



## **New York Life Global Funding**

**\$19,000,000,000**

**(increased from \$17,000,000,000)**

### **GLOBAL DEBT ISSUANCE PROGRAM**

This supplement (“Base Prospectus Supplement”) is supplemental to and must be read in conjunction with the Offering Memorandum dated March 29, 2019 (the “Offering Memorandum”), prepared by New York Life Global Funding (the “Issuer”) under the Issuer’s \$19,000,000,000 (increased from \$17,000,000,000) Global Debt Issuance Program (the “Program”) for the issuance of senior secured medium-term notes (the “Notes”).

This Base Prospectus Supplement has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC (the “Prospectus Directive”). The Central Bank of Ireland 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 Article 16 of the Prospectus Directive. References herein to this document are to this Base Prospectus Supplement incorporating Annex 1 hereto.

On May [\_\_\_], 2019, New York Life Insurance Company (“New York Life”) published its interim condensed unaudited financial statements as of March 31, 2019 (including any notes thereto, the “First Quarter 2019 Financial Statements”) and on May [\_\_\_], 2019 made available New York Life’s Summary of Certain First Quarter Financial Information, Certain Financial and Accounting Matters, Statutory Capitalization of New York Life, and Selected Historical Statutory Financial Information of New York Life (collectively, the “First Quarter 2019 Financial Information”). Annex 1 to this document sets out the First Quarter 2019 Financial Information at pages 3 to 20 and the First Quarter 2019 Financial Statements at pages 21 to 34. Copies of the First Quarter 2019 Financial Information and the First Quarter 2019 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.

With effect from the date hereof, the maximum aggregate principal amount of Notes that may be outstanding at any one time under the Program (the “Program Size”) is increased from the current limit of \$17,000,000,000 to \$19,000,000,000 (or the equivalent in foreign or composite currencies), and all references to the Program Size of \$17,000,000,000 in the Offering Memorandum, including the Form of Final Terms contained therein, shall be read and construed as \$19,000,000,000.

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, nor has there been any significant change in the financial or trading position of New York Life since March 31, 2019 (the date of the First Quarter 2019 Financial Statements).

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.

Where there is any inconsistency among the Offering Memorandum and this Base Prospectus Supplement, the language used in this Base Prospectus Supplement shall prevail.

Base Prospectus Supplement dated May [\_\_\_], 2019

## ANNEX 1

## Results of Operations - For the Three Months Ended March 31, 2019 Compared to the Three Months Ended March 31, 2018

### *Net Income*

New York Life's net income, which is net gain from operations plus net realized capital gains (losses) (after-tax and transfers to the IMR), was \$60 million for the three months ended March 31, 2019 and represented a \$533 million decrease from the \$593 million reported for the three months ended March 31, 2018. The decrease was primarily driven by lower dividends from New York Life's primary insurance subsidiary, NYLIAC (see "—Net Gain from Operations").

### *Net Gain from Operations*

Net gain from operations (after dividends to policyholders and federal income taxes) for the three months ended March 31, 2019 was \$74 million, representing a decrease of \$483 million, or 87%, when compared to the \$557 million reported for the three months ended March 31, 2018. Excluding dividends from New York Life's primary insurance subsidiary, NYLIAC, of \$600 million on March 31, 2018 (see "—Net Investment Income (including amortization of IMR)"), New York Life's net gain from operations for the three months ended March 31, 2019 increased \$117 million, compared to the three months ended March 31, 2018, primarily driven by:

- Higher net investment income of \$95 million (see "—Net Investment Income (including amortization of IMR)"); and
- Higher federal income tax benefit of \$26 million (see "—Federal and Foreign Income Taxes").

### *Premium Income*

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

Premium income from the insurance business primarily consists of recurring premiums from New York Life's agency sold life business, while premium income from the annuities business is generally single premium and can be more volatile from year to year.

The following table shows premium income by business operation for the three months ended March 31, 2019 and 2018 (\$ in millions):

	2019	2018	Change	
			\$	%
Agency Life .....	\$ 1,965	\$ 1,912	\$ 53	3 %
New York Life Direct .....	421	433	(12)	(3)
Group Membership .....	181	142	39	27
LTC .....	72	71	1	1
Total Insurance Business .....	2,639	2,558	81	3
Institutional Annuities .....	979	1,614	(635)	(39)
Retail Annuities .....	63	50	13	26
Total Annuities Business .....	1,043	1,664	(621)	(37)
<b>Total .....</b>	<b>\$ 3,682</b>	<b>\$ 4,222</b>	<b>(540)</b>	<b>(13)%</b>

Agency Life premiums for the three months ended March 31, 2019 increased \$53 million from the same period in the prior year primarily due to higher renewal premiums on permanent products.

Group Membership premiums for the three months ended March 31, 2019 increased \$39 million from the same period in the prior year primarily due to additional premiums of \$26 million from the large group policy initiated during the third quarter of 2018.

Institutional Annuities premiums for the three months ended March 31, 2019 decreased \$635 million from the same period in the prior year primarily due to lower sales of guaranteed investment contracts (“GICs”) of \$251 million, stable value products of \$251 million and structured settlements of \$130 million.

*Net Investment Income (including amortization of IMR)*

Net investment income for the three months ended March 31, 2019 was \$1,610 million, a decrease of \$505 million, or 24%, from the \$2,115 million reported for the three months ended March 31, 2018. Excluding the \$600 million dividends from NYLIAC during 2018, net investment income increased \$95 million from the same period in the prior year. This increase is primarily related to income on fixed income investments from higher average asset balances.

*Other Income*

Other income primarily consists of the change in surrender value of corporate owned life insurance and other miscellaneous income. Prior to 2019, other income also included the change in funds withheld related to an affiliated reinsurance agreement. This agreement was terminated in 2018. Other income for the three months ended March 31, 2019 was \$94 million, a decrease of \$17 million, from the \$111 million reported for the three months ended March 31, 2018.

*Benefit Payments*

New York Life’s benefit payments primarily include death benefits, annuity benefits, accident and health benefits, surrender benefits (including scheduled maturities and withdrawals on Institutional Annuities) and interest on policy claims and deposit funds.

The following table shows benefit payments by business operation for the three months ended March 31, 2019 and 2018 (\$ in millions):

	2019	2018	Change	
			\$	%
Agency Life .....	\$ 1,342	\$ 1,471	\$ (129)	(9)%
New York Life Direct .....	251	253	(2)	(1)
Group Membership .....	93	85	8	9
LTC .....	31	26	5	19
Total Insurance Business .....	1,717	1,835	(118)	(6)
Institutional Annuities .....	1,174	2,307	(1,133)	(49)
Retail Annuities .....	22	23	(1)	(4)
Total Annuities Business .....	1,196	2,330	(1,134)	(49)
<b>Total .....</b>	<b>\$ 2,913</b>	<b>\$ 4,165</b>	<b>(1,252)</b>	<b>(30)%</b>

Agency Life benefit payments for the three months ended March 31, 2019 decreased \$129 million from the same period in the prior year, primarily due to lower assumed benefits expense from the termination of an affiliated reinsurance agreement.

Institutional Annuities benefit payments for the three months ended March 31, 2019 decreased \$1,133 million from the same period in the prior year, primarily driven by \$753 million of lower withdrawals related to the New York Life Defined Benefit Pension Plans (“Pension Plans”) (see “—Net Transfers to (from) Separate Accounts”). In

addition, stable value products had lower withdrawals of \$363 million and GICs had lower maturities of \$67 million in the three-month period ended March 31, 2019.

*Additions to Reserves*

The following table shows additions to reserves by business operation for the three months ended March 31, 2019 and 2018 (\$ in millions):

	2019	2018	Change	
			\$	%
Agency Life .....	\$ 720	\$ 572	\$ 148	26 %
New York Life Direct .....	62	69	(7)	(10)
Group Membership .....	32	5	27	540
LTC .....	75	60	15	25
<b>Total Insurance Business</b> .....	<b>889</b>	<b>706</b>	<b>183</b>	<b>26</b>
Institutional Annuities .....	219	788	(569)	(72)
Retail Annuities .....	49	37	12	32
<b>Total Annuities Business</b> .....	<b>268</b>	<b>825</b>	<b>(557)</b>	<b>(68)</b>
<b>Total</b> .....	<b>\$ 1,157</b>	<b>\$ 1,531</b>	<b>(374)</b>	<b>(24)%</b>

Agency Life reserves for the three months ended March 31, 2019 increased \$148 million from the same period in the prior year primarily due to the aging of the insurance inforce including the receipt of renewal premiums.

Group Membership reserves for the three months ended March 31, 2019 increased \$27 million from the same period in the prior year primarily due to additional reserves from the large group policy initiated during the third quarter of 2018 (see “—Premium Income”).

Institutional Annuities reserves for the three months ended March 31, 2019 decreased \$569 million from the same period in the prior year. The decrease is primarily driven by lower net sales activity for GICs and structured settlements (premiums and benefits), along with net flows (premiums, benefits and net transfers to (from) separate accounts) from the re-balancing of Pension Plans in 2018.

*Net Transfers to (from) Separate Accounts*

The following table shows the components of the net transfers to (from) separate accounts for the three months ended March 31, 2019 and 2018 (\$ in millions):

	2019	2018	Change	
			\$	%
Transfers to separate accounts .....	\$ 413	\$ 581	(168)	(29)%
Transfers from separate accounts .....	(450)	(1,745)	1,295	(74)
<b>Total</b> .....	<b>(37)</b>	<b>(1,164)</b>	<b>1,127</b>	<b>(97)%</b>

Transfers to separate accounts during the three months ended March 31, 2019 were lower by \$168 million from the same period in the prior year due to lower sales from stable value products. Transfers from separate accounts during the three months ended March 31, 2019 were \$1,295 million lower than the same period in the prior year, primarily related to withdrawals from re-balancing the Pension Plans in 2018.

### Operating Expenses

The following table shows the components of operating expenses for the three months ended March 31, 2019 and 2018 (\$ in millions):

	2019	2018	Change	
			\$	%
General operating expenses <sup>1</sup> .....	\$ 614	\$ 682	\$ (68)	(10)%
Variable sales expenses <sup>2</sup> .....	236	233	3	1
<b>Total</b> .....	<b>\$ 850</b>	<b>\$ 915</b>	<b>\$ (65)</b>	<b>(7)%</b>

<sup>1</sup> General operating expenses include, but are not limited to salaries, incentive compensation, taxes, licenses and fees, commissions, charitable contributions and rent expense.

<sup>2</sup> Variable sales expenses include, but are not limited to agents commissions and field compensation.

The decrease of \$68 million in general operating expenses is mainly driven by a \$100 million charitable contribution to the NYL Foundation in 2018.

### Dividends to Policyholders

Dividends to policyholders for the three months ended March 31, 2019 and 2018 consisted of the following (\$ in millions):

	2019	2018	Change	
			\$	%
Dividends - New York Life policyholders .....	\$ 454	\$ 453	\$ 1	—%
Dividends - Closed Block Reinsurance <sup>1</sup> .....	18	7	11	157
<b>Total</b> .....	<b>\$ 472</b>	<b>\$ 460</b>	<b>\$ 12</b>	<b>3%</b>

<sup>1</sup> Dividends for the Closed Block Reinsurance are approved by the ceding company.

Dividends to New York Life policyholders are approved by New York Life's Board of Directors annually and primarily factor in investment experience (interest earnings, credit loss experience and equity returns), mortality results and expense levels that develop over a period of time (see "Certain Financial and Accounting Matters—Dividends to Policyholders").

*Federal and Foreign Income Taxes*

Under statutory accounting, current federal and foreign income taxes are reflected in net income, whereas deferred tax items are reflected as a component of surplus. Therefore, differences between the statutory tax rate to tax expense includes temporary book/tax differences in addition to permanent differences. The following table reconciles the tax expense calculated at the statutory rate to the tax benefit reflected in New York Life's results of operations for the three months ended March 31, 2019 and 2018 (in millions):

	<b>2019</b>	<b>2018</b>	<b>Change</b>
<b>Tax on net gain from operations .....</b>	<b>\$ (1)\$</b>	<b>106 \$</b>	<b>(107)</b>
Tax credits <sup>1</sup> .....	(14)	(58)	44
Dividends from subsidiaries <sup>2</sup> .....	—	(126)	126
Tax exempt income .....	(20)	(7)	(13)
Amortization of IMR .....	(4)	(5)	1
Excess of book over tax reserves .....	(27)	15	(42)
Deferred acquisition costs (“DAC”) tax .....	2	1	1
Non-deductible pension and postretirement benefits .....	6	5	1
Excess of book over tax policyholder dividends .....	3	2	1
Other .....	(25)	13	(38)
<b>Total federal and foreign income tax benefit .....</b>	<b>\$ (80)\$</b>	<b>(54)\$</b>	<b>(26)</b>

<sup>1</sup> Tax credits result primarily from investments in low income housing and alternative energy. Unused 2018 tax credits were carried forward and applied in 2019.

<sup>2</sup> Dividends from subsidiaries represent after-tax earnings of the subsidiaries and are not subject to tax when received by New York Life.

*Net Realized Capital Gains (Losses)*

New York Life reported net realized capital losses after taxes and transfers to the IMR of \$14 million for the three months ended March 31, 2019, a decline of \$51 million from the net realized capital gains of \$37 million reported in the same period in the prior year.

The following table represents net realized capital gains (losses) for the three months ended March 31, 2019 and 2018 (in millions):

	<b>2019</b>	<b>2018</b>	<b>Change</b>
Bonds .....	\$ 12	\$ (5)	17
Common stocks .....	—	37	(37)
Limited partnerships and other invested assets .....	(11)	4	(15)
Derivatives .....	10	—	10
Other <sup>1</sup> .....	3	8	(5)
<b>Total before OTTI and capital gains tax .....</b>	<b>14</b>	<b>44</b>	<b>(30)</b>
OTTI .....	(23)	(19)	(4)
Capital gains tax benefit <sup>2</sup> .....	—	1	(1)
<b>Net realized capital gains (losses) after-tax and before transfers to the IMR .....</b>	<b>(9)</b>	<b>26</b>	<b>(35)</b>
Capital gains transferred to the IMR <sup>3</sup> .....	(5)	10	(15)
<b>Net realized capital gains (losses) after-tax .....</b>	<b>\$ (14)</b>	<b>\$ 36</b>	<b>(50)</b>

<sup>1</sup> For the three months ended March 31, 2019, “Other” primarily represents gains on preferred stock of \$2 million. For the three months ended March 31, 2018, “Other” primarily represents gains on real estate of \$8 million

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

<sup>3</sup> Capital gains tax expense (benefit) transferred to the IMR was \$(1) million and \$(3) million for the three months ended March 31, 2019 and 2018, respectively.

The following table shows the distribution of OTTI and the year-over-year change in OTTI by asset type for the three months ended March 31, 2019 and 2018 (in millions):

	<b>2019</b>	<b>2018</b>	<b>Change</b>
Limited partnerships and other invested assets .....	\$ (6)	\$ (13)	7
Bonds .....	(17)	(5)	(12)
Common and preferred stocks .....	—	(1)	1
<b>Total OTTI .....</b>	<b>\$ (23)</b>	<b>\$ (19)</b>	<b>(4)</b>



## Financial Position – At March 31, 2019 Compared to December 31, 2018

### Assets

New York Life's total assets at March 31, 2019 were \$181,647 million, which was \$1,611 million, or 1%, higher than the \$180,036 million reported at December 31, 2018. The increase was primarily attributable to:

- \$905 million higher cash and invested assets, mainly driven by the investment of operating cash flow; and
- \$439 million increase in separate accounts assets, mainly due to equity and bond market value appreciation and investment income earned.

### Liabilities

New York Life's total liabilities, including AVR, at March 31, 2019 were \$160,732 million, which was \$1,702 million, or 1%, higher than the \$159,030 million reported at December 31, 2018. The increase was primarily attributable to:

- \$1,263 million increase in policy reserves and deposit funds. The table below presents policy reserves and deposit funds by line of business at March 31, 2019 and December 31, 2018 (\$ in millions):

	2019	2018	Change	
			\$	%
Agency Life .....	\$ 78,614	\$ 77,871	\$ 743	1 %
New York Life Direct .....	2,908	2,855	53	2
Group Membership .....	1,968	1,941	27	1
LTC .....	3,225	3,150	75	2
<b>Total Insurance Business .....</b>	<b>86,715</b>	<b>85,817</b>	<b>898</b>	<b>1</b>
Institutional Annuities .....	45,110	44,791	319	1
Retail Annuities .....	1,315	1,269	46	4
<b>Total Annuities Business .....</b>	<b>46,425</b>	<b>46,060</b>	<b>365</b>	<b>1</b>
<b>Total .....</b>	<b>\$ 133,140</b>	<b>\$ 131,877</b>	<b>\$ 1,263</b>	<b>1%</b>

- \$439 million increase in separate accounts liabilities (see “—Assets”).

### Statutory Surplus and AVR

Statutory surplus was \$20,914 million at March 31, 2019, a decrease of \$92 million, or less than 1%, from the \$21,006 million reported at December 31, 2018. The main drivers of the change in New York Life's statutory surplus and AVR are presented in the following table (in millions):

	<u>2019</u>
Beginning surplus .....	\$ 21,006
Net income .....	60
Net unrealized capital gains <sup>1</sup> .....	269
Change in deferred taxes .....	(43)
Change in AVR .....	(247)
Change in nonadmitted assets .....	(169)
Pension and postretirement impacts .....	38
<b>Ending surplus .....</b>	<b>20,914</b>
AVR .....	2,841
<b>Surplus and AVR<sup>2</sup> .....</b>	<b>\$ 23,755</b>

<sup>1</sup> Excludes deferred capital gains tax expense on net unrealized capital losses of \$9 million reclassified to "Change in deferred taxes."

<sup>2</sup> Consolidated statutory surplus and AVR, which includes the AVR of New York Life's wholly owned U.S. insurance subsidiaries (NYLIAC and NYLAZ), totaled \$25,089 million at March 31, 2019.

### Net Unrealized Capital Gains

Net unrealized gains resulted in an increase in surplus of \$269 million at March 31, 2019 primarily driven by \$148 million from limited partnerships and other invested assets, which includes investments in subsidiaries formed as limited liability companies, mainly due to positive operating results from subsidiaries and \$131 million from common stocks, due to appreciation in the equity markets during the three months ended March 31, 2019.

### Change in Deferred Taxes

The following table details the components of the change in deferred taxes at March 31, 2019 (in millions):

	<u>2019</u>
Deferred income tax expense on operating results .....	\$ (34)
Deferred capital gains tax expense on change in net unrealized capital gains .....	(9)
<b>Total change in deferred taxes .....</b>	<b>\$ (43)</b>

### Change in AVR

The change in AVR increased \$247 million due to a \$201 million increase to the equity component (primarily common stock) and a \$46 million increase to the default component (primarily bonds).

### *Change in Nonadmitted Assets*

Certain assets are not allowed as admitted assets under SAP. Generally, these are assets with economic value, but which cannot be readily used to pay policyholder obligations. New York Life had a net increase in nonadmitted assets during 2019 that resulted in a decrease to surplus of \$169 million during the three months ended March 31, 2019.

### *Pension and Postretirement Impacts*

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

Pension and postretirement related impacts increased surplus by \$38 million from December 31, 2018 primarily due to the amortization expense for unrecognized actuarial losses and prior service costs.

## Liquidity Sources and Requirements

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

### New York Life's Available Liquidity at Market Value

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
<b>Cash and short-term investments:</b>		
Cash and cash equivalents .....	\$ 1,441	\$ 2,819
Short-term investments .....	167	105
Less: securities lending and other short-term liabilities .....	(1,308)	(1,327)
<b>Net cash and short-term investments</b> .....	<b>300</b>	<b>1,597</b>
<b>Liquid bonds:</b>		
U.S. government and agency bonds .....	8,187	8,288
Public corporate investment-grade bonds & collateralized mortgage obligations ("CMOs") <sup>1</sup> .....	55,740	53,777
<b>Liquid bonds</b> .....	<b>63,927</b>	<b>62,065</b>
<b>Equities:</b>		
Public equities portfolio .....	1,294	1,207
<b>Total liquid assets</b> .....	<b>65,521</b>	<b>64,869</b>
<b>Other funding sources:</b>		
Bank facility/commercial paper capacity .....	2,498	1,999
Federal Home Loan Bank available capacity <sup>2</sup> .....	4,893	4,765
<b>Total other funding sources</b> .....	<b>7,391</b>	<b>6,764</b>
<b>Total available liquidity</b> .....	<b>\$ 72,912</b>	<b>\$ 71,633</b>

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

<sup>2</sup> Available capacity represents 5% of New York Life's total admitted assets, less secured borrowing. At March 31, 2019, New York Life's borrowing capacity with the Federal Home Loan Bank was \$8,402 million, of which \$3,509 million had been used.

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

### *Liquidity Uses*

New York Life's cash outflows primarily relate to the payment of benefits, policy surrenders, policy loans and dividends, withdrawals from GIC's and scheduled maturity of funding agreements associated with its various life insurance, annuity and group pension products, GICs and funding agreements. Cash outflows are also driven by operating expenses and income taxes. See "—Investment Risk Management" for a discussion of liquidity risk.

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

New York Life participates in a securities lending program for its general account whereby fixed income securities are loaned to third parties, primarily major brokerage firms and commercial banks. The borrowers of its securities provide New York Life with collateral, typically in cash. New York Life separately manages this collateral and invests such cash collateral in a portfolio of highly rated fixed income securities with short maturities. Securities on loan under the program could be returned to New York Life by the borrowers, or New York Life could call such securities at any time. Returns of loaned securities would require New York Life to return the cash collateral associated with such loaned securities. New York Life was liable for cash collateral under its control of \$680 million and \$653 million at March 31, 2019 and December 31, 2018, respectively. See "Risk Factors—Risks Factors Relating to New York Life—New York Life's Securities Lending Program Subjects It to Potential Liquidity and Other Risks."

New York Life is committed to maintaining adequate capitalization for its insurance and non-insurance subsidiaries to fund growth opportunities and support new products, and, with respect to its U.S. insurance subsidiaries, to maintain targeted RBC levels. In addition, New York Life may make loans to its affiliates to provide additional funds to meet the business needs of these entities. New York Life had no capital contributions or returns of capital from its non-insurance subsidiaries during the three months ended March 31, 2019. New York Life made capital contributions (net of returns of capital) of \$405 million to its non-insurance subsidiaries during the year ended December 31, 2018.

## CERTAIN FINANCIAL AND ACCOUNTING MATTERS

### Accounting Policies and Principles

#### *Statutory Accounting Practices*

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

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

#### *Discussion of Certain Differences between SAP and GAAP*

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

- investments in subsidiaries and other controlled entities, including partnerships, limited liability companies and joint ventures, are not consolidated with the financial statements of New York Life, whereas under GAAP, consolidated financial statements are prepared;
- contracts that have any mortality or morbidity risk, regardless of significance, and contracts with life contingent annuity purchase rate guarantees are classified as insurance contracts, whereas under GAAP, only contracts that have significant mortality or morbidity risk are classified as insurance contracts otherwise they are accounted for in a manner consistent with the accounting for interest bearing or other financial instruments;
- the costs related to acquiring insurance contracts (principally commissions), policy issue expenses and sales inducements are charged to income in the period incurred, whereas under GAAP, these costs are deferred when related to successful sales and amortized over the periods benefited;
- life insurance and annuity reserves are based on different statutory methods and assumptions than they are under GAAP;
- dividends on participating policies are recognized for the full year when approved by the board of directors of New York Life (the "**Board of Directors**"), whereas under GAAP, they are accrued when earned by policyholders;
- certain policies which do not pass through all investment gains to policyholders are maintained in separate accounts, whereas GAAP reports these policies in the general account assets and liabilities of New York Life;

- reinsurance agreements are accounted for as reinsurance on an SAP and GAAP basis if certain risk transfer provisions have been met. SAP requires the reinsurer to assume insurance risk, regardless of the significance of the loss potential, whereas GAAP requires that there is a reasonable possibility that the reinsurer may realize significant loss from assuming insurance risk; under GAAP, certain reinsurance assumed by New York Life is accounted for at fair value based on the election of the fair value option, whereas this treatment is not allowed under SAP; assets and liabilities from reinsurance transactions are reported net of reinsurance, whereas under GAAP, assets and liabilities from reinsurance transactions are reported gross of reinsurance;
- GAAP requires that for certain reinsurance agreements, whereby assets are retained by the ceding insurer (such as funds withheld or modified coinsurance) and a return is paid based on the performance of underlying investments, that the liabilities for these reinsurance arrangements must be adjusted to reflect the fair value of the invested assets; SAP does not contain a similar requirement;
- investments in subsidiaries, controlled and other affiliated entities as defined in Statement of Statutory Accounting Principles (SSAP) No. 97, "Investments in Subsidiary, Controlled and Affiliated Entities," including partnerships, limited liability companies and joint ventures, are accounted for under the equity method. Under the equity method, domestic insurance subsidiaries are recorded at their underlying audited statutory surplus. Nonpublic non-insurance subsidiaries and other controlled entities are recorded at their underlying audited GAAP equity. Foreign insurance subsidiaries are recorded at their underlying audited GAAP equity with certain adjustments. In the absence of an admissible audit, the entire investment is nonadmitted. Changes in the value of such investments are recorded as unrealized gains or losses. The earnings of such investments are recorded in net investment income only when dividends are declared. Under GAAP, these investments are consolidated;
- investments in noncontrolled partnerships and limited liability companies are accounted for under the equity method for both SAP and GAAP. Under the statutory equity method, undistributed income and capital gains and losses for these investments are reported in surplus as unrealized gains or losses, whereas under GAAP, in many cases, for investment companies, unrealized gains and losses are included in net investment income;
- investments in bonds are generally carried at amortized cost or values as prescribed by the NYSDFS, whereas under GAAP, investments in bonds that are classified as available for sale or trading are carried at fair value, with changes in fair value of bonds classified as available for sale reflected in equity, and changes in fair value of bonds classified as trading reflected in earnings;
- an asset valuation reserve ("AVR") based on a formula prescribed by the NAIC is established as a liability to offset potential non-interest related investment losses. Changes in the AVR are recorded directly to surplus, whereas under GAAP, no AVR is recognized;
- realized gains and losses resulting from changes in interest rates are deferred in the interest maintenance reserve ("IMR") and amortized into investment income over the remaining life of the investment sold, whereas under GAAP, the gains and losses are recognized in income at the time of sale;
- corporate securities deemed to be other-than-temporarily impaired are written down to fair value, whereas under GAAP, if certain conditions are met, credit impairments on corporate securities are recorded based on the net present value of future cash flows expected to be collected, discounted at the current book yield. Also, if certain conditions are met, the non-credit portion of the impairment on a loan-backed or structured security is not accounted for whereas under GAAP, if certain conditions are met, the non-credit portion of the impairment on a debt security is recorded through other comprehensive income. A non-credit loss exists when the fair value of a security is less than the present value of projected future cash flows expected to be collected;
- deferred income taxes exclude state income taxes and are admitted to the extent they can be realized within three years subject to a 15% limitation of capital and surplus with changes in the net deferred tax

- reflected as a component of surplus, whereas under GAAP, deferred income taxes include federal and state income taxes and changes in deferred taxes are reflected in either earnings or other comprehensive income;
- a tax loss contingency is required to be established if it is more likely than not that a tax position will not be sustained upon examination by taxing authorities. If a loss contingency is greater than 50 percent of the tax benefit associated with a tax position, the loss contingency is increased to 100 percent, whereas under GAAP the amount of the benefit for any uncertain tax position is the largest amount that is greater than 50 percent likely of being realized upon settlement;
  - certain assets, such as intangible assets, overfunded pension plan assets, furniture and equipment, and unsecured receivables are considered nonadmitted and excluded from assets, whereas they are included in assets under GAAP subject to a valuation allowance, as appropriate;
  - goodwill held by an insurance company is admitted subject to a 10% limitation on surplus and amortized over the useful life of the goodwill, not to exceed 10 years, and goodwill held by non-insurance subsidiaries is assessed in accordance with GAAP, subject to certain limitations for holding companies and foreign insurance subsidiaries, whereas under GAAP, goodwill is considered to have an indefinite useful life and is tested for impairment. Losses are recorded only when goodwill is deemed impaired;
  - fair value is required to be used in the determination of the expected return on the plan assets component of the net periodic benefit cost of pension and other postretirement obligations, whereas under GAAP, the market-related value of plan assets is used. The market-related value of plan assets can be either fair value or a calculated value that recognizes asset gains or losses over a period not to exceed five years;
  - surplus notes are included as a component of surplus, whereas under GAAP, they are presented as a liability;
  - contracts that contain an embedded derivative are not bifurcated between components and are accounted for consistent with the host contract, whereas under GAAP, either the contract is recorded at fair value with changes in the fair value included in earnings or the embedded derivative needs to be bifurcated from the host contract and accounted for separately;
  - certain derivative instruments are carried at amortized cost, whereas under GAAP, all derivative instruments are carried at fair value; and
  - changes in the fair value of derivative instruments not carried at amortized cost are recorded as unrealized capital gains or losses and reported as changes in surplus, whereas under GAAP, these changes are generally reported through earnings unless they qualify and are designated for cash flow or net investment hedge accounting.

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

#### *Adjustments for Impaired Investments*

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



### *Statutory Investment Reserves*

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

The IMR applies to interest sensitive investments including bonds, preferred stocks, mortgage-backed securities, asset-backed securities, mortgage loans and certain derivatives. The IMR is designed to capture the after-tax capital gains or losses which are realized upon the sale of such investments and which result from changes in the overall level of interest rates. The captured after-tax net realized gains or losses are then amortized into income. The IMR is not treated under SAP as part of total adjusted capital for RBC purposes. New York Life's IMR was \$520 million and \$535 million at March 31, 2019 and December 31, 2018, respectively.

### **Dividends to Policyholders**

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

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

A portion of New York Life's 2019 annual declaration of policyholder dividends includes a guarantee of a minimum aggregate amount of dividends to be paid.

### **Policy Reserves**

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

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

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

## Reinsurance

New York Life uses a variety of reinsurance agreements with insurers to control its loss exposure. Generally, these agreements are structured either on an automatic basis, where all risks meeting prescribed criteria are automatically covered, or on a facultative basis, where the reinsurer must accept the specific reinsurance risk before the reinsurer becomes liable on that risk. The amount of each risk retained by New York Life on a facultative basis depends on its evaluation of the specific risk, its maximum retention limits and the amount of reinsurance available.

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

New York Life is a party to a reinsurance agreement (the “**Closed Block Reinsurance**”) with John Hancock Life Insurance Company (U.S.A.) and one of its affiliates (“**John Hancock**”) in which New York Life assumes on a coinsurance basis 100% of John Hancock’s obligations and liabilities under the policies included in the closed block of participating whole life policies established in connection with the demutualization of John Hancock Mutual Life Insurance Company (the “**Closed Block**”). New York Life retrocedes 40% of those obligations and liabilities to John Hancock on a funds-withheld arrangement. The assets received from this transaction are held in a reinsurance trust as security for New York Life’s obligations to John Hancock and are contractually restricted; the majority of such assets are allocated to the Closed Block and are held for the exclusive benefit of the policies included in the Closed Block.

The insurance related revenue from the Closed Block policies, including net investment income from the assets allocated to the Closed Block, after satisfying certain related expenses and taxes, inure solely to the benefit of those reinsured policyholders and will not be available to New York Life’s policyholders.

## Separate Accounts

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

## STATUTORY CAPITALIZATION OF NEW YORK LIFE

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

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

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

The following table sets forth the capitalization of New York Life at March 31, 2019. The AVR is included in the following table even though such reserve is shown as a liability on New York Life’s balance sheet. This treatment is consistent with the general view of the insurance industry. In addition, this reserve is included as part of total adjusted capital for RBC purposes.

	<b>March 31,</b> <b>2019</b> <hr style="border: 0.5px solid black;"/> <b>(in millions)</b>
<b>Total Short-Term Debt (less than 1 year).....</b>	<b>\$ <u>420</u></b>
AVR .....	\$ 2,841
<b>Surplus:</b>	
Surplus notes.....	1,994
Unassigned funds.....	<u>18,920</u>
<b>Surplus and AVR .....</b>	<b>\$ <u>23,755</u></b>

On April 4, 2019, New York Life issued surplus notes (“**2019 Notes**”) with a principal balance of \$1,000 million, bearing interest at 4.45%, with a maturity date of May 15, 2069. The initial carrying value of the 2019 Notes was \$993 million, net of discount. The 2019 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 2019 Notes will be paid semi-annually on May 15th and November 15th of each year, beginning on November 15, 2019.

## SELECTED HISTORICAL STATUTORY FINANCIAL INFORMATION OF NEW YORK LIFE

The table presented below sets forth selected financial information for New York Life. Prospective investors should read it in conjunction with “Certain Financial and Accounting Matters” and New York Life’s Statutory Financial Statements. The selected financial information for New York Life Financial Position at and for Statement of Operations for the years ended December 31, 2018, 2017 and 2016 has been derived from the annual audited statutory financial statements. The selected financial information for New York Life at and for the three months ended March 31, 2019 and 2018 has been derived from the quarterly unaudited statutory financial statements.

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

	At or for the Three Months ended March 31,		At or for the Year ended December 31,		
	2019	2018	2018	2017	2016
	(in millions)				
<b>Statement of Operations Data:</b>					
Total income.....	\$ 5,385	\$ 6,448	\$ 20,721	\$ 22,204	\$ 22,061
Dividends - New York Life policyholders <sup>1</sup> .....	\$ 454	\$ 453	\$ 1,920	\$ 1,871	\$ 1,851
Dividends - Closed Block Reinsurance <sup>2</sup> .....	\$ 18	\$ 7	\$ 54	\$ 87	\$ 93
Net gain from operations .....	\$ 74	\$ 557	\$ 1,285	\$ 1,571	\$ 607
Net income.....	\$ 60	\$ 593	\$ 1,210	\$ 1,480	\$ 298
<b>Financial Position Data:</b>					
Total assets .....	\$ 181,647	\$ 177,640	\$ 180,036	\$ 176,766	\$ 170,762
Total liabilities .....	\$ 160,733	\$ 157,411	\$ 159,030	\$ 156,409	\$ 150,654
Surplus:					
Surplus notes.....	\$ 1,994	\$ 1,993	\$ 1,994	\$ 1,993	\$ 1,993
Unassigned funds .....	18,920	18,236	19,012	18,364	18,115
Surplus .....	20,914	20,229	21,006	20,357	20,108
Asset valuation reserve <sup>3</sup> .....	2,841	2,703	2,594	2,652	2,175
Surplus and asset valuation reserve .....	\$ 23,755	\$ 22,932	\$ 23,600	\$ 23,009	\$ 22,283
<b>Other Data:</b>					
Equity investment in subsidiaries <sup>4</sup> .....	\$ 10,113	\$ 10,512	\$ 10,079	\$ 11,087	\$ 10,313

<sup>1</sup> Dividends to policyholders are discretionary and subject to the approval of New York Life’s Board of Directors.

<sup>2</sup> Dividends from the Closed Block Reinsurance are approved by the ceding company.

<sup>3</sup> These amounts are included in Total liabilities but are treated as part of adjusted capital in the calculation of RBC.

<sup>4</sup> Included in Total assets above.

**NEW YORK LIFE INSURANCE COMPANY**  
**CONDENSED STATUTORY FINANCIAL STATEMENTS**

**As of March 31, 2019 and December 31, 2018 and for the three months  
ended March 31, 2019 and 2018**

**NEW YORK LIFE INSURANCE COMPANY**  
**CONDENSED STATUTORY STATEMENTS OF FINANCIAL POSITION**  
**(UNAUDITED)**

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
	(in millions)	
<b>Assets</b>		
Bonds	\$ 107,705	\$ 106,077
Common and preferred stocks	10,406	10,318
Mortgage loans	17,871	17,554
Policy loans	11,266	11,208
Limited partnerships and other invested assets	9,728	9,581
Cash, cash equivalents and short-term investments	1,513	2,835
Derivatives	623	648
Real estate	1,496	1,486
Other investments	94	90
Total cash and invested assets	<u>160,702</u>	<u>159,797</u>
Deferred and uncollected premiums	2,039	1,938
Investment income due and accrued	1,322	1,494
Funds held by reinsurer - affiliated	—	—
Other assets	6,692	6,354
Separate accounts assets	10,892	10,453
<b>Total assets</b>	<u><u>\$ 181,647</u></u>	<u><u>\$ 180,036</u></u>
<b>Liabilities and Surplus</b>		
Liabilities:		
Policy reserves	\$ 111,101	\$ 109,968
Deposit funds	22,039	21,909
Dividends payable to policyholders	1,927	1,911
Policy claims	844	747
Borrowed money	420	501
Amounts payable under security lending agreements	681	653
Derivatives	323	342
Funds held under coinsurance	4,016	4,048
Other liabilities	5,129	5,369
Interest maintenance reserve	520	535
Asset valuation reserve	2,841	2,594
Separate accounts liabilities	10,892	10,453
<b>Total liabilities</b>	<u>160,733</u>	<u>159,030</u>
Surplus:		
Surplus notes	1,994	1,994
Unassigned surplus	18,920	19,012
<b>Total surplus</b>	<u>20,914</u>	<u>21,006</u>
<b>Total liabilities and surplus</b>	<u><u>\$ 181,647</u></u>	<u><u>\$ 180,036</u></u>

**NEW YORK LIFE INSURANCE COMPANY**  
**CONDENSED STATUTORY STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	<b>Three Months ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(in millions)</b>	
Income		
Premiums	\$ 3,682	\$ 4,222
Net investment income	1,609	2,115
Other income	94	111
<b>Total income</b>	<b>5,385</b>	<b>6,448</b>
Benefits and expenses		
Benefit payments:		
Death benefits	1,047	1,103
Annuity benefits	316	309
Health and disability insurance benefits	64	63
Surrender benefits	580	639
Payments on matured contracts	770	1,947
Other benefit payments	136	104
Total benefit payments	2,913	4,165
Additions to reserves	1,157	1,531
Net transfers from separate accounts	(37)	(1,164)
Adjustment in funds withheld	36	38
Operating expenses	850	915
<b>Total benefits and expenses</b>	<b>4,919</b>	<b>5,485</b>
Gain from operations before dividends and federal income taxes	466	963
Dividends to policyholders	472	460
Gain from operations before federal income taxes	(6)	503
Federal and foreign income taxes	(80)	(54)
Net gain from operations	74	557
Net realized capital gains (losses), after tax and transfers to interest maintenance reserve	(14)	36
<b>Net income</b>	<b>\$ 60</b>	<b>\$ 593</b>

**NEW YORK LIFE INSURANCE COMPANY**  
**CONDENSED STATUTORY STATEMENTS OF CHANGES IN SURPLUS**  
**(UNAUDITED)**

	<b>March 31,</b> <b>2019</b>	<b>December 31,</b> <b>2018</b>
(in millions)		
Surplus, beginning of year	\$ 21,006	\$ 20,357
Net income	60	1,210
Change in net unrealized capital gains on investments	260	(550)
Change in liability for pension and postretirement plans	9	248
Change in nonadmitted assets	(140)	17
Change in reserve valuation basis	—	(236)
Change in asset valuation reserve	(247)	58
Change in net deferred income tax	(34)	(93)
Other adjustments, net	—	(5)
<b>Surplus, end of period</b>	<b>\$ 20,914</b>	<b>\$ 21,006</b>



**NEW YORK LIFE INSURANCE COMPANY**  
**CONDENSED STATUTORY STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<b>Three Months ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(in millions)</b>	
<b>Cash flows from operating activities:</b>		
Premiums received	\$ 3,589	\$ 4,159
Net investment income received	1,652	1,332
Other	108	39
Total received	<u>5,349</u>	<u>5,530</u>
Benefits and other payments	2,719	3,986
Net transfers (from) to separate accounts	(41)	(1,145)
Operating expenses	1,084	955
Dividends to policyholders	456	448
Federal income taxes received	12	(3)
Total paid	<u>4,230</u>	<u>4,241</u>
<b>Net cash from operating activities</b>	<u>1,119</u>	<u>1,289</u>
<b>Cash flows from investing activities:</b>		
Proceeds from investments sold, matured or repaid	3,177	4,580
Cost of investments acquired	(5,035)	(7,553)
Net change in policy loans and premium notes	(58)	(73)
<b>Net cash used in investing activities</b>	<u>(1,916)</u>	<u>(3,046)</u>
<b>Cash flows from financing and miscellaneous activities:</b>		
Other changes in borrowed money	(128)	(79)
Net inflows from deposit contracts	(21)	1,185
Other miscellaneous uses	(376)	28
<b>Net cash from financing and miscellaneous activities</b>	<u>(525)</u>	<u>1,134</u>
Net decrease in cash, cash equivalents and short-term investments	(1,322)	(623)
Cash, cash equivalents and short-term investments, beginning of year	2,835	2,420
<b>Cash, cash equivalents and short-term investments, end of period</b>	<u>\$ 1,513</u>	<u>\$ 1,797</u>

**NEW YORK LIFE INSURANCE COMPANY**  
**NOTES TO CONDENSED STATUTORY FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**NOTE 1 - NATURE OF OPERATIONS**

**BASIS OF PRESENTATION**

The accompanying financial statements have been prepared using accounting practices prescribed by the New York State Department of Financial Services ("NYSDFS" or "statutory accounting practices"), which is a comprehensive basis of accounting other than accounting principles generally accepted in the U.S. ("U.S. GAAP").

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

A reconciliation of the Company's net income and capital and surplus at March 31, 2019 and December 31, 2018 between practices prescribed or permitted by the State of New York and NAIC SAP is shown below (in millions):

	<u>SSAP #</u>	<u>F/S Page</u>	<u>F/S Line #</u>	<u>2019</u>	<u>2018</u>
<u>Net Income</u>					
(1) Net income, New York State basis	XXX	XXX	XXX	\$60	\$1,210
State prescribed practices that increase/(decrease)					
(2) NAIC SAP:					
NYSDFS Circular Letter No. 11 (2010) impact on deferred premiums*	61	2, 4, 5	15.2, 1, 1	5	(1)
NYSDFS Seventh Amendment to Regulation No. 172 impact on admitted unearned reinsurance premium**	61	2, 4, 5	15.2, 1, 1	(1)	2
State permitted practices that increase/(decrease)					
(3) NAIC SAP:					
(4) Net income, NAIC SAP (1-2-3=4)	XXX	XXX	XXX	<u>\$57</u>	<u>\$1,209</u>
<u>Capital and Surplus</u>					
(5) Statutory capital and surplus, New York State basis	XXX	XXX	XXX	\$20,914	\$21,006
State prescribed practices that increase/(decrease)					
(6) NAIC SAP:					
NYSDFS Circular Letter No. 11 (2010) impact on deferred premiums*	61	2, 4, 5	15.2, 1, 1	(119)	(123)
NYSDFS Seventh Amendment to Regulation No. 172 impact on admitted unearned reinsurance premium**	61	2, 4, 5	15.2, 1, 1	49	50
State permitted practices that increase/(decrease)					
(7) NAIC SAP:					
(8) Capital and surplus, NAIC SAP (5-6-7=8)	XXX	XXX	XXX	<u>\$20,984</u>	<u>\$21,080</u>

\* NYSDFS Circular Letter No. 11 (2010) clarified the accounting for deferred premium assets when reinsurance is involved.

\*\* NYSDFS Regulation 172 was amended to allow for the admission of an unearned reinsurance premium asset.

**Note 2 - Significant Accounting Policy Changes**

None

**Note 3 - Fair Value Measurements**

A. The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by SSAP No. 100, *Fair Value Measurements*. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

**NEW YORK LIFE INSURANCE COMPANY**  
**NOTES TO CONDENSED STATUTORY FINANCIAL STATEMENTS**  
**(UNAUDITED)**

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

**Level 1** Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market. Active markets are defined as a market in which many transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

**Level 2** Observable inputs other than level 1 prices, such as quoted prices in active markets for similar assets or liabilities; quoted prices in markets that are not active for identical or similar assets or liabilities, or other model driven inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Valuations are generally obtained from third-party pricing services for identical or comparable assets or liabilities or through the use of valuation methodologies using observable market inputs.

**Level 3** Instruments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions in pricing the asset or liability. Pricing may also be based upon broker quotes that do not represent an offer to transact. Prices are determined using valuation methodologies such as option pricing models, discounted cash flow models and other similar techniques. Non-binding broker quotes, which are utilized when pricing service information is not available, are reviewed for reasonableness based on the Company's understanding of the market, and are generally considered Level 3. To the extent the internally developed valuations use significant unobservable inputs, they are classified as Level 3.

The following table represents the balances of assets and liabilities measured at fair value or net asset value ("NAV") as of March 31, 2019 (in millions):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Total
a Assets at fair value					
1. Preferred stocks					
Redeemable preferred stocks	\$ —	\$ —	\$ —	\$ —	—
Non-redeemable preferred stocks	—	2	10	—	12
Total preferred stocks	—	2	10	—	12
2. Bonds					
U.S. corporate	—	—	1	—	1
Non-agency residential mortgage-backed securities	—	—	—	—	—
Non-agency commercial mortgage-backed securities	—	4	—	—	4
Non-agency asset-backed securities	—	3	1	—	4
Total bonds	—	7	1	—	8
3. Common stocks	1,255	—	204	—	1,458
4. Derivative assets					
Interest rate swaps	—	310	—	—	310
Foreign currency swaps	—	291	—	—	291
Inflation swaps	—	4	—	—	4
Interest rate options	—	—	3	—	3
Foreign currency forwards	—	1	—	—	1
Futures	—	—	—	—	—
Total derivative assets	—	605	3	—	609
5. Separate accounts assets	1,261	3,520	3	1,155	5,938
Total assets at fair value	2,515	4,134	221	1,155	8,025
b Liabilities at fair value					
1. Derivative liabilities					
Interest rate swaps	\$ —	\$ 118	\$ —	\$ —	118
Foreign currency swaps	—	139	—	—	139
Inflation swaps	—	67	—	—	67
Foreign currency forwards	—	—	—	—	—
Futures	—	—	—	—	—
Total derivative liabilities	—	323	—	—	323
2. Separate accounts liabilities - derivatives <sup>1</sup>					
Total liabilities at fair value	\$ —	\$ 323	\$ —	\$ —	324

<sup>1</sup> Separate accounts contract holder liabilities are not included in the table as they are reported at contract value and not fair value in the Company's Annual Statement.

**NEW YORK LIFE INSURANCE COMPANY**  
**NOTES TO CONDENSED STATUTORY FINANCIAL STATEMENTS**  
**(UNAUDITED)**

(2) The table below presents a rollforward of level 3 assets and liabilities for the Three months ended March 31, 2019 (in millions):

	Balance at 01/01/2019	Transfers into Level 3	Transfers out of Level 3	Total gains or (losses) included in Net Income	Total gains or (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at 3/31/2019
Non-redeemable preferred stocks	\$ 10	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 10
Bonds										
U.S. corporate	—	1	—	—	—	—	—	—	—	1
Non-agency asset-backed securities	4	—	(2)	—	(2)	—	—	—	—	1
Total bonds	4	1	(2)	—	(2)	—	—	—	—	1
Common stocks	208	—	(1)	—	—	23	—	(26)	—	204
Derivatives	12	—	—	(6)	(2)	—	—	—	—	3
Separate accounts assets <sup>1</sup>	3	—	—	—	—	—	—	—	—	3
Total	\$ 236	\$ 1	\$ (3)	\$ (6)	\$ (4)	\$ 23	\$ —	\$ (26)	\$ —	\$ 221

<sup>1</sup> The total gains or (losses) included in surplus for separate accounts assets are offset by an equal amount for separate accounts liabilities, which results in a net zero impact on surplus for the Company.

*Transfers between levels*

Transfers between levels may occur due to changes in valuation sources, changes in the availability of market observable inputs, which generally are caused by changes in market conditions such as liquidity, trading volume or bid/ask spreads, or as a result of a security measured at amortized cost at the beginning of the period, but measured at estimated fair value at the end of the period, or vice versa, due to a ratings downgrade or upgrade.

*Transfers between Levels 1 and 2*

During the three months ended March 31, 2019, there were no transfers between Levels 1 and 2.

*Transfers into and out of Level 3*

The Company's basis for transferring assets and liabilities into and out of Level 3 is based on changes in the observability of data or change in the security's measurement.

Transfers into Level 3 totaled \$1 million for the three months ended March 31, 2019, which primarily relates to \$1 million of U.S. corporate securities that were measured at amortized cost at the beginning of the period and are measured at fair value at the end of the period. Transfers out of Level 3 totaled \$3 million for the three months ended March 31, 2019, which primarily relates to \$2 million of non-agency asset backed securities that were measured at fair value at the beginning of the period and are measured at amortized cost at the end of the period.

(3) Determination of fair value

The Company has an established and well-documented process for determining fair value. Security pricing is applied using a hierarchy approach whereby publicly available prices are first sought from nationally recognized third-party pricing services. For most private placement securities, the Company applies a market approach such as a matrix-based pricing methodology, which uses spreads derived from third-party benchmark bond indices. For private placement securities that cannot be priced through these processes, the Company uses internal models and calculations. All other securities are submitted to independent brokers for prices. The Company performs various analyses to ascertain that the prices represent fair value. Examples of procedures performed include, but are not limited to, back testing recent trades, monitoring trading volumes, and performing variance analysis of monthly price changes using different thresholds based on asset type. The Company also performs an annual review of all third-party pricing services. During this review, the Company obtains an understanding of the process and sources used by the pricing service to ensure that they maximize the use of observable inputs, the pricing service's frequency of updating prices, and the controls that the pricing service uses to ensure that their prices reflect market assumptions. The Company also selects a sample of securities and obtains a more detailed understanding from each pricing service regarding how they derived the price assigned to each security. Where inputs or prices do not reflect market participant assumptions, the Company will challenge these prices and apply different methodologies that will enhance the use of observable inputs and data. The Company may use non-binding broker quotes or internal valuations to support the fair value of securities that go through this formal price challenge process. At March 31, 2019, the Company did not have any price challenges on general account and separate accounts securities for what it received from third party pricing services.

In addition, the Company has a pricing committee that provides oversight over the Company's prices and fair value process for securities. The committee is comprised of representatives from the Company's Investment Management group, Controller's, Compliance and Security

**NEW YORK LIFE INSURANCE COMPANY**  
**NOTES TO CONDENSED STATUTORY FINANCIAL STATEMENTS**  
**(UNAUDITED)**

Operations. The committee meets quarterly and is responsible for the review and approval of the Company's valuation procedures. The committee is also responsible for the review of pricing exception reports as well as the review of significant inputs used in the valuation of assets that are valued internally.

For Level 1 investments, valuations are generally based on observable inputs that reflect quoted prices for identical assets in active markets.

The fair value for Level 2 and Level 3 valuations are generally based on a combination of the market and income approach. The market approach generally utilizes market transaction data for the same or similar instruments, while the income approach involves determining fair values from discounted cash flow methodologies.

The following represents a summary of significant valuation techniques for assets and liabilities used to determine fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

**Level 1 measurements**

*Common stocks*

These securities are comprised of exchange traded U.S. and foreign common stock and mutual funds. Valuation of these securities is based on unadjusted quoted prices in active markets that are readily and regularly available.

*Derivatives (including separate accounts liabilities – derivatives)*

These derivatives are comprised of exchange traded future contracts. Valuation of these securities is based on unadjusted quoted prices in active markets that are readily and regularly available.

*Separate accounts assets*

These assets are comprised of cash and common stocks. Common stocks are generally traded on an exchange.

**Level 2 measurements**

*Preferred stocks*

The fair value of preferred stock is obtained from third-party pricing services. Vendors generally use an income-based valuation approach by using a discounted cash flow model or it may use a market approach to arrive at the security's fair value or a combination of the two.

*Bonds*

The fair value of bonds is obtained from third-party pricing services, matrix-based pricing, internal models or broker quotes. Third-party pricing services generally use an income-based valuation approach by using a discounted cash-flow model or it may also use a market approach by looking at recent trades of a specific security to determine fair value on public securities or a combination of the two. Typical inputs used by these pricing sources include, but are not limited to: benchmark yields, reported trades, issuer spreads, bids, offers, benchmark securities, estimated cash flows and prepayment speeds, which the Company has determined are observable inputs.

Private placement securities are primarily priced using a market approach such as a matrix-based pricing methodology, which uses spreads derived from third-party benchmark bond indices. Specifically, the Barclays Investment Grade Credit Index is used for investment-grade securities and the Citi High Yield Cash Index is used for below investment-grade securities. These indices are two widely recognized, reliable, and well regarded benchmarks by participants in the financial services industry, which represent the broader U.S. public bond markets.

Certain private placement securities that cannot be priced using the matrix pricing described above, are priced by an internally developed discounted cash flow model or are priced based on internal calculations. This model uses observable inputs with a discount rate based off spreads of comparable public bond issues, adjusted for liquidity, rating and maturity. The Company assigns a credit rating for private placement securities based upon internal analysis. The liquidity premium is based upon observable market transactions, while the maturity and rating adjustments are based upon data obtained from Bloomberg. These securities are classified as Level 2.

For some of the private placement securities priced through the model, the liquidity adjustments may not be based on market data, but rather, calculated internally. If the impact of the liquidity adjustment, which usually requires the most judgment, is not significant to the overall value of the security, the security is still classified as Level 2.

*Derivatives*

The fair value of derivative instruments is generally derived using valuation models that use an income approach, except for derivatives, which are either exchange-traded, or the fair value is priced using broker quotations. The selection of a particular model depends upon the contractual terms of, and specific risks inherent in the instrument, as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments. Valuation model inputs include contractual terms, yield curves, foreign exchange rates, equity prices, credit curves, measures of volatility, and other factors. OTC derivatives that trade in liquid markets, where model inputs are observable for substantially the full term, are classified as Level 2.

*Separate accounts assets*

These are assets primarily related to investments in U.S. government and treasury securities, corporate bonds, and mortgage-backed securities. These separate accounts assets are valued and assigned within the fair value hierarchy, consistent with the methodologies described herein

**NEW YORK LIFE INSURANCE COMPANY**  
**NOTES TO CONDENSED STATUTORY FINANCIAL STATEMENTS**  
**(UNAUDITED)**

for similar financial instruments held within the general account of the Company. This also relates to investments in limited partnerships and hedge funds that use NAV where the investment can be redeemed at NAV at the measurement date or in the near-term (generally 90 days).

**Level 3 measurements**

*Bonds*

The valuation techniques for most Level 3 bonds are generally the same as those described in Level 2. However, if the investments are less liquid or are lightly traded, there is generally less observable market data, and therefore these investments will be classified as Level 3. Circumstances where observable market data are not available may include events such as market illiquidity and credit events related to the security. In addition, certain securities are priced based upon internal valuations using significant unobservable inputs.

If the price received from third-party pricing services does not appear to reflect market activity, the Company may challenge the price. For securities which go through this formal price challenge process, a non-binding broker quote or internal valuation is used to support the fair value instead. The Company also uses non-binding broker quotes to fair value certain bonds, when the Company is unable to obtain prices from third-party vendors.

Private placement securities where adjustments for liquidity are considered significant to the overall price are classified as Level 3.

*Preferred and common stocks*

These securities include equity investments with privately held entities, including a government organization, where the prices are derived from internal valuations.

*Derivatives*

Derivatives that are valued based upon models with any significant unobservable market inputs or inputs from less actively traded markets, or where the fair value is solely derived using broker quotations, are classified as Level 3.

**NEW YORK LIFE INSURANCE COMPANY**  
**NOTES TO CONDENSED STATUTORY FINANCIAL STATEMENTS**  
**(UNAUDITED)**

B. The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at March 31, 2019. Since the SSAP 100 hierarchy only applies to items that are measured at fair value at the reporting date, the items in the tables above are subsets of the amounts reported in the following table (in millions).

	Fair Value	Carrying Amount	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Assets:							
Bonds	\$ 112,908	\$ 107,705	\$ —	\$ 109,480	\$ 3,428	\$ —	\$ —
Preferred stocks	68	53	—	27	41	—	—
Common stocks	1,458	1,458	1,255	—	204	—	—
Mortgage loans	18,165	17,871	—	—	18,165	—	—
Cash, cash equivalents and short-term investments	1,513	1,513	261	1,252	—	—	—
Derivatives	631	623	—	628	3	—	—
Other invested assets <sup>1</sup>	382	366	—	132	251	—	—
Derivatives collateral	68	68	—	68	—	—	—
Investment income due and accrued	1,322	1,322	—	1,322	—	—	—
Separate accounts assets	10,897	10,892	1,261	8,478	4	1,155	—
<b>Total assets</b>	<b>\$ 147,413</b>	<b>\$ 141,870</b>	<b>\$ 2,776</b>	<b>\$ 121,386</b>	<b>\$ 22,096</b>	<b>\$ 1,155</b>	<b>\$ —</b>
Liabilities:							
Deposit fund contracts:							
Funding agreements	\$ 19,328	\$ 19,319	\$ —	\$ —	\$ 19,328	\$ —	\$ —
Annuities certain	42	38	—	—	42	—	—
Other deposit funds	583	583	—	—	583	—	—
Premiums paid in advance	100	100	—	100	—	—	—
Derivatives	323	323	—	323	—	—	—
Derivatives - collateral	306	306	—	306	—	—	—
Borrowed money	420	420	—	420	—	—	—
Amounts payable under securities lending	681	681	—	681	—	—	—
Separate accounts liabilities	345	345	—	345	—	—	—
<b>Total liabilities</b>	<b>\$ 22,128</b>	<b>\$ 22,115</b>	<b>\$ —</b>	<b>\$ 2,174</b>	<b>\$ 19,953</b>	<b>\$ —</b>	<b>\$ —</b>

<sup>1</sup> Excludes investments accounted for under the equity method.

### Bonds

The fair value of bonds is determined by considering one of four primary sources: (1) security pricing is applied using a hierarchy approach whereby publicly available prices are first sought from nationally recognized third-party pricing services, (2) securities are priced using a matrix-based pricing methodology, which uses spreads derived from third-party benchmark bond indices, (3) securities are priced using an internal pricing model or methodology, and (4) securities are submitted to independent brokers for prices.

The pricing service generally uses an income-based valuation approach by using a discounted cash-flow model or it may also use a market approach by looking at recent trades of a specific security to determine fair value or a combination of the two. 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 supply prices for private placement bonds. These securities are primarily priced using a market approach such as a matrix-based pricing methodology, which uses spreads derived from third-party benchmark bond indices. Any private securities that cannot be priced using this methodology, are priced using an internally developed model based upon assigned comparable public issues adjusted for liquidity, maturity and rating, or are priced based on internal calculations. 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.

Included in bonds are affiliated bonds from MCF and NYL Investments. The affiliated bond from MCF had a carrying value of \$2,202 million and a fair value of \$2,202 million at March 31, 2019. The fair value of this security is calculated internally and may include inputs that may be

**NEW YORK LIFE INSURANCE COMPANY**  
**NOTES TO CONDENSED STATUTORY FINANCIAL STATEMENTS**  
**(UNAUDITED)**

not observable. Therefore, this security is classified as Level 3. The affiliated bond from NYL Investments had a carrying value of \$600 million and a fair value of \$615 million at March 31, 2019. The fair value of this security is calculated internally using observable inputs and is therefore classified at Level 2.

**Preferred and common stocks**

The fair value of unaffiliated equity securities is determined by considering one of three primary sources: (1) security pricing is applied using a hierarchy approach whereby publicly available prices are first sought from third-party pricing services, (2) the remaining un-priced securities are submitted to independent brokers for prices, and (3) securities are priced using an internal pricing model or methodology.

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 using an income approach based upon the present value of the expected cash flows discounted at an interpolated treasury yield plus a spread. The spread is based on management's judgment and assumptions and it takes into account property type, loan to value and remaining term of each loan. The spread is a significant component of the pricing inputs.

**Cash, cash equivalents, short-term investments and investment income due and accrued**

Cash on hand and money market mutual funds are classified as Level 1. Cash overdrafts (i.e. outstanding checks) are classified as Level 2. Due to the short-term maturities, the carrying value of short-term investments, cash equivalents and investment income due and accrued is presumed to approximate fair value.

**Derivatives (including separate accounts liabilities)**

The fair value of derivative instruments is generally derived using valuation models that use an income approach, except for derivatives that are exchange-traded, which are valued using a market approach as fair value is based on quoted prices in an active market. Where valuation models are used, the selection of a particular model depends upon the contractual terms of, and specific risks inherent in the instrument, as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments. Valuation model inputs include contractual terms, yield curves, foreign exchange rates, equity prices, credit curves, measures of volatility, and other factors.

**Other invested assets**

Other invested assets are principally comprised of LIHTC investments, affiliated loans and certain other investments with characteristics of debt. The fair value of one of the affiliated loans and the LIHTC investments are derived using an income valuation approach, which is based on a discounted cash flow calculation using a discount rate that is determined internally. These investments are classified as Level 3 because the discount rate used is based on management's judgment and assumptions. Refer to Note 10 - Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties, for details on intercompany loans and Note 5 - Investments, for details on LIHTC investments. The fair value of investments with debt characteristics is derived using an income valuation approach, which is based on a discounted cash flow calculation that uses observable inputs. For affiliated loans due within one year, carrying value is deemed to approximate fair value due to the short-term nature of these investments. These investments are classified as Level 2.

**Derivatives – collateral (including separate accounts liabilities collateral)**

The carrying value of these instruments approximates fair value since these assets and liabilities are generally short-term in nature.

**Separate accounts assets**

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

The separate accounts also invest in limited partnerships and hedge fund investments. The fair value of such partnerships is determined by reference to the limited partnership's NAV. The valuation of the hedge funds is based upon the hedge funds' latest financial statements adjusted for cash activity since that date and estimates of market valuations.

**Deposit fund contracts**

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

For all other deposit funds, estimated fair value is equal to account value.

**Premiums paid in advance**

For premiums paid in advance, the carrying value of the liability approximates fair value.



**NEW YORK LIFE INSURANCE COMPANY**  
**NOTES TO CONDENSED STATUTORY FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**Borrowed money**

Borrowed money consists of intercompany borrowings, repurchase agreements and other financing arrangements. Due to the short-term nature of the transactions, the carrying value approximates fair value. The Company had no repurchase agreements as of March 31, 2019.

**Amounts payable under securities lending**

Amounts payable under securities lending consists of cash collateral received under securities lending agreements. The carrying value approximates fair value.

**Separate accounts liabilities – deposit-type contracts**

For deposit type contracts, which are funding agreements, the proceeds from which are invested primarily in fixed income securities, the carrying value of the liability approximates the fair value of the invested assets. These assets are valued using the same methods described for separate accounts assets.

- C. If it is not practicable for an entity to estimate the fair value of that financial instrument or a class of financial instruments, the following shall be disclosed:

(1) – (2) Not applicable.

- D. The following table provides additional information for investments that are measured at fair value using NAV as a practical expedient, as allowed under authoritative guidance, for investments that meet specified criteria:

March 31, 2019						
Category of Investment	Investment Strategy	Fair Value Determined Using NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	
Hedge fund	Long/short equity, futures, options, foreign exchange arbitrage	\$ 393	\$ —	Annual, Semi-Annual, Quarterly, Monthly, Daily	0 - 90 days (Assets subject to lock-up periods)	
Hedge fund	Distressed securities, multi-strategy	\$ 11	\$ —	Semi-Annual, Quarterly	60 - 90 days (Assets subject to lock-up periods)	
Private equity	Leverage buyout, mezzanine financing, distressed securities	\$ 728	\$ 536	N/A	N/A	
Collective investment trust	Investment grade fixed income	\$ 23	\$ —	On request	N/A	

**Note 4 - Significant Transactions**

None

**Note 5 - Subsequent Events**

On April 4, 2019, the Company issued surplus notes ("2019 Notes") with a principal balance of \$1,000 million, bearing interest at 4.45%, with a maturity date of May 15, 2069. The initial carrying value of the 2019 Notes was \$993 million, net of discount. The 2019 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 2019 Notes will be paid semi-annually on May 15th and November 15th of each year, beginning on November 15, 2019.

As of May 13, 2019, 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 annual statement that would have a material effect on the financial condition of the Company.