 2 consists of bonds priced principally by independent pricing services or by internal models using observable inputs and limited partnership investments priced using a net asset value ("NAV") with contribution and withdrawal restrictions that are deemed to have a de minimis effect on the fair value. Level 3 consists of bonds priced principally using a broker quote or based upon internal valuations that contain significant unobservable inputs.

Separate Account Liabilities

Separate account liabilities include amounts for derivatives and the leveling is based upon the criteria described under Derivative Instruments (Other Invested Assets and Liabilities).

The table below presents a reconciliation of level 3 assets and liabilities for the year ended December 31, 2009 (in millions):

	Common Stock	Other Invested Assets (Derivatives)	Separate Account Assets	Other Liabilities (Derivatives)
Fair value, beginning of year	$ 84	$ -	$ 13	$ -
Total gains (losses), realized and unrealized, included in:				
Earnings:				
Net investment income	-	-	16	-
Net investment gains (losses)	(1)	-	1	-
Surplus	3	-	-	-
Purchases, sales, issuances and settlements	53	-	(2)	-
Transfers into (out of) level 3 [1]	(2)	-	(3)	-
Fair value, end of year	$ 137	$ -	$ 25	$ -

[1] Transfers into or out of level 3 are reported at the value as of the beginning of the year in which the transfer occurred.

The table below presents a reconciliation of level 3 assets and liabilities for the year ended December 31, 2008 (in millions):

	Common Stock	Other Invested Assets (Derivatives)	Separate Account Assets	Other Liabilities (Derivatives)
Fair value, beginning of year	$ 9	$ -	$ 5	$ -
Total gains (losses), realized and unrealized, included in:				
Earnings:				
Net investment income	-	-	8	-
Net investment gains (losses)	(4)	-	-	-
Surplus	-	-	-	-
Purchases, sales, issuances and settlements	79	-	(2)	-
Transfers into (out of) level 3 [1]	-	-	2	-
Fair value, end of year	$ 84	$ -	$ 13	$ -

[1] Transfers into or out of level 3 are reported at the value as of the beginning of the year in which the transfer occurred.

The table below includes the changes in unrealized gains (losses) for the year ended December 31, 2009 by category for level 3 assets and liabilities still held at December 31, 2009 (in millions):

	Common Stock	Other invested assets (derivatives)	Separate Account Assets	Other liabilities (derivatives)
Earnings:				
Net investment income	$ -	$ -	$ 16	$ -
Net investment gains (losses)	-	-	1	-
Surplus	5	-	-	-
Total change in unrealized gain (loss)	$ 5	$ -	$ 17	$ -

The table below includes the changes in unrealized gains (losses) for the year ended December 31, 2008 by category for level 3 assets and liabilities still held at December 31, 2008 (in millions):

	Common Stock	Other invested assets (derivatives)	Separate Account Assets	Other liabilities (derivatives)
Earnings:				
Net investment income	$ -	$ -	$ 8	$ -
Net investment gains (losses)	(4)	-	-	-
Surplus	-	-	-	-
Total change in unrealized gain (loss)	$ (4)	$ -	$ 8	$ -

Non-recurring Fair Value Measurements

Certain financial assets are measured at fair value on a non-recurring basis, such as certain bonds and preferred stocks valued at the lower of cost or fair value, or investments that are impaired during the reporting period and recorded at fair value on the balance sheet at December 31, 2009. This also includes similar investments in the book value separate accounts. Refer to Note 4 - Investment Income and Capital Gains and Losses, for a discussion of other than temporary impairments. The following table represents the balances of assets and liabilities measured at fair value on a nonrecurring basis as of December 31, 2009 (in millions):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Bonds	$ -	$ 168	$ 29	$ 197
Separate Accounts Assets	-	14	-	14
Preferred Stocks	-	5	1	6
Limited Partnership	-	-	52	52
Total Assets	$ -	$ 187	$ 82	$ 269

The following table presents the balances of assets and liabilities measured at fair value on a nonrecurring basis as of December 31, 2008 (in millions):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Bonds	$ -	$ 144	$ 48	$ 192
Separate Accounts Assets	-	20	1	21
Preferred Stocks	-	28	3	31
Limited Partnership	-	-	73	73
Total Assets	$ -	$ 192	$ 125	$ 317

The determination of the level is based upon the same criteria described above for recurring fair value measurements.

NOTE 19 – SUBSEQUENT EVENTS

As of March 17, 2010, the date the financial statements were available to be issued, there have been no events occurring subsequent to the close of the Company's books or accounts for the accompanying financial statements that would have a material effect on the financial condition of the Company.