New York Life Global Funding

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

This supplement ("Base Prospectus Supplement") is supplemental to and must be read in conjunction with the Offering Memorandum dated November 21, 2007 (the "Offering Memorandum") as supplemented by a base prospectus supplement dated March 10, 2008 prepared by New York Life Global Funding (the "Issuer") under the Issuer's global medium-term note program for the issuance of senior secured medium-term notes (the "Notes").

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

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 April 4, 2008, New York Life published its annual audited statutory statements (including any notes thereto, the "2007 and 2006 Audited Statutory Financial Statements") the text of which is set out in Annex 1 to this document. Copies of such 2007 and 2006 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.

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 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 April 11, 2008

ANNEX I

NEW YORK LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS
(STATUTORY BASIS)

DECEMBER 31, 2007 and 2006

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, 2007 and 2006, and the related statutory statements of operations and 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, 2007 and 2006, 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.

February 29, 2008

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF FINANCIAL POSITION

	December 31, 2007	December 31, 2006
	(in millions)	
Assets		
Bonds	$ 66,668	$ 64,411
Common and preferred stocks	8,811	8,287
Mortgage loans	9,081	8,082
Real estate	453	569
Policy loans	6,619	6,249
Limited partnerships and other long-term investments	7,700	5,758
Cash, cash equivalents and short-term investments	4,608	2,947
Other invested assets	1,071	570
Total cash and invested assets	105,011	96,873
Deferred and uncollected premiums	1,385	1,283
Investment income due and accrued	1,078	1,063
Separate account assets	6,611	6,115
Funds held by reinsurer	4,839	4,759
Other assets	3,829	3,611
Total assets	$ 122,753	$ 113,704
Liabilities and Surplus		
Liabilities:		
Policy reserves	$ 67,121	$ 65,695
Deposit funds	22,150	18,909
Dividends payable to policyholders	1,598	1,488
Policy claims	492	503
Borrowed money	2,894	1,551
Separate account liabilities	6,512	5,999
Amounts payable under security lending agreements	4,052	2,626
Other liabilities	3,451	3,234
Interest maintenance reserve	267	312
Asset valuation reserve	2,257	2,087
Total liabilities	110,794	102,404
Surplus:		
Surplus notes	991	991
Unassigned surplus	10,968	10,309
Total surplus	11,959	11,300
Total liabilities and surplus	$ 122,753	$ 113,704

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	2007	2006
	(in millions)	
Income		
Premiums	$ 9,752	$ 9,301
Net investment income	5,653	5,331
Other income	548	629
Total income	15,953	15,261
Benefits and expenses		
Benefit payments:		
Death benefits	2,075	2,024
Annuity benefits	1,020	987
Health and disability insurance benefits	344	346
Surrender benefits	1,951	1,946
Payments on matured contracts	3,180	2,637
Other benefit payments	1,066	900
	9,636	8,840
Additions to reserves	1,787	2,372
Net transfers from Separate Accounts	230	(193)
Operating expenses	1,963	1,960
Total benefits and expenses	13,616	12,979
Gain from operations before dividends and federal income taxes	2,337	2,282
Dividends to policyholders	1,644	1,546
Gain from operations before federal income taxes	693	736
Federal income taxes	116	242
Net gain from operations	577	494
Net realized capital gains, after tax and transfers to interest maintenance reserve	279	300
Net income	$ 856	$ 794

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF CHANGES IN SURPLUS

	December 31,	
	2007	2006
	(in millions)	
Surplus, beginning of year	$ 11,300	$ 10,549
Net income	856	794
Change in net unrealized losses on investments	(23)	(46)
Change in net deferred income tax	(72)	129
Cumulative effect of changes in accounting principles	(1)	(1)
Change in asset valuation reserve	(170)	(210)
Change in nonadmitted assets	(37)	74
Change in surplus notes indemnification reserve	11	11
Change in reserve valuation basis	81	(22)
Other adjustments, net	14	22
Surplus, end of year	$ 11,959	$ 11,300

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2007	**2006**
	(in millions)	
Cash flow from operating activities:		
Premiums received	$ 9,690	$ 9,236
Net investment income received	5,396	5,054
Other	286	359
Total received	15,372	14,649
Benefits and other payments	8,806	8,021
Operating expenses	2,064	2,043
Dividends to policyowners	1,534	1,487
Federal income taxes	289	582
Other	218	(202)
Total paid	12,911	11,931
Net cash from operations	2,461	2,718
Cash flow from investing activities:		
Proceeds from investments sold	27,813	34,437
Proceeds from investments matured or repaid	15,128	19,584
Cost of investments acquired	(47,079)	(57,675)
Net change in policy loans and premium notes	(370)	(292)
Net cash from investing activities	(4,508)	(3,946)
Cash flow from financing and miscellaneous activities:		
Net borrowings under repurchase agreements	-	(89)
Net borrowings under credit agreements	498	(6)
Other changes in borrowed money	27	44
Net proceeds from deposit contracts	1,735	931
Other miscellaneous sources	1,448	207
Net cash from financing and other activities	3,708	1,087
Net increase (decrease) in cash, cash equivalents and short-term investments	1,661	(141)
Cash, cash equivalents and short-term investments, beginning of year	2,947	3,088
Cash, cash equivalents and short-term investments, end of year	$ 4,608	$ 2,947

See accompanying notes to financial statements.

NEW YORK LIFE INSURANCE COMPANY

STATUTORY STATEMENTS OF CASH FLOWS (continued)

	Years Ended December 31,	
	2007	2006
	(in millions)	
Supplemental disclosures of cash flow information:		
Non-cash investing and financing activities during the year:		
Conversion of debt securities to equity securities	$ 28	$ 4
Exchange of equity investment to debt investment	8	-
Merger of debt investment to equity investment	3	-
Real estate acquired in satisfaction of debt	$ 2	$ -
Total non-cash transactions	$ 41	$ 4

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 guaranteed lifetime income annuities), pension products, mutual funds (through its broker/dealer subsidiary), and other investments and investment advisory services. The Company, which is domiciled in New York State, is comprised of four primary business segments: Life and Annuity, Investment Management, Special Markets and International operations. Life and Annuity operations are conducted primarily through the Company and its wholly owned insurance subsidiaries New York Life Insurance and Annuity Corporation ("NYLIAC") and NYLIFE Insurance Company of Arizona ("NYLAZ"). Investment Management operations are conducted through the Company and various registered investment advisory subsidiaries of its wholly owned subsidiary, New York Life Investment Management Holdings LLC ("NYLIM"). Special Markets is a niche business area of the Company and NYLIAC that markets group life and health insurance to membership associations, long term care insurance and is the exclusive provider of life insurance and guaranteed lifetime income annuity products to the American Association of Retired Persons ("AARP"). The Company and its subsidiaries market their products in all 50 of the United States, its territories and the District of Columbia, primarily through its agency force. The Company markets insurance and investment products in Asia and Latin America through New York Life International, LLC ("NYLI"), a wholly owned subsidiary. 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 or permitted 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 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 or permitted practices by the State of New York. Prescribed statutory accounting practices include state laws and regulations. New York State has certain prescribed accounting practices that differ from those found in NAIC SAP. Permitted statutory accounting practices encompass accounting practices that are not prescribed; such practices differ from state to state, may differ from company to company within a state, and may change in the future. The Company has no permitted practices.

Specifically, material differences between NAIC SAP and statutory accounting practices prescribed by the State of New York for the Company include: (1) Electronic Data Processing ("EDP") equipment and operating software may only be admitted under New York State Insurance Law if the individual cost exceeds fifty thousand dollars, whereas NAIC SAP allows these items to be admitted assets, subject to a 3% limitation of a Company's capital and surplus; (2) the value of aircraft held by a non-insurance subsidiary that has no significant ongoing operations is permitted to be carried as an admitted asset if approved by the Superintendent of Insurance, whereas NAIC SAP requires that it be excluded from the

subsidiary's GAAP equity value carried in surplus; (3) goodwill, whether held directly or by a subsidiary (insurance or non-insurance) is nonadmitted and reduces surplus of the Company, whereas NAIC SAP permits goodwill to be carried as an asset; (4) New York State required the Company to establish an indemnity reserve equal to 10% of the face value of its surplus note issuance. This reserve is not required under NAIC SAP; and (5) Prepaid real estate taxes may be capitalized and are admissible under New York Insurance Law, whereas NAIC SAP requires that they be capitalized, nonadmitted, and charged against surplus.

For the years ended December 31, 2007 and 2006, 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, 2007 and 2006 between NAIC SAP and practices prescribed by the State of New York is shown below (in millions):

	2007	2006
Statutory Surplus, New York basis	$ 11,959	$ 11,300
State Prescribed Practices:		
1. EDP equipment, net	38	36
2. Aircraft owned by subsidiary, net	(21)	(22)
3. Goodwill of non-insurance subsidiaries	403	405
4. Surplus notes indemnity reserve	78	89
5. Prepaid real estate taxes	(1)	(1)
Statutory Surplus, NAIC SAP	$ 12,456	$ 11,807

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

The Company has adopted and applied Statutory Statements of Accounting Practice ("SSAP") 96, "Settlement Requirements for Intercompany Transactions, An Amendment to SSAP No. 25—Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties", effective January 1, 2007, for transactions between related parties. Uncollected receivable balances that are not addressed by a written agreement or over ninety days past due have been nonadmitted. The adoption of SSAP No. 96 had no impact on to the Company's surplus other than that disclosed under SSAP No. 97.

Effective January 1, 2007, the Company adopted SSAP No. 97, "Investments in Subsidiary, Controlled and Affiliated (SCA) Entities", which replaced SSAP No. 88. SSAP No. 97 states that assets and liabilities of the downstream holding company, other than the investments in SCA entities, should be valued in accordance with statutory accounting rules. At January 1, 2007, the cumulative effect of adopting SSAP No. 97 reduced surplus by $1 million. This amount represented intercompany receivables that were not supported by a formal service agreement and must be non-admitted in accordance with SSAP No. 96, "Settlement Requirements for Intercompany Transactions, An Amendment of SSAP No. 25"**.**

Effective January 1, 2006, the Company adopted SSAP No. 93, "Accounting for Low Income Housing Tax Credit Property Investments", which establishes statutory accounting principles for investments in

federal and certain state sponsored Low Income Housing Tax Credit (LIHTC) properties. SSAP No. 93 requires that the carrying value of LIHTC investments be based on an amortized cost basis, reducing the cost basis in proportion to the actual receipt and projected future stream of tax credits and deductible losses, as opposed to the underlying GAAP equity value of the real estate. At January 1, 2006 the cumulative effect of adopting SSAP No. 93 reduced surplus by $1 million.

Statutory vs. GAAP Basis of Accounting

Financial statements prepared under the statutory basis of accounting as determined under New York State Insurance Law vary from those prepared under GAAP, primarily as follows: (1) non-public majority owned subsidiaries are generally carried at net equity value whereas under GAAP they would be consolidated; earnings of such subsidiaries are recognized in net investment income only when dividends are declared whereas under GAAP net income from such subsidiaries would be recognized when earned and dividends would be eliminated in consolidation. In addition, the Company's publicly-traded investment, Express Scripts, Inc. ("ESI") is carried at market value, less a haircut, as defined in NAIC SAP, whereas under GAAP, the Company's investment in ESI is carried at market value; (2) 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; (3) life insurance reserves are based on different assumptions than they are under GAAP and dividends on participating policies are provided when approved by the Board of Directors, whereas under GAAP, they are recognized when credited to the policies; (4) life insurance companies are required to establish an Asset Valuation Reserve ("AVR") by a direct charge to surplus to offset potential investment losses, whereas under GAAP, the AVR would not be recognized and any losses on investments would be deducted from the assets to which they relate and would be charged to income; (5) investments in bonds are generally carried at amortized cost or values as prescribed by the New York State Insurance Department; 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 charged or credited to equity or reflected in earnings, respectively; (6) realized gains and losses resulting from changes in interest rates on fixed income investments 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 would be recognized in income at the time of sale; (7) deferred income taxes excludes state income taxes and are admitted to the extent they can be realized within one year subject to a 10% limitation of capital and surplus with changes in the net deferred tax reflected as a component of surplus; under GAAP, deferred income taxes includes federal and state income taxes and a valuation allowance would be recorded to reduce a deferred tax asset to that portion that is expected to more likely than not be realized and changes in the deferred tax would generally be reflected in earnings; (8) certain reinsurance transactions are accounted using deposit accounting for statutory purposes and reinsurance accounting under GAAP, and assets and liabilities are reported net of reinsurance for statutory purposes and gross of reinsurance for GAAP; (9) certain assets, such as intangible assets, furniture and equipment, deferred taxes that are not realizable within one year and unsecured receivables are considered nonadmitted and excluded from assets on the statutory statements of financial position, whereas they would be included under GAAP, subject to a valuation allowance, as appropriate; (10) 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, (11) goodwill is not permitted to be carried as an admitted asset, whereas under GAAP, goodwill, which is considered to have an indefinite useful life, would be tested for impairment and a loss recorded, where appropriate; (12) 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; (13) surplus notes are included as a component of surplus, whereas under GAAP, they would be presented as a liability; (14) 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; statutory accounting practices do not contain a similar requirement; (15) 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; and (16) 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 comprehensive income, whereas under statutory accounting, no such impacts are currently required to be reflected in the financial statements. The effects on the financial statements of the variances between the statutory accounting practices and GAAP are material to the Company.

The following table reconciles the Company's statutory surplus determined in accordance with accounting practices prescribed by the New York State Insurance Department with consolidated equity determined on a GAAP basis (in millions):

	Years ended December 31,	
	2007	**2006**
Statutory surplus	$ 11,959	$ 11,300
AVR	2,257	2,087
Statutory surplus and AVR	14,216	13,387
Adjustments to STAT basis for:		
Inclusion of deferred policy acquisition cost asset ("DAC")	6,616	6,113
Removal of interest maintenance reserve ("IMR") amortization	295	351
Policyholder dividends	246	227
Inclusion of unrealized gains on investments	1,524	1,670
Inclusion of certain assets that are nonadmitted for statutory accounting	1,422	1,426
Deferred tax asset	(413)	(163)
Immediate write-off under statutory accounting of all goodwill	554	556
Other adjustments to investment in subsidiaries	214	198
Re-estimation of future policy benefits and policyholder account balances	(2,717)	(2,893)
Removal of surplus notes, net of indemnification reserve	(913)	(902)
Liability for pension and postretirement benefits	(1,220)	(1,640)
Inclusion of AVR of domestic insurance companies	464	472
Other	(89)	(106)
Total adjustments	5,983	5,309
Total consolidated GAAP equity	$ 20,199	$ 18,696

The following table reconciles the Company's statutory net income determined in accordance with accounting practices prescribed by the New York State Insurance Department with net income determined on a GAAP basis (in millions):

	Years ended December 31,	
	2007	**2006**
Statutory net gain from operations	$ 577	$ 494
Net realized capital gains	279	300
Statutory net income	856	794
Adjustments to NYL parent company STAT basis for:		
Inclusion of DAC	41	173
Re-estimation of future policy benefits and policyholder account balances	142	(28)
Inclusion of deferred income taxes	(106)	(181)
Policyholder dividends	17	8
Removal of IMR	(45)	(79)
Fair value adjustment of certain liabilities	46	114
Removal of GAAP net investment gains	(158)	728
Removal of dividend income from subsidiaries	(11)	(20)
Inclusion of net income from subsidiaries	563	767
Other	152	22
Total adjustments	641	1,504
Total consolidated GAAP net income	$ 1,497	$ 2,298

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 New York State Insurance Department. Bonds not backed by loans are stated at amortized cost using the interest method. Bonds in default are stated at the lower of amortized cost or fair value. Fair value is determined using unit prices published by the Securities Valuation Office of the NAIC (SVO). If a unit price is not published, fair value is determined using quoted market prices for publicly traded bonds. For bonds without a readily ascertainable fair value, the Company has determined an estimated fair value using a discounted cash flow approach, broker–dealer quotations or management's pricing model.

Loan-backed bonds and structured securities are valued at amortized cost using the interest method including anticipated prepayments at the date of purchase; changes in prepayment speeds and estimated cash flows from the original purchase assumptions are evaluated quarterly and are accounted for under the retrospective yield adjustment method. The prospective yield adjustment method is used for certain securities with floating rates as well as securities that have the potential for a loss of a portion of the

original investment (e.g. interest only securities). The Company has elected to use the book value as of January 1, 1994 as the cost for applying the retrospective method to securities purchased prior to January 1, 1994 where historical cash flows are not readily available. Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from internal estimates and the Salomon Yield Book. There was no change in methodology due to negative yield on specific securities.

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. Fair value has been determined using unit prices published by the SVO. If a unit price is not published, fair value is determined using quoted market price for publicly traded preferred stocks. For preferred stocks without a readily ascertainable market value, the Company has determined an estimated fair value using a discounted cash flow approach, broker-dealer quotations, or management's pricing model.

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

Unaffiliated common stocks are carried at fair value. Fair value is determined using unit prices published by the SVO. If a unit price is not published, estimated fair value is determined using quoted market prices for publicly traded common stocks and broker-dealer quotations or management's pricing model for private placement securities. Unrealized gains and losses are reflected in surplus, net of deferred taxes.

Investments in stocks and membership interests of subsidiaries are carried as an asset, provided the entity's U.S. GAAP equity is audited; otherwise the entire investment is nonadmitted. Each of the Company's subsidiaries has a 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 are stated at GAAP equity adjusted for certain assets that are disallowed under the statutory basis of accounting; (3) non-insurance subsidiaries are carried at GAAP equity, adjusted for the removal of goodwill, unless they are engaged in certain transactions that are for the benefit of the Company or its affiliates and receive 20% or more of their revenue from the Company or its affiliates. In this case, non-insurance subsidiaries are carried at GAAP equity adjusted for the same items as foreign insurance subsidiaries; (4) the Company's 15.9% ownership in ESI, a publicly traded company is carried at a 3.0% discount to market value. Dividends and distributions from subsidiaries are recorded in investment income when declared and changes in the equity of subsidiaries are recorded as unrealized gains or losses.

Mortgage loans on real estate are carried at unpaid principal balances, net of discounts/premiums and valuation allowances, and are secured. Specific valuation allowances are established for the excess carrying value of the mortgage loan over its estimated fair value, when it is probable that, based on current information and events, the Company will be unable to collect all amounts due under the contractual terms of the loan agreement. Specific valuation allowances are based on the fair value of the collateral. Fair value is determined by discounting the projected cash flows for each property to determine the current net present value.

Real estate held for income production and home office properties are stated at cost less accumulated depreciation and encumbrances. Real estate held for sale is stated at the lower of cost less accumulated depreciation or fair value less encumbrances and estimated cost to sell the property. Real estate joint ventures are recorded based on their underlying GAAP equity. Depreciation of real estate is calculated using the straight-line method over the estimated lives of the assets, generally 40 years. Costs of building improvements are depreciated over their estimated useful lives.

Policy loans are stated at the aggregate balance due, which approximates fair value, since loans on policies have no defined maturity and reduce amounts payable at death or surrender. The excess of the unpaid balance of the policy loan that exceeds the cash surrender value is nonadmitted.

Limited partnerships and limited liability companies which have a U.S. GAAP audit are carried at the underlying audited GAAP equity of the investee. The Company nonadmits the entire investment where the underlying equity is not audited. 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 are adjusted for impairments in value deemed to be other than temporary, with the associated realized loss reported in net income. 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.

Derivative instruments that are effective hedges are valued consistent with the items being hedged. Investment income is recorded on an accrual basis. Amounts payable or receivable under interest rate and currency swap agreements are recognized as investment income or expense when incurred. Gains and losses related to contracts that are effective hedges on specific assets and liabilities are recognized in income in the same period as the gains and losses on the hedged assets or liabilities. Realized gains and losses that are recognized upon termination or maturity that are interest related are transferred, net of taxes, to the Interest Maintenance Reserve. All other realized gains and losses are recognized in net income upon termination or maturity of derivative contracts.

Written covered equity 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. Realized gains and losses adjust disposition proceeds upon exercise.

All other derivative instruments 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.

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 long-term 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) 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 using the grouped method or the item being hedged by the derivative for those derivatives that qualify for hedge accounting.

Loaned Securities and Repurchase Agreements

Securities loaned are treated as financing arrangements, and are recorded at the amount of cash advanced or received. With respect to securities loaned, the Company obtains collateral in an amount equal to 102% and 105% of the fair value of the domestic and foreign securities, respectively. The Company monitors the fair value of securities borrowed and loaned with additional collateral obtained as necessary.

The Company enters into agreements to purchase and resell securities, and agreements to sell and repurchase 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 fair value including accrued interest. It is the Company's policy to generally take possession or control of the securities purchased under these agreements to resell. For triparty repurchase agreements, the Company's designated custodian takes possession of the underlying collateral securities. Assets to be repurchased or resold are the same or substantially the same as the assets borrowed or sold. The fair value of the securities to be repurchased or resold is monitored and additional collateral is obtained, where appropriate, to protect against credit exposure. Securities purchased under agreement to resell are reflected in other invested assets on the accompanying Statutory Statements of Financial Position.

Under agreements to sell and repurchase securities, the Company obtains the use of funds from a broker for generally one month. Securities sold under agreements to repurchase are treated as financing arrangements. Collateral received is invested in short-term investments with an offsetting collateral liability. The liability is included in other liabilities on the accompanying Statutory Statements of Financial Position and approximates fair value.

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 Company determines that the minimum statutory reserves are inadequate.

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 $688 million and $585 million in 2007 and 2006, respectively. These higher direct reserves reduced pre-tax net gain for the years ended December 31, 2007 and 2006 by approximately $104 million and $37 million, respectively.

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. Net deferred tax assets are admitted to the extent permissible under NAIC SAP. Changes in DTAs and DTLs are recognized as a separate component of surplus.

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. Separate account liabilities generally reflect 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 New York State Insurance Department to be taken into account in determining an insurer's financial condition. Nonadmitted assets often include goodwill, intangible assets, furniture and equipment, agents' debit balances, deferred tax assets not realizable within 12 months, and receivables over 90 days old. Changes to nonadmitted assets are reported as a direct adjustment to surplus in the 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.

Business Risks and Uncertainties

The Company's investment portfolio consists principally of fixed income bonds as well as mortgage loans, policy loans, investments in subsidiaries, 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. For example, if interest rates rise, the securities in the Company's fixed-income portfolio generally will decrease in value. If interest rates decline, the securities in the fixed-income portfolio generally will increase in value. For various reasons, the Company may, from time to time, be required to sell certain investments at a price and a time when their fair value is less than their book value.

Mortgage loans, many of which have balloon payment maturities, and equity real estate, are generally illiquid and carry a greater risk of investment losses than investment grade bonds.

Changes in interest rates can have significant effects on the Company's profitability. Under certain circumstances of interest rate volatility, the Company is exposed to disintermediation risk and reduction in net interest spread or profit margins. In addition, mortgage prepayments, life insurance and annuity surrenders and bond calls are affected by interest rate fluctuations. 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 and that such volatility will not have a material adverse impact on the Company's business, financial position and results of operations.

Credit defaults and impairments may result in writedowns in the value of fixed income and equity securities held by the Company. Additionally, credit rating agencies may in the future downgrade certain issuers or guarantors of fixed maturity securities held by the Company due to changing assessments of the credit quality of the issuers or guarantors.

The Company regularly invests in mortgage loans, mortgage-backed bonds and other bonds 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 bonds 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.
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. The Company is unable to predict whether any of these changes will be made, whether any such administrative or legislative proposals will be adopted in the future, or the effect, if any, such proposals would have on the Company.

The development of policy reserves for the Company's products requires management to make estimates and assumptions regarding mortality, morbidity, lapse, expense and investment experience. Such estimates are primarily based on historical experience and, in many cases, state insurance laws require specific mortality, morbidity and investment assumptions to be used by the Company. Actual results could differ from those estimates. Management monitors actual experience, and where circumstances warrant, revises its assumptions and the related reserve estimates. However, these revisions do not result in reserves that are lower than the reserves that would be determined using the specific mortality, morbidity and investment assumptions required by state insurance laws.

The Company, along with its wholly owned subsidiary, NYLIFE LLC, has a 15.9% ownership in ESI, a publicly-traded entity, which is valued at a 3.0% discount to market value. The carrying amount at December 31, 2007 was $771 million (net of forward sales contracts). A significant decline in the value of this stock could have an adverse effect on the Company's surplus position. However, the Company has hedged its investment through the purchase of forward contracts, limiting its maximum exposure to $180 million based on a stock price of $73.00 per share (split-adjusted) at December 31, 2007.

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.

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. The Company's exposure to subprime residential mortgage lending is through fixed maturity investments that are collateralized by mortgages that have characteristics of subprime lending. These investments are primarily in the form of mortgage-backed securities supported by subprime mortgage loans. The collective carrying value of these investments is $294 million representing 0.4% of total bond investments. Of the total subprime-related investments, 95.7% had "AAA" or "AA" credit quality ratings. Common stock subprime exposure was immaterial. The company manages its subprime 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.

Weak equity market performance may adversely affect sales for its domestic subsidiaries for variable products, mutual funds or investment management products, cause potential purchasers of the Company's or its subsidiaries products to refrain from new or additional investments, and may cause current investors to withdraw from the market or reduce their rates of ongoing investment.

NOTE 3 – INVESTMENTS

Bonds

The amortized cost and estimated fair value of bonds as of December 31, 2007 and 2006, by contractual maturity are presented below (in millions). Fair value as shown below is based on quoted market prices, where available. For bonds without readily ascertainable market values, an estimated fair value has been determined using one of the following sources: broker-dealer quotations, a discounted cash flow approach, or management's pricing model. 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.

	2007		2006	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 1,477	$ 1,483	$ 1,068	$ 1,070
Due after one year through five years	10,247	10,483	9,128	9,294
Due after five years through ten years	14,987	14,982	15,159	15,167
Due after ten years	20,867	22,333	21,293	22,781
Mortgage and asset backed securities:				
U.S. government or U.S. government agency	1,053	1,055	1,031	1,026
Other mortgage backed securities	11,093	11,092	10,276	10,357
Other asset backed securities	6,944	6,747	6,456	6,456
Total	$ 66,668	$ 68,175	$ 64,411	$ 66,151

At December 31, 2007 and 2006, the distribution of gross unrealized gains and losses on bonds was as follows (in millions):

	2007			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Treasury and U.S. Government Corporations	$ 6,214	$ 598	$ 14	$ 6,798
U.S. agencies, state and municipal	2,326	400	1	2,725
Foreign governments	595	52	-	647
Corporate	39,496	1,466	796	40,166
Other mortgage backed securities	11,093	175	176	11,092
Other asset backed securities	6,944	19	216	6,747
Total	$ 66,668	$ 2,710	$ 1,203	$ 68,175

	2006			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Treasury and U.S. Government Corporations	$ 4,704	$ 363	$ 37	$ 5,030
U.S. agencies, state and municipal	2,483	315	8	2,790
Foreign governments	634	45	1	678
Corporate	39,858	1,545	563	40,840
Other mortgage backed securities	10,276	162	81	10,357
Other asset backed securities	6,456	24	24	6,456
Total	$ 64,411	$ 2,454	$ 714	$ 66,151

Common and Preferred Stocks

Investments in subsidiaries and affiliates, including membership interests, totaled $5,724 million and $4,406 million at December 31, 2007 and 2006, respectively. The Company records its share of gains or losses from subsidiaries as unrealized gains or losses. In 2007 and 2006, the Company recorded net unrealized gains of $1,092 million and $458 million, respectively, which includes net unrealized gains (losses) attributable to ESI, from both direct and indirect holdings, of $868 million and $(379) million, respectively. In 2006, net unrealized gains include the reversal of cumulative unrealized gains of $235 million on the sale of 4 million unencumbered shares of ESI discussed in Note 4. As discussed in Note 14 – Commitments and Contingencies – Borrowed Money, the Company has entered into a forward contract that obligates the Company to transfer a portion of these net unrealized gains to a third party. At December 31, 2007, a loss of $818 million was reflected as reductions to the net unrealized capital gains under the forward contracts. At December 31, 2006, a gain of $134 million was reflected as an addition to net unrealized capital gains under the forward contract.

Investments in unaffiliated common stocks totaled $2,891 million and $3,596 million at December 31, 2007 and 2006, respectively. In 2007 and 2006, the Company recorded net unrealized (losses) gains of $(415) million and $214 million, respectively.

The carrying amount and fair value of preferred stocks at December 31, 2007 was $196 million and $202 million, respectively. The carrying amount and fair value of preferred stock at December 31, 2006 was $285 million and $308 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 2007 were 7.85% and 5.37% (7.57% and 4.81% for 2006). There were no residential mortgage loans funded during 2007. The maximum and minimum lending rates for residential mortgage loans funded during 2006 were 7.38% and 4.50%. The maximum percentage of any one commercial loan to the value of the security, exclusive of insured or guaranteed or purchase money mortgages was 95.2%. The maximum percentage of any residential loan to the value of the security was 80.0%. The Company has no significant credit risk exposure to individuals.

At December 31, 2007 and 2006, the distribution of the mortgage loan portfolio by property type and geographic location was as follows (in millions):

	2007		2006	
	Carrying Amount	% of Total	Carrying Value	% of Total
Property Type:				
Office Buildings	$ 2,693	29.7 %	$ 2,432	30.1 %
Retail Facilities	2,341	25.8	2,244	27.8
Industrial	1,958	21.5	1,531	18.9
Apartment Buildings	1,834	20.2	1,542	19.1
Residential	174	1.9	240	3.0
Other	81	0.9	93	1.1
Total	$ 9,081	100 %	$ 8,082	100 %

	2007		2006	
	Carrying Amount	% of Total	Carrying Value	% of Total
Geographic Location:				
Central	$ 2,472	27.2 %	$ 2,072	25.6 %
South Atlantic	2,256	24.9	2,038	25.2
Pacific	1,953	21.5	1,551	19.2
Middle Atlantic	1,893	20.9	1,892	23.4
New England	503	5.5	524	6.5
Other	4	-	5	0.1
Total	$ 9,081	100 %	$ 8,082	100 %

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. The Company accrues interest income on impaired loans to the extent it is deemed collectible (delinquent less than 90 days) and the loan continues to perform under its original or restructured contractual terms. Interest income on non-performing loans is generally recognized on a cash basis. At December 31, 2007 and 2006 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, 2007 and 2006 the Company had $0 and less than $1 thousand respectively, of interest on mortgages that were more than 180 days past due.

Impaired mortgage loans at December 31, 2007 and 2006 were as follows (in millions):

	2007	2006
Impaired loans with related allowance for credit losses	$ -	$ -
Related allowance for credit losses	$ -	$ -
Impaired loans without an allowance for credit losses	$ 2	$ -
Average recorded investment in impaired loans	$ 1	$ -
Interest income recognized during the period	$ -	$ -
Interest income recognized on a cash basis during the period	$ -	$ -

For the years ended December 31, 2007 and 2006 the Company had no activity for credit loss related allowances.

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, 2007 and 2006, 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, 2007 and 2006, 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, 2007 and 2006.

Real Estate

At December 31, 2007 and 2006, the Company's real estate portfolio, at carrying amount, consisted of the following (in millions):

	2007	2006
Commercial:		
Investment	$101	$ 220
Acquired through foreclosure	38	47
Properties for Company use	314	302
Total real estate	$ 453	$ 569

Accumulated depreciation on real estate at December 31, 2007 and 2006 was $254 million and $244 million, respectively. Depreciation expense for 2007 and 2006 totaled $19 million and was recorded as an investment expense, a component of net investment income in the accompanying Statutory Statements of Operations.

At December 31, 2007 the Company reported $1.8 million of real estate as held for sale, which consisted of 4 residential properties, acquired through foreclosure. The Company had $0.4 million and $0 million

of impairments on real estate held for sale during 2007 and 2006, respectively, which are reflected in realized losses in the accompanying Statutory Statements of Operations. Two properties were subsequently sold during January and February of 2008. The Company actively markets its remaining properties held for sale.

During 2007 and 2006 the Company recognized $51 million and $0 million of realized gains on the sale of properties held for sale.

Limited Partnerships and Other Long-Term Investments

Limited partnerships and other long-term investments primarily consist of limited partnership interests in venture capital, leveraged buy-out funds, limited liability companies, real estate and other equity investments. The underlying net equity of these investments amounted to $7,700 million and $5,758 million at December 31, 2007 and 2006, respectively. Net unrealized gains of $95 million and $56 million were recorded on these investments for the years ended December 31, 2007 and 2006, respectively. The Company recognized $43 million and $39 million in impairment write-downs on its investment in partnerships and limited liability companies during the years ended December 31, 2007 and 2006, respectively.

At December 31, 2007 and 2006, the Company had $265 million and $186 million, respectively, of investments in limited partnerships and limited liability companies that were nonadmitted. During the years ended December 31, 2007 and 2006, $79 million and $35 million of these amounts, respectively, were charged to surplus.

The Company had $179 million and $123 million of investments in LIHTC at December 31, 2007 and 2006, respectively. The Company's unexpired tax credits on its investments in LIHTC expire within a range of less than 1 year to 13 years. The minimum holding period required for the Company's LIHTC investments extends from less than 1 year to 13 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 2007, there were no write-downs due to the forfeiture or ineligibility of tax credits.

During 2000, the Company and its affiliates formed the New York Life Short Term Investment Fund, LP ("NYL STIF") to improve short-term returns through greater flexibility to choose attractive maturities and enhanced portfolio diversification. The Company's share of investments in the NYL STIF totaled $2,060 million and $1,648 million at December 31, 2007 and 2006, respectively. The NYL STIF is primarily invested in short-term U.S. government and agency securities, CDs, bankers' acceptance notes and medium term floating rate notes, which maintained a weighted average maturity of forty-seven days.

Included in Other Long-Term Investments is a loan agreement the Company has with Madison Capital Funding LLC ("MCF"), an indirect wholly-owned subsidiary of the Company. Under the agreement, the Company provides funding to MCF that is used to acquire third party loans and equity investments. MCF loans were $1,706 million and $1,458 million at December 31, 2007 and 2006, respectively. See Note 6 "Related Party Transactions" for a more detailed discussion.

Assets on Deposit or Pledged as Collateral

Assets with a carrying value of $284 million and $272 million at December 31, 2007 and 2006, 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. ESI common stock valued at $1,558 million and $768 million, at December 31, 2007 and 2006, respectively, was pledged as collateral in connection with forward contracts entered into by the Company.

NOTE 4 - INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES

The components of net investment income for the years ended December 31, 2007 and 2006 were as follows (in millions):

	2007	2006
Bonds	$ 3,955	$ 3,825
Mortgage loans	554	559
Affiliated common stocks	11	20
Unaffiliated common and preferred stocks	106	107
Real estate	90	83
Limited partnerships	553	414
Policy loans	382	363
Other long-term investments	202	174
Short-term investments	187	164
Derivatives	20	(3)
Other	31	22
Gross investment income	6,091	5,728
Investment expenses	(496)	(445)
Net investment income	5,595	5,283
Amortization of IMR	58	48
Net investment income, including IMR	$5,653	$ 5,331

Due and accrued investment income is excluded from surplus when amounts are over 90 days past due or collection is uncertain. $762 thousand and $312 thousand of due and accrued investment income was excluded from net investment income in 2007 and 2006, respectively.

For the years ended December 31, 2007 and 2006, realized capital gains and losses on sales computed under the specific identification method were as follows (in millions):

	2007		2006	
	Gains	**Losses**	**Gains**	**Losses**
Bonds	$ 264	$ 290	$ 204	$ 180
Mortgage loans	1	1	1	-
Affiliated common stock	-	-	211	-
Unaffiliated common and preferred stock	586	180	426	92
Real estate	51	-	3	-
Other long-term investments	47	44	18	45
Derivatives	161	131	183	96
Other	1	20	-	132
	$ 1,111	$ 666	$ 1,046	$ 545
Net realized capital gains before tax and transfers to the IMR	$ 445		$ 501	
Less:				
Capital gains tax	(153)		(231)	
Net realized capital (gains) losses after tax transferred to the IMR	(13)		30	
Net realized capital gains after tax and transfers to the IMR	$ 279		$ 300	

In 2006, the Company sold 4 million unencumbered shares of ESI common stock, which generated a $110 million after tax realized capital gain.

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

	2007	2006
Bonds	$ (71)	$ (15)
Mortgage loans	-	-
Unaffiliated common and preferred stocks	(40)	(31)
Other long-term investments	(43)	(39)
	$ (154)	$ (85)

Proceeds from investments in bonds sold were $12,842 million and $14,570 million for the years ended December 31, 2007 and 2006, respectively.

The following table presents the Company's gross unrealized losses and fair values for bonds and equities with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in an unrealized loss position, at December 31, 2007 and 2006 (in millions):

2007

	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 and agencies	$ 53	$ 1	$ 651	$ 13	$ 704	$ 14
U.S. agencies, state, and municipal	18	-	48	1	66	1
Foreign governments	12	-	10	-	22	-
Corporate	6,939	279	10,187	517	17,126	796
Other mortgage-backed bonds	2,377	87	2,385	89	4,762	176
Other asset-backed bonds	4,342	163	1,230	53	5,572	216
Total Bonds	13,741	530	14,511	673	28,252	1,203
Equity Securities (Unaffiliated)						
Common Stock	649	93	7	2	656	95
Preferred Stock	68	4	19	1	87	5
Total Equity Securities	717	97	26	3	743	100
Total temporarily impaired securities	$ 14,458	$ 627	$ 14,537	$ 676	$ 28,995	$ 1,303

2006

	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 and agencies	$ 944	$ 15	$ 793	$ 22	$ 1,737	$ 37
U.S. agencies, state, and municipal	109	-	162	8	271	8
Foreign governments	33	-	31	1	64	1
Corporate	6,535	114	10,600	449	17,135	563
Other mortgage-backed bonds	1,649	11	2,820	70	4,469	81
Other asset-backed bonds	1,222	5	1,029	19	2,251	24
Total Bonds	10,492	145	15,435	569	25,927	714
Equity Securities (Unaffiliated)						
Common Stock	179	8	-	-	179	8
Preferred Stock	26	-	16	1	42	1
Total Equity Securities	205	8	16	1	221	9
Total temporarily impaired securities	$ 10,697	$ 153	$ 15,451	$ 570	$ 26,148	$ 723

At December 31, 2007, bonds represented approximately 92% of the Company's total unrealized loss amount, which was comprised of approximately 3,600 different securities. Equity securities comprised the remaining 8%, consisting of 452 securities. Bonds that were in an unrealized loss position less than twelve months at December 31, 2007, represent $531 million or 41% of the Company's total unrealized loss, and bonds in an unrealized loss position greater than twelve months represent $673 million or 52% of the Company's total unrealized loss. Of the total amount of bond unrealized losses, $987 million or 82% 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 $216 million or 18% of the total amount of bond unrealized losses. Change in interest rates, widening of credit spreads, and general market volatility sparked by the subprime credit crisis in 2007 contributed to the decline in value of our fixed maturity investments as follows:

U.S. Treasury and Government Corporations and Agencies. The unrealized losses on the Company's investments in U.S. Treasury obligations and direct obligations of U.S. corporations and agencies were $14 million or 1% of the Company's unrealized losses. These were spread across 88 securities and the decline in value was caused by interest rate increases. The contractual terms of these investments are guaranteed by the full faith and credit of the U.S. Government. 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, the Company did not consider these investments to be other than temporarily impaired at December 31, 2007.

Corporate Bonds. Unrealized losses on corporate bonds were $796 million or 66% of the total bond unrealized losses. The amount of unrealized losses on the Company's investment in corporate bonds is spread over 2,123 individual securities with varying interest rates and maturities. Corporate securities that were priced below 95% of the security's amortized cost represented $546 million or 45% of the total bond unrealized losses. Corporate spreads widened significantly in the second half of 2007 due to the credit crunch that was sparked by the subprime mortgage crisis. General market volatility, liquidity concerns, a slowing economy and credit deterioration in certain sectors contributed to unrealized losses. The industry sectors with the largest unrealized losses on securities that were priced below 95% of the security's amortized cost were electric utilities ($71 million), finance ($59 million), banking ($40 million) and Real Estate Investment Trust ($38 million). 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, 2007.

Mortgage-Backed Securities. Unrealized losses on mortgage-backed securities were $176 million or 15% of the total bond unrealized losses. The amount of unrealized losses on the Company's investment in mortgage-backed securities was due to the widening of credit spreads for mortgage securities in response to the subprime credit crisis. These losses are spread across approximately 655 fixed and variable rate investment grade securities. Mortgage-backed securities that were priced below 95% of the security's amortized cost represented $114 million or 65% of the total unrealized losses for mortgage-backed securities. The majority of our holdings (over 99%) are investment grade and management believes all deals remain well collateralized. The Company measures its mortgage-backed portfolio for impairments based on the security's credit rating and whether the security has an unrealized loss. When the fair value of securities are below amortized cost and there are negative changes in estimated future cash flows, the securities are deemed other than temporarily impaired and realized loss is recognized in net income in the accompanying Statutory Statements of Operations. The Company also evaluates these securities for other than temporary impairments based on facts and circumstances, even if there has been no negative change in estimated future cash flows. 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, 2007.

Asset-Backed Securities. Unrealized losses on asset-backed securities were $217 million or 18% of the total bond unrealized losses. The unrealized losses on these investments are largely due to the declining market for mortgage related securities in reaction to the subprime credit crisis. These losses are spread across 718 securities. Similar to mortgage-backed securities, the Company measures its asset-backed portfolio for impairments based on the security's credit rating and whether the security has an unrealized loss. When the fair value of securities that are not highly rated is below amortized cost and there are negative changes in estimated future cash flows, the securities are deemed impaired and a realized loss is recognized in net income in the accompanying Statutory Statements of Operations. The Company also evaluates these securities for impairments based on facts and circumstances, even if there has been no negative change in estimated future cash flows. The Company did not consider these investments to be other than temporarily impaired at December 31, 2007.

NOTE 5 - DERIVATIVE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company uses derivative financial instruments to manage interest rate, currency, and market risk. These derivative financial instruments include foreign exchange forward contracts, commodity, interest rate and equity options, interest rate swaps, credit default swaps and currency swaps. The Company does not engage in derivative financial instrument transactions for speculative purposes.

The Company deals with highly rated counterparties and does not expect the counterparties to fail to meet their obligations. 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.

To further minimize risk, credit support annexes are negotiated as part of swap documentation entered into by the Company with counterparties. The credit support annex requires that a swap counterparty post collateral to secure that portion of its anticipated swap obligation in excess of a specified threshold. The threshold declines with a decline in the counterparties' rating. Collateral received is invested in short-term investments.

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, 2007 and 2006, the Company held collateral for derivatives of $619 million and $352 million, respectively. Credit risk exposure in a net gain position, net of offsets and collateral, was $185 million and $181 million at December 31, 2007 and 2006, 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.

Hedge Effectiveness

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

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. 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 hedges the forecasted purchases of fixed rate securities. For 2007 and 2006, there were no gains and losses related to cash flow hedges of forecasted transactions that have been discontinued because it was no longer probable that the original forecasted transactions would occur by the end of the originally specified time period.

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

For derivative instruments which hedge the foreign currency exposure of a net investment in a foreign operation that meet the criteria of an effective hedge, the change in the fair value is reflected in unrealized gains and losses as part of the foreign currency translation adjustment. Derivatives that do not meet the criteria of an effective hedge that are hedging the net investment of a foreign operation are carried at fair value with changes in fair value recorded in surplus as unrealized gains and losses, net of deferred tax. Unrealized losses for derivatives that meet the criteria for an effective hedge were $52 million and $31 million for the years ended December 31, 2007 and 2006, respectively.

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 fixed-rate and floating-rate 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, 2007 and 2006 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.

At December 31, 2007, the Company had 356 open contracts for interest rate swaps at a notional amount of $5,086 million. At December 31, 2006 the Company had 206 open contracts for interest rate swaps at a notional amount of $3,152 million. Fair values of interest rate swaps were $(23) million and $74 million at December 31, 2007 and 2006, respectively, based on the net present value of cash flows discounted at current rates. At December 31, 2007 and 2006, the carrying values of interest rate swaps were $(112) million and $13 million, respectively.

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. At December 31, 2007, the Company had 1 open contract with a series of strike prices and an accreting notional amount of $828 million ($920 million at maturity) with a fair value and carrying value of $2 million. At December 31, 2006, the Company had 1 open contract at a notional amount of $920 million with a fair value and carrying value of $3 million.

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. At December 31, 2007 the Company had 75 open contracts for foreign currency swaps in 9 currencies at a notional amount of $8,452 million, with a fair value of $704 million and a carrying value of $899 million. At December 31, 2006 the Company had 66 open contracts for foreign currency swaps in 8 currencies at a notional amount of $6,848 million, with a fair value of $374 million and a carrying value of $451 million.

The Company's foreign exchange forward contracts involve the exchange of 4 currencies at a specified future date and at a specified price. The average term of the contracts is three to six months. No cash is exchanged at the time the agreement is entered into. At December 31, 2007, the Company had 27 open foreign exchange forward contracts at a notional amount of $263 million, with a fair value and carrying value of $(15) million, which has been recorded as a liability in the accompanying Statutory Statements of Financial Position. At December 31, 2006, the Company had 56 open foreign exchange forward contracts at a notional amount of $282 million, with a fair value and carrying value of $(2) million.

The Company did not have any outstanding purchased or written foreign currency options as of December 31, 2007 and December 31, 2006.

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. At December 31, 2007, the Company had 9 equity put option contracts at a notional value of $7 million with a fair value and carrying value of $0.2 million. At December 31, 2006, the Company had one equity option contract at a notional value of $1 million with a fair value and carrying value of $0.1 million.

The Company uses commodity options to hedge against the impact of higher oil prices on certain limited partnership investments. At December 31, 2007, the Company did not have any outstanding commodity options. At December 31, 2006, the Company had 14 commodity options with a notional amount of $2,938 million, and a fair value and carrying value of $50 million.

Credit Risk

The Company enters into credit default swaps to transfer the credit exposure of fixed income products. At December 31, 2007, the Company had 1 open contract to buy credit protection at a notional amount of $15 million with a fair value and carrying value of $(86) thousand. At December 31, 2006, the Company did not have any credit default swaps.

Income Generation

The Company seeks to increase profits and to mitigate losses in underlying equity positions by selling covered call options. At December 31, 2007, the Company had 44 written covered call options with a notional value of $49 million and a fair value and carrying value of $(302) thousand, which generated income of $963 thousand. At December 31, 2006, the Company had one written covered call option with a notional value of $6 million and a fair value and carrying value of $(21) thousand, which generated income of $110 thousand.

NOTE 6 – RELATED PARTY TRANSACTIONS

For the years ended December 31, 2007 and 2006, the Company made the following capital contributions to its insurance and holding company subsidiaries (in millions):

	2007	2006
NYLI	$ 237	$ 173
HAIER	11	8
NYLAZ	10	-
NYLIM	-	204
Total	$ 258	$ 385

During 2007, the Company received $20 million from NYLIFE LLC as return of capital. During 2006, the Company received $7 million from NYLIFE LLC, $1 million from NYLIM and $4 million from NYLI as returns of capital.

During 2007, the Company received a dividend distribution of $11 million from NYLIFE LLC. During 2006, the Company received dividend distributions from NYLIFE LLC and NYLIAC of $8 million and $12 million, respectively. Dividend distributions are included in net investment income on the Statutory Statements of Operations.

On April 27, 2005, NYLI and the Company entered into an Investment Participation Agreement related to NYLI's direct investment in 95% of the Class C shares of the New York Life International India Fund (Mauritius) LLC. In accordance with the Investment Participation Agreement, the Company advanced $4 million to NYLI towards the partial purchase price of such Class C shares for the right to receive a 52.63% beneficial interest in NYLI's interest in such shares. In addition, the Company agreed to fund expenses attributable to such beneficial interest and also agreed to receive any distribution annually through NYLI and participate in any capital call relating to the payment of management fees and other fund expenses by funding payment directly to NYLI on a pro-rata annual basis. At December 31, 2007 and 2006, the Company's investment in New York Life International India Fund (Mauritius) LLC is $5 million and $4 million, respectively.

The Company has a loan agreement with NYLI dated April 1, 2006 associated with proceeds deposited with the Company from excess capital. 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 5.31% 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, 2008, but either party may also terminate this arrangement with a minimum three months' notice. During both 2007 and 2006, interest expense of $4 million, was capitalized to the loan resulting in an outstanding payable to NYLI of $107 million and $106 million at December 31, 2007 and 2006, respectively.

During August 2003, the Company transferred without recourse several private placement debt securities to Madison Capital Funding ("MCF"). MCF is a wholly-owned subsidiary of NYLIM Holdings LLC, 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. At December 31, 2007 and 2006, the outstanding balance payable to the Company totaled $21 million and $22 million, respectively. During 2007 and 2006, the Company received interest payments from MCF totaling $1 million and $2 million, respectively, which is included in net investment income on the accompanying Statutory Statements of Operations.

In March 2005, the Company formed five entities in which the Company had a controlling interest: Tribeca Holdings I LLC ("Tribeca I"), Bluewater Holdings I LLC ("Bluewater I"), Gramercy Holdings I LLC ("Gramercy I"), Union Investments I LP ("Union I") and 29 Park Investments No. 1 Limited ("29 Park No. 1"). These entities were formed to facilitate 29 Park No. 1's participation, a purchase of a $364 million par value pool of investment grade, US dollar denominated medium term notes ("MTNs") issued by ten foreign issuers and arranged on behalf of 29 Park No. 1 by Barclays Bank plc ("Barclays"). To fund the purchase of the MTNs, on May 26, 2005, the Company purchased ten credit-linked notes issued by Tribeca I for a total purchase price of $356 million, which amount was simultaneously loaned by Tribeca I to Union I, who in turn contributed such funds to 29 Park No. 1, for its purchase of ten MTNs with a total principal value of $364 million. The other entities, Bluewater I and Gramercy I, each had ancillary roles in these investment arrangements.

In March 2006, the Company participated in another purchase of $98 million par value pool of investment grade, MTNs issued by two foreign issuers and arranged on behalf of 29 Park No. 1 by Barclays Bank plc ("Barclays"). To fund the purchase of the MTNs, on March 1, 2006, the Company purchased two credit-linked notes issued by Tribeca I for a total purchase price of $96 million, which amount was simultaneously loaned by Tribeca I to Union I, who in turn contributed such funds to 29 Park No. 1, for its purchase of two MTNs having a total principal value of $98 million.

In December 2007 this structure was unwound and the securities held by 29 Park No. 1 with book value of $453 million were transferred to the Company. Residual cash of $0.5 million was being held in 29 Park No. 1 in anticipation of settling outstanding tax liabilities. Substantially all cash in excess of the tax amount ultimately payable will revert to the Company after settlement.

The Company has a revolving loan agreement dated April 16, 2001, as amended, to provide funding to MCF in an 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 in cash based on the 90 day LIBOR rate plus a spread based on an agreed formula, with interest on the remaining 15% compounded quarterly. Effective June 1, 2003, the MCF loan agreement was amended to provide that a portion of the loan used to acquire equity investments would earn interest at 10% per annum, payable quarterly. The principal balance and compounded interest is not due until maturity in April 2011. The Company recorded $108 million and $101 million in interest income for the years ended December 31, 2007 and 2006, respectively. At December 31, 2007 and 2006, the Company had outstanding loans receivable from MCF of $1,685 million and $1,435 million,

respectively. These amounts are included with Other Long-Term Investments on the accompanying Statutory Statements of Financial Position.

The Company executed a promissory note with NYLIFE LLC, dated August 16, 2001, whereby NYLIFE LLC loaned the Company $239 million. The note has a par value of $243 million and an interest rate of 3.3% per annum. Interest on the note is payable quarterly until maturity on August 22, 2011. During 2007 and 2006, the Company made $8 million in coupon interest payments each year. At December 31, 2007 and 2006, the amount due under this note, which is included with Borrowed Money on the accompanying Statutory Statements of Financial Position, totaled $243 million and $242 million, respectively and included $1 million of accrued interest for each year.

New York Life Capital Corporation ("NYLCC"), a wholly-owned subsidiary of NYLIFE LLC, has a credit agreement with the Company, as amended on January 1, 2006, whereby NYLCC has agreed to make loans to the Company in an aggregate amount not exceeding $3 billion at any time, from proceeds from the issuance of commercial paper. In connection with borrowings under this agreement during 2007 and 2006, the Company recorded interest expense of $25 million and $20 million, respectively. At December 31, 2007 and 2006, the Company had a loan payable to NYLCC of $992 million and $494 million, respectively, which is included with Borrowed Money on the accompanying Statutory Statements of Financial Position.

On April 1, 2000, the Company entered into Investment Advisory and Administrative Services Agreements with its affiliate, New York Life Investment Management LLC, to provide investment advisory and administrative services to the Company. At December 31, 2007 and 2006, the total cost to the Company for these services amounted to $108 million and $98 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 $770 million and $1,056 million for the years ended December 31, 2007 and 2006, 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, 2007 and 2006, the Company reported a net amount of $177 million and $238 million, respectively, due from subsidiaries and affiliates. The terms of the settlement require that these amounts be settled in cash within ninety days.

As of December 31, 2007 and 2006, an executive of the Company was also a director of ESI. ESI is a pharmacy benefit management company that periodically performs services for, or has other transactions with the Company. Such transactions are entered into on terms comparable to those that would be available to unrelated third parties and are not material to the Company's financial condition or results of operations.

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, 2007 and 2006, the cash surrender value of these policies amounted to $2,395 million and $2,223 million, respectively, and is included with other assets on the accompanying Statutory Statements of Financial Position.

The Company has issued $5,103 million and $4,863 at December 31, 2007 and 2006, 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, 2007 and 2006, the carrying value of the annuity contracts and the corresponding obligations amounted to $157 million and $155 million, respectively.

The Company compensates NYLIAC for policy credits associated with converting the Company's term policies and term riders to universal life policies that are issued by NYLIAC without any additional underwriting. For the years ended December 31, 2007 and 2006, $15 million and $14 million, respectively, was paid to NYLIAC.

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, 2007 and 2006 and results of operations for the years then ended are as follows (in millions):

	2007	2006
Assets:		
Bonds	$ 38,211	$ 37,274
Mortgage loans and real estate	5,118	4,122
Separate account assets	20,558	17,744
Other	8,799	7,827
Total assets	$ 72,686	$ 66,967
Liabilities and Surplus:		
Policy reserves	$ 36,809	$ 35,115
Separate account liabilities	20,552	17,681
Other liabilities	12,675	11,847
Capital and surplus	2,650	2,324
Total liabilities and surplus	$ 72,686	$ 66,967
Results of Operations:		
Net gain from operations	$ 348	$ 248
Net realized capital gain (losses)	(59)	4
Net income	$ 289	$ 252

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%. 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 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.

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 coverages 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.

Reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years has increased by $24 million from $326 million in 2006 to $350 million in 2007 as a result of re-estimation of unpaid losses and loss adjustment expenses principally group medical, disability income, and long term care lines of insurance. This increase is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims. The Company ha no unfavorable prior year loss development on retrospectively rated policies included in this increase.

The balance in the liability for unpaid accident and health claim adjustment expenses as of December 31, 2007 and 2006 was $13 million and $8 million, respectively. The Company incurred $18 million and paid $13 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 incurred $17 million and paid $15 million of claim adjustment expenses in the prior year, of which $3 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 reduced such liability by $0 in both 2007 and 2006.

At December 31, 2007 and 2006, the Company had $11,867 million and $8,799 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.

GICs with life contingencies totaled $2,784 million and $3,900 million with a weighted average interest rate of 4.67% and 4.65% at December 31, 2007 and 2006, respectively. The weighted average remaining maturity was 2 years, 2 months and 2 years, 3 months at December 31, 2007 and 2006, 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 totaled $19,345 million and $16,080 million at December 31, 2007 and 2006, respectively. The weighted average interest rate was 4.94% and 4.96% at December 31, 2007 and 2006, respectively. The weighted average remaining maturity was 2 years, 7 months at both December 31, 2007 and 2006, 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, 2007 and 2006, the balance under funding agreements sold by the Company to the SPEs was $12,544 million and $9,692 million, respectively.

The weighted average interest rate for all GICs was 4.90% at both December 31, 2007 and 2006, respectively. Similarly, the combined weighted average remaining maturity was 2 years, 6 months for both December 31, 2007 and 2006.

The fair value of the Company's deposit fund liabilities at December 31, 2007 and 2006 were $22,049 million and $18,911 million, respectively. For funding agreements backing medium term notes, fair values are based on available market prices for the notes. For other GICs and annuities certain, 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 dividend accumulations and other deposit contracts, fair value is equal to account value.

In 2007 the Company decreased disability active life reserves by $81 million. This was recorded as a change in valuation basis on the accompanying Statutory Statements of Changes in surplus. The disability income block is fully reinsured; therefore an offsetting decrease in reinsurance reserve credit was recorded on the accompanying Statutory Statements of Operations a decrease in net income. Consequently this transaction had no impact on surplus.

The Company had a $6 million liability at December 31, 2007 ($16 million at December 31, 2006) 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, $10 million and $0.4 million of gains were recorded on the accompanying Statutory Statements of Change in Surplus for the years ended December 31, 2007 and 2006, respectively.

The following table reflects the withdrawal characteristics of annuity reserves and deposit fund liabilities (in millions):

	2007		2006	
	Amount	% of Total	Amount	% of Total
Subject to discretionary withdrawal:				
With market value adjustment	$ 7,009	16%	$ 7,295	18 %
At market value	3,609	8	3,652	9
Total with adjustment or at market value	10,618	24	10,947	27
At book value without adjustment	1,978	4	1,977	5
Not subject to discretionary withdrawal provisions	31,506	72	28,376	68
Total annuity reserves and deposit fund liabilities	$ 44,102	100%	$ 41,300	100 %

NOTE 9 - SEPARATE ACCOUNTS

Guaranteed Separate Accounts

The Company currently maintains guaranteed separate accounts with assets of $3,716 million and $3,400 million at December 31, 2007 and 2006, respectively. Of these amounts, $6 million and $4 million were maintained each year in supplemental separate accounts at December 31, 2007 and 2006, 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, 2007 and 2006, the Company reflected changes of $(6) million and $(0.3) 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 $2,895 million and $2,715 million at December 31, 2007 and 2006, 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, 2007 and 2006 is as follows (in millions):

	2007				
	Indexed	Non-indexed Guarantee Less than/Equal to 4%	Non-indexed Guarantee More than 4%	Non-guaranteed Separate Accounts	Total
Premiums and considerations	$ -	$ 1,416	$ -	$ 161	$ 1,577
Reserves:					
For accounts with assets at:					
Market value	$ 666	$ 83	$ -	$ 2,860	$ 3,609
Amortized cost	-	2,945	-	-	2,945
Total reserves	$ 666	$ 3,028	$ -	$ 2,860	$ 6,554
By withdrawal characteristics:					
With market value adjustment	$ -	$ 2,945	$ -	$ -	$ 2,945
At market value	666	83	-	2,860	3,609
Total reserves	$ 666	$ 3,028	$ -	$ 2,860	$ 6,554

	2006				
	Indexed	Non-indexed Guarantee Less than/Equal to 4%	Non-indexed Guarantee More than 4%	Non-guaranteed Separate Accounts	Total
Premiums and considerations	$ -	$ 908	$ -	$ 109	$ 1,017
Reserves:					
For accounts with assets at:					
Market value	$ 890	$ 78	$ -	$ 2,684	$ 3,652
Amortized cost	-	2,396	-	-	2,396
Total reserves	$ 890	$ 2,474	$ -	$ 2,684	$ 6,048
By withdrawal characteristics:					
With market value adjustment	$ -	$ 2,396	$ -	$ -	$ 2,396
At market value	890	78	-	2,684	3,652
Total reserves	$ 890	$ 2,474	$ -	$ 2,684	$ 6,048

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

	2007	2006
Transfers as reported in the Separate Accounts Statement:		
Transfers to Separate Accounts	$ 1,577	$ 1,017
Transfers from Separate Accounts	(1,360)	(1,220)
Reinsurance Assumed	13	10
Net transfers to (from) the Separate Accounts	$ 230	$ (193)

NOTE 10 - INCOME TAXES

Significant components of current federal income taxes incurred for the years ended December 31, 2007 and 2006 were as follows (in millions):

	2007	2006
Current income tax expense:		
Current year U.S. income tax	$ 114	$ 241
Current year foreign income tax	2	1
Current income tax incurred	116	242
Capital gains tax incurred	153	231
Total current income taxes incurred	$ 269	$ 473

The components of the net deferred tax asset are as follows (in millions):

	December 31, 2007	December 31, 2006
Gross deferred tax assets (DTAs)	$ 2,238	$ 1,928
Gross deferred tax liabilities (DTLs)	(906)	(692)
Net deferred tax asset	1,332	1,236
Net deferred tax assets non-admitted	767	720
Net admitted deferred tax asset	$ 565	$ 516
Increase (Decrease) in net deferred taxes nonadmitted	$ 47	$ 72

Net deferred tax assets are nonadmitted primarily because they are not expected to be realized within one year 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 tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities are as follows (in millions):

	December 31, 2007	December 31, 2006	Increase/ (Decrease)
DTAs resulting from book/tax differences in:			
Policy reserves	$ 707	$ 423	$ 284
Deferred acquisition costs	470	451	19
Employee and agent benefits	501	516	(15)
Nonadmitted assets	106	82	24
Dividend provision	400	381	19
Investments	36	53	(17)
Other	18	22	(4)
Gross deferred tax asset	2,238	1,928	310
DTLs resulting from book/tax differences in:			
Investments	906	692	214
Gross deferred tax liability	$ 906	$ 692	214
Net deferred tax asset	$ 1,332	$ 1,236	96
Deferred tax on unrealized gains (losses)			(168)
Change in deferred income tax			$ (72)

The Company's income tax expense for the years ended December 31, 2007 and 2006, 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):

	2007	2006
Net Gain from Operations after Dividends to Policyholders and Before Federal Income Taxes @ 35%	$ 243	$ 258
Net realized capital gains at 35%	156	175
Tax exempt income	(45)	(47)
Tax credits (net of withholding)	(46)	(41)
Amortization of IMR	(20)	(17)
Dividends from subsidiaries	(4)	(7)
Contiguous country branch income	(4)	(4)
Change in reserve on account of change in valuation basis	28	(8)
Prior year audit liability and settlement	16	51
Nonadmitted assets	4	(19)
Stock contribution to Foundation	(1)	(5)
Accruals in surplus	9	8
Other	5	(1)
Income Tax Incurred and Change in Net Deferred Tax Asset During Period	$ 341	$ 343
Federal income taxes reported in the Summary of Operations	$ 116	$ 242
Capital gains tax incurred	153	231
Change in net deferred income taxes	72	(130)
Total statutory income taxes	$ 341	$ 343

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 2001 and is auditing tax years 2002 through 2004. 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 carryforwards. The total income taxes incurred in current and prior years that will be available for recoupment in the event of future net losses are $310 million, $340 million, and $194 million related to December 31, 2007, 2006, and 2005, respectively.

In July 2006, the FASB issued FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes" an interpretation of FASB Statement No. 109. This Interpretation is not applicable to statutory financial statements. However, the FIN 48 disclosure requirements are relevant to statutory financial statements.

A reconciliation of the beginning and ending amount of unrecognized tax benefits at December 31, 2007, is as follows:

	Tax Unrecognized Tax Benefits
	(in millions)
Balance at January 1, 2007	$ 25
Additions for tax positions of prior years	2
Reductions for tax positions of prior years	-
Additions for tax positions of current year	8
Reductions for tax positions of current year	-
Settlements with tax authorities	-
Lapses of applicable statue of limitations	-
Balance at December 31, 2007	$ 35

The Company does not anticipate any significant changes to its unrecognized tax benefits within the next 12 months. The total amount of unrecognized benefits that, if recognized, would affect the effective tax rate is $(2) million. The Company classifies interest and penalties related to tax uncertainties as income tax expense. Total interest and penalty for the year ended December 31, 2007 aggregated $10 million and is included in the accompanying Statutory Statements of Operations. At December 31, 2007, the Company had accrued $43 million of liabilities for tax-related interest, which is reported on the accompanying Statutory Statements of Financial Position (included in other liabilities).

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 NYLIM.

At December 31, 2007 and 2006 the Company recorded a current income tax payable of $56 million and $80 million, respectively, which was included in Other Liabilities in the accompanying Statutory Statements of Financial Position.

At December 31, 2007 the Company had no protective tax deposits, which are 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 our 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 16% of total life insurance inforce at December 31, 2007 and 2006, respectively. The reserve reductions taken for life insurance reinsured at December 31, 2007 and 2006 were $286 million and $285 million, respectively.

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 2007 and 2006 were $116 million and $124 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 taxes that is amortized into net gain over a twenty-year period. During 2007 and 2006, $3 million was amortized each year into net gain leaving $31 million at December 31, 2007 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, 2007 and 2006, 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 and $6 million for the years ended December 31, 2007 and 2006, respectively.

NOTE 12 – SURPLUS

Surplus Notes

On May 5, 2003, the Company issued Surplus Notes ("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 Notes were $990 million, net of discount. The Notes were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and are administered by Citibank as registrar/paying agent. Interest on these Notes is scheduled to be paid semiannually on May 15 and November 15 of each year. Cumulative interest paid through December 31, 2007 totaled $266 million.

As part of the Notes offering, the New York State Insurance Department required the Company to establish a special reserve in the amount of 10% of the face amount of the Notes, or $100 million. This reserve (reported in Other Liabilities on the accompanying Statutory Statements of Financial Position) was required for the payment of post closing amounts, including any amounts the Company may have to pay as a result of its agreement to indemnify the underwriters for certain potential claims arising out of the issuance of the Notes. To date, there have been no claims. The reserve can be reduced in equal increments of 1/9 of the initial reserve amount, or $11 million May 15, 2006, May 15, 2007 and May 15, 2008, and be completely eliminated after six years on May 15, 2009, if no claims arise. Accordingly, the reserve was reduced by $11 million in both 2006 and 2007 and was reflected in the accompanying Statutory Statements of Change in Surplus.

The Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York 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 that the Superintendent determines to be available for such payments under New York Insurance Law. Provided that approval is granted by the Superintendent, the 5.875% Notes may be redeemed at the option of the Company at any time at the "make-whole" redemption price equal to the greater of the principal amount of the Notes to be redeemed, or the sum of the present values of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the Notes are to be redeemed, discounted to a semi-annual basis at the adjusted treasury rate plus 20 basis points.

At December 31, 2007 and 2006, there were no affiliates that held any portion of the Notes. At December 31, 2007 and 2006, Citibank, Bank of New York Mellon (formerly Bank of New York) 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):

	2007	2006
Regulation 128 reserve – Note 8	$ 11	$ 1
Ceding commission – Note 11	(3)	(3)
Additional minimum liability – Note 13	12	18
Separate account surplus – Note 9	(6)	-
Reinsurance in unauthorized companies – Note 11	-	6
Total	$ 14	$ 22

Cumulative unrealized gains, gross of deferred taxes, recognized in unassigned surplus were $1,088 million and $642 million, respectively, as of December 31, 2007 and 2006.

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 which are unavailable due to encumbrances or other third party interests. In addition, some assets are nonadmitted because they do not conform to the laws and regulations of State of New York. 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, 2007 and 2006, respectively (in millions):

	2007	2006	Increase (Decrease)
Overfunded pension asset	$ 766	$ 883	$ (117)
Net deferred tax asset	768	720	48
Furniture, equipment and EDP	220	196	24
Invested assets	266	187	79
Other	84	81	3
Total	$ 2,104	$ 2,067	$ 37

NOTE 13 - BENEFIT PLANS

Defined Benefit Plans

The Company maintains the New York Life Insurance Company Pension Plan (the "Pension Plan"). The Pension Plan is a qualified defined benefit pension plan covering substantially all eligible full-time and part-time employees of the Company and certain eligible employees of subsidiaries that adopt the Pension Plan. Agents are not eligible for benefits under the Pension Plan. Pension Plan participants are entitled to annual pension benefits beginning at normal retirement age (age 65), equal to a percentage of their final average salary (average monthly salary for the highest paid 60 consecutive months of the last 120 months the participant is employed by the Company), less a social security offset for each active participant in the Pension Plan as of December 31, 1988. For benefits accrued on or after January 1, 2004, the accrual percentage of final average salary used to determine benefits was amended from 1.65% to 1.45%. The Company also maintains the New York Life Excess Benefit Plan, which is a nonqualified, unfunded arrangement, which provides benefits in excess of the maximum benefits that may be paid or accrued under the Pension Plan.

The Company also maintains the NYLIC Retirement Plan ("Retirement Plan"). The Retirement Plan is a qualified defined benefit pension plan covering substantially all eligible agents under contract to the Company or its domestic life insurance subsidiaries on or after the effective date of the Plan, January 1, 1982, the effective date of the 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 5 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%. Prior to termination (discussed below), the Company also maintained the NYLIC Excess Benefit Plan which was a nonqualified, unfunded arrangement that provided (i) benefits in excess of the maximum benefits that may be paid or accrued under the Retirement Plan and (ii) amounts to certain eligible agents whose retirement benefit under the Retirement Plan and the additional amount is less than their Senior NYLIC Income (income payable to an agent who has completed 20 full years under a N4, N5 or N6 NYLIC contract) so that their total retirement benefit under the Retirement Plan is equivalent to their Senior NYLIC Income. In 2005, the Company entered into a settlement agreement in Lucich v. New York Life Insurance Co., No. 01-CIV-1747 (S.D.N.Y.). Pursuant to the settlement agreement, (i) the Retirement Plan's benefit formula was amended and prospectively changed for certain participants resulting in certain non-qualified payments becoming payable from the Plan on a prospective basis; (ii) the NYLIC Excess Benefit Plan was terminated; and (iii) the Company established the NYLIC 415 and 401(a)(17) Excess Benefit Plan, which is a nonqualified, unfunded arrangement to provide benefits in excess of the maximum benefits that may be paid or accrued under the Retirement Plan.

The Pension Plan and the Retirement Plan are funded solely by Company contributions. The Company's funding policy for each of these Plans is to make annual contributions that are no less than the minimum amount needed to comply with the requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and no greater than the maximum amount deductible for federal income tax purposes. The Company made no contributions to the Pension Plan in 2007 and 2006. The Company made no contributions to the Retirement Plan in 2007 and contributed $125 million in 2006.

The assets of the Pension Plan and Retirement Plan are maintained in separate trusts issued to each plan. Each plan currently invests in two group annuity contracts: one contract is an immediate participation guarantee contract relating to the Company's general account ("GA Contract"), and the other contract relates to pooled separate accounts ("SA Contract"). Each plan's investments in the GA Contract and the SA Contract are held in the separate trust established under each Plan.

The Company is the issuer of the GA and SA Contracts and NYLIM is the investment manager of the pooled separate accounts under the SA Contract. The GA Contract provides for the payment of an annual administrative charge based on a percentage of the assets maintained in the fixed account under the contract. The SA Contract provides for the payment of separate annual fees for the management of each separate account.

Grantor Trusts

The Company has established separate irrevocable grantor trusts covering certain of the Company's separate nonqualified arrangements for agents and employees to help protect nonqualified payments thereunder in the event of a change in control of the Company. The grantor trusts are not subject to ERISA.

Other Postretirement Benefits

The Company's Group Plan for New York Life employees 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 or third prior), age, level of benefits and location of residence.

Agents who retired under the NYLIC Retirement Plan prior to January 1, 1993 and agents who retired under the NYLIC Retirement Plan after December 31, 1992 but either had completed 30 or more years of service or 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 is paid by a combination of the VEBA Trusts' assets and contributions by the eligible retired individuals. The remaining balance of these costs is paid by the Company.

It has been the Company's practice to prefund postretirement benefits to the extent allowable for federal income tax purposes. Prefunding contributions are made to the Retired Employee VEBA Trust and the Retired Agent VEBA Trust, which are used to partially fund postretirement health and life benefits other than pensions. Prefunding contributions to the Retired Employee VEBA Trust totaling $1 million and $2 million were made in 2007 and 2006, respectively. No prefunding contributions to the Retired Agent VEBA Trust were made in 2007 and 2006.

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

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

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 introduces a prescription drug benefit under Medicare beginning in 2006. Under the Act, employers who sponsor postretirement plans that provide prescription drug benefits that are actuarially equivalent to Medicare Part D qualify to receive subsidy payments.

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,	
	2007	**2006**
Cumulative reduction in benefit obligation:		
Beginning of year	$ 122	$ 112
Eligibility cost	5	5
Interest cost	7	6
Net actuarial loss	(29)	(1)
Prescription drug subsidy	(4)	-
End of year	$ 101	$ 122
Reduction in net periodic benefit cost:		
Eligibility cost	$ 5	$ 5
Interest cost	7	6
Amortization of net actuarial loss	5	8
Total reduction in net periodic benefit cost	$ 17	$ 19

During 2007 and 2006, the Company received $3 million and $1 million, respectively, in Medicare Part D subsidy payments.

The tables below are for financial reporting purposes only and do not reflect the status of the assets of each of the Pension Plan and the Retirement Plan under applicable law (in millions):

	Pension Plan Benefits		Other Postretirement Plan Benefits	
	2007	2006	2007	2006
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 4,094	$ 4,085	$ 992	$ 920
Service cost	112	114	39	37
Interest cost	230	216	55	48
Contributions by plan participants	-	-	3	3
Actuarial (gains)/losses	(200)	(159)	(25)	45
Benefits paid	(184)	(175)	(52)	(58)
Plan amendments	(2)	13	(3)	(3)
Medicare Part D Reimbursements	-	-	4	-
Benefit obligation at end of year[1]	$ 4,050	$ 4,094	$ 1,013	$ 992
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 3,567	$ 3,210	$ 435	$ 412
Actual return on plan assets	414	395	50	35
Contributions by employer	14	137	48	43
Contributions by plan participants	-	-	3	3
Benefits paid	(184)	(175)	(51)	(58)
Fair value of plan assets at end of year[1]	$ 3,811	$ 3,567	$ 485	$ 435
Funded Status:				
Funded status	$ (239)	$ (527)	$ (529)	$ (557)
Unamortized prior service cost	38	48	1	1
Unrecognized net (gain)/loss	626	1,048	248	306
Remaining net obligation at transition	-	-	39	50
Contributions by employer	7	4	12	12
Intangible asset[2]	(1)	(1)	-	-
Accumulated charge to surplus	(24)	(36)	-	-
Prepaid (accrued) benefit cost	$ 407	$ 536[2]	$ (229)	$ (188)
Accumulated Benefit obligation for all defined pension plans at December 31[1]	$ 3,670	$ 3,667		
Benefit obligation for non-vested participants[3]			$ 197	$ 260

[1] For both 2007 and 2006, a September 30th measurement date was used.

[2] Prepaid (accrued) benefit cost and the intangible asset are nonadmitted assets and are, therefore, not included in total assets on the Statutory Statements of Financial Position.

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

An additional minimum liability adjustment is required 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, net of tax benefit, are reported as adjustments to surplus. At December 31, 2007, the Company reflected an additional net minimum liability ("AML") of $24 million ($36 million in 2006) for the New York Life Excess Benefit Plan and $(1) million for the NYLIC Excess Benefit Plan ($(1) million in 2006). The change in the AML during 2007 and 2006 was reflected as $12 million increase and $18 million increase to surplus in 2007 and 2006, respectively.

In September 2006, the FASB issued SFAS No. 158, "Employees Accounting for Defined Benefit Pension and Other Post Retirement Plans – an amendment of FASB Statement No. 87, 88, 106 and SFAS No. 132(R) ("SFAS 158"). This statement requires an employer to prospectively recognize the overfunded or underfunded status of its defined benefit pension and postretirement plans as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. As of December 31, 2007, the NAIC had not opined on SFAS No. 158. As a result, no impact of this statement is reflected in the statutory financial statements at December 31, 2007.

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

	Pension Plan Benefits		**Other Postretirement Plan Benefits**	
	2007	**2006**	**2007**	**2006**
Components of net periodic benefit cost:				
Service cost	$ 112	$ 114	$ 39	$ 37
Interest cost	230	216	55	48
Expected return on plan assets	(268)	(251)	(31)	(30)
Amortization of net asset at transition	-	-	8	9
Amortization of (gains)/losses	76	95	14	13
Amortization of prior service cost/(credit)	8	7	-	-
Net periodic benefit cost	$ 158	$ 181	$ 85*	$ 77*

* Includes postretirement costs billed to subsidiaries of $37 million and $31 million for each of the years ended December 31, 2007 and 2006, respectively.

Weighted-average assumptions used to determine benefit obligations at:

	Pension Plan Benefits		**Other Postretirement Plan Benefits**	
	2007	**2006**	**2007**	**2006**
Weighted-average assumptions used to determine benefit obligations*:				
Discount rate	6.40%	5.75%	6.40%	5.75%
Rate of compensation increase:				
Employees	5.40%	5.40%	5.40%	5.40%
Agents	5.60%	5.60%	N/A%	5.60%

*For both 2007 and 2006, a September 30 measurement date was used.

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

	Pension Plan Benefits		Other Postretirement Plan Benefits	
	2007	2006	2007	2006
Weighted-average assumption used to determine net periodic benefit cost:				
Discount rate	5.75%	5.40%	5.75%	5.40%
Expected return on plan assets	8.25%	8.25%	7.25%7.75/%**	7.25%/7.75%**
Rate of compensation increase:				
Employees	5.40%	5.40%	5.40%	5.40%
Agents	5.60%	5.60%	N/A%	5.60%

**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 or better by Moody's Investor Service, Inc. or a rating AA or better 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.

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

In 2007, the annual rate of increase in the per capita cost of covered health care medical benefits was assumed to be 8% for all participants. The annual rate of increase in the per capita cost of covered health care prescription drug benefits was assumed to be 12% for all participants. For the 2007 measurements, the rate was assumed to decline to 5% by 2010 for medical benefits and to 5% by 2014 for prescription drug benefits and remain at that level thereafter. For dental plans, the annual rate of increase in the per capita cost of covered health care benefits is assumed to be 5% for all participants and remain at that level thereafter.

In 2006, the annual rate of increase in the per capita cost of covered health care medical benefits was assumed to be 8% for all participants. The annual rate of increase in the per capita cost of covered health care prescription drug benefits was assumed to be 12% for all participants. For the 2006 measurements, the rate was assumed to decline to 5% by 2010 for medical benefits and to 5% by 2014 for prescription drug benefits and remain at that level thereafter. For dental plans, the annual rate of increase in the per capita cost of covered health care benefits is assumed to be 5% for all participants and remain at that level thereafter.

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

	2007 One Percent Increase	2007 One Percent Decrease
Effect on total of service and interest cost components	$ 12	$ (9)
Effect on accumulated postretirement obligations	101	(83)

The weighted-average asset allocation for the Employee and Agent Defined Benefit Pension Plans at September 30, 2007 and 2006, and target allocations by asset category are as follows:

	Target Allocation	Percentage Of Plan Assets	
	2007	2007	2006
Fixed Income	40%	36%	42%
Equity Securities	60%	64%	58%
Total	100%	100%	100%

Equity securities, including common stock, amount to $2,437 million (64% of total assets of the plans) and $2,070 million (58% of total assets of the plans) at September 30, 2007 and 2006, respectively.

The Investment Committees of the Employee and Agent Defined Benefit Pension Plans have established a broad investment strategy targeting an asset allocation of 60% equity and 40% fixed income. Diversifying each asset class by style and type further enhances this allocation. In developing this asset allocation strategy, the Committees took into account, among other factors, the information provided to it by the plans' actuary, information relating to the historical investment returns of each asset class, the correlations of those returns and input from the plans' investment consultant. The Committees regularly review the plans' asset allocation versus the targets and make adjustments as appropriate. The Committees review the investment performance of the General Account Contract for each Plan and the separate accounts under each Plan's Separate Account Contract on a regular basis.

The Company's weighted-average asset allocation for the other postretirement benefit plan at September 30, 2007 and 2006, and target allocations by asset category under the VEBA Trusts are as follows:

	Target Allocation Percentage 2007		Percentage of VEBA Trust Assets 2007		2006	
	Health	Life	Health	Life	Health	Life
Fixed Income Securities	30%	30%	37%	27%	39%	29%
Equity Securities	70%	70%	63%	73%	61%	71%
Total	100%	100%	100%	100%	100%	100%

Equity securities, including common stock, amount to $310 million (66% of total VEBA Trust Life and Health assets) and $269 million (64% of total VEBA Trust Life and Health assets) at September 30, 2007 and 2006, respectively.

2007 Plan Amendments

The Company performed a thorough review of the Pension Plan. As a result of this review, the Company will be implementing changes effective January 1, 2008. The changes to the defined benefit pension plan include modifying the early retirement benefits. As of December 31, 2007, current employees are eligible for retirement benefits if they retire at age 55 with 10 years of service. Effective January 1, 2008 for new hires, either age 55 and 15 years or age 60 and 10 years are necessary for eligibility. In addition, the early retirement reduction factors have increased (3.6% to 5.0%) for new hires and certain other employees. These changes were reflected in the 2007 year-end disclosures.

In addition, effective January 1, 2008 the Company will be implementing changes to the retiree medical program for Agents and Employees. The changes include replacing the current insurance offerings with account based plans for retired agents and modifying the eligibility for benefits and the level of Company-provided subsidy for certain employees.

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

2006 Plan Amendments

In 2005, the Company entered into a settlement agreement in Lucich vs. New York Life Insurance Company. As a result, the NYLIC Retirement Plan's Benefit formula was amended and prospectively changed for certain participants resulting in certain non-qualified payments becoming payable from the Plan on prospective basis. The Lucich settlement was reflected in 2006 year-end disclosures.

Effective January 1, 2007, the Employees' current medical options were replaced with a HMO with a HRA, HMO only, HSA with a PP and PP with HRA. These changes were reflected in the 2006 year-end disclosures.

Cash Flows

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

	Pension Plan Benefits	Other Post Retirement Plan Benefits	Estimated Federal Subsidy
2008	$ 207	$ 69	$ (5)
2009	217	75	(5)
2010	229	80	(6)
2011	241	85	(6)
2012	253	90	(7)
2013-2017	1,466	646	(52)
Total	$ 2,613	$ 1,045	$ (81)

The Company does not expect to make any contributions to its qualified and non-qualified agent and employee defined benefit pension plans or to its other postretirement benefit plans in 2008.

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, 2007 and 2006, the Company accrued a $21 million and $24 million obligation, respectively, related to the funding of these benefits. The net periodic benefit cost associated with these programs in 2007 and 2006 was $6 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 (individuals eligible under the Company's Agents' Progress-Sharing Investment Plan are not eligible under EPSI). Under EPSI, participants may contribute (1) on a pre-tax basis to a 401(k) account, a percentage of base salary and eligible incentive compensation (up to 10% for employees whose total annual compensation exceeds the highly compensated threshold of $100,000 based on 2006 total pay and up to 15% for employees whose total annual compensation is below the highly compensated threshold), and (2) to a non-tax deductible account up to 10% of base salary and eligible incentive pay. Highly compensated employees are limited to a combined 401(k) and non-tax deductible rate of 10%. Participants may also roll over qualified distributions from eligible retirement plans into EPSI. EPSI also provides for additional pre-tax 401(k) "catch-up" contributions for participants age 50 and over ($5,000 for each of 2007 and 2006).

The Company annually determines the level of the Company's matching contributions to EPSI. In 2007 and 2006, the Company made matching contributions based on a specific percentage, 100% of participants' contribution up to 3% of base salary and eligible incentive pay. For 2007 and 2006, the Company's matching contributions to EPSI totaled $20 million and $19 million, respectively. The Company also maintains the Excess EPSI Plan for certain eligible participants, which is a nonqualified unfunded arrangement that credits participant 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 Company also maintains the Agents' Progress-Sharing Investment Plan ("APSI") which is a defined contribution plan covering substantially all contracted United States full-time agents (individuals eligible under EPSI are not eligible under APSI).

Under APSI, participants make contributions by entering into commission reduction agreements with the Company whereby a percentage of their compensation (for the 2007 plan year up to 7% for agents whose total annual compensation exceeds the highly compensated threshold of $100,000 based on 2006 total pay and up to 15% for agents whose total compensation is below the highly compensated threshold) may be contributed to a 401(k) account. Participants may also roll over qualified distributions from eligible retirement plans into APSI. APSI also provides for additional pre-tax 401(k) "catch-up" contributions for participants age 50 and over ($5,000 for each of 2007 and 2006).

The Company annually determines the level of the Company's contributions to APSI. Contributions are based on the participants' net renewal commissions, net renewal premiums and cash values for the plan year on policies for which the participant is the original writing agent. In 2007 and 2006, the Company's contributions to APSI totaled $3 million each year. The Company also maintains the Excess APSI Plan, which is a nonqualified, unfunded arrangement that credits Company contributions in excess of the maximum Company contributions that may be made under APSI because of certain applicable IRS limits.

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. Refer to Note 6 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.

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 2007, 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 2007, 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 2007, the credit facility was not used, no interest was paid and there was no outstanding balance due.

On August 16, 2001, NYLIFE LLC entered into an agreement with Credit Suisse ("CS"), referred to as Shared Appreciation Income Linked Securities ("SAILS"). Under the agreement, NYLIFE LLC has entered into a forward sale of certain of its shares of 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. CS 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. Under the Overlay Agreement, NYLIFE LLC protected retained value on 2,800,000 shares from a reduction in the stock price from $49.05 to $17.57. 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 CS associated with the terms of the agreements, which the Company has guaranteed. The price 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.

In 2003, following the entering into of the SAILS II agreement with CS described in Note 14 – Borrowed Money the Company agreed to lend CS up to 22,000,000 shares (split-adjusted) of ESI common stock. As of December 31, 2007, CS had borrowed 21,882,000 shares with a market value of $1,597 million. These transactions are generally collateralized with the right of offset against the Company's liabilities to CS, and to the extent the right of offset does not provide sufficient collateral, CS provides additional collateral which may consist of U.S. Government Securities, letters of credit or cash. At December 31, 2007, the carrying amount of the lent shares was $1,549 million.

At December 31, 2007 and 2006, contractual commitments to extend credit under commercial and residential mortgage loan agreements totaled $249 million and $324 million, respectively, at both fixed

and variable rates of interest. These commitments are diversified by property type and geographic location.

At December 31, 2007 and 2006, the Company had outstanding contractual obligations to acquire additional private placement securities amounting to $0 million and $46 million, respectively.

Unfunded commitments on limited partnerships and limited liability corporations, excluding MCF, amounted to $2,582 million and $2,747 million at December 31, 2007 and 2006, respectively. Unfunded commitments on LIHTC amounted to $171 million and $177 million at December 31, 2007 and 2006, 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 and/or other operations, including actions involving retail sales practices. The Company is also a defendant in a suit regarding employee and agent benefits where a portion of the case, specifically the breach of fiduciary claims, has been certified as a class action by agreement of the parties. The remainder of the claims in that suit have not been certified. Most of the actions seek substantial or unspecified compensatory and punitive damages. The Company and/or its subsidiaries are also from time to time involved in various governmental, administrative and investigative proceedings and inquiries.

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

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
2008	$ 88	$ 24	$ 112
2009	81	11	92
2010	75	5	80
2011	56	2	58
2012	47	-	47
Thereafter	76	-	76
Total	$ 423	$ 42	$ 465

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 $5 million in both 2007 and 2006. The agreement expires in November 2009, with automatic one-year renewals, unless terminated earlier. The aircraft is to be used by members of senior management and directors for business travel, as approved by the CEO.

Personal use of the aircraft is limited to the current CEO of the Company, and the terms of such personal use, including reimbursement, have been approved by the Board of Directors of the Company based upon the recommendation of an independent committee of the Board.

Rent expense of all other leases for the years ended December 31, 2007 and 2006 amounted to $129 million and $134 million, respectively; of which, $64 million and $67 million were billed to subsidiaries in accordance with an intercompany cost sharing arrangement for the years ended December 31, 2007 and 2006, 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 NYLIM headquarters building. Under real property leases, the lessee has the option to purchase 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 noncancelable subleases, at December 31, 2007, is $0.9 million.

In connection with the sale of one of its Home Office properties in 1995, the Company has entered into an agreement to lease back a portion of the building through 2010, with total future lease obligations of $32 million as of December 31, 2007.

Borrowed Money

At December 31, 2007 and 2006 the carrying value of borrowed money reported in the Statement of Financial Position was $2,894 million and $1,551 million, respectively. Borrowed money, generally carried at the unpaid principal balance and any interest payable, consisted of the following at December 31, 2007 and 2006 (in millions):

	2007	2006
Loan Payable to New York Life Capital Corporation, various maturities, latest being March 4, 2008 (weighted average interest rate of 4.32% and 5.31% for 2007 and 2006, respectively) See Note 6, "Related Party Transactions"	$ 992	$ 494
Loan payable to Credit Suisse Shared Appreciation Income Linked Securities II, due April 28, 2008 (implicit rate of 2.27% on principal and appreciation above $16.63 per share on underlying ESI shares)	1,543	718
Loan payable to NYLIFE, LLC, due August 22, 2011 (coupon rate of 3.3%). See Note 6, "Related Party Transactions"	243	242
Loan Payable to NYLI, expires March 31, 2008 (coupon rate of 5.15% less management fee of 5.5 basis points) – See Note 6, "Related Party Transactions"	107	87
Note Payable to Aeolus Wind Power II LLC, due July 31, 2016 (fixed interest rate of 5.5%) – See Note 14, "Commitments and Contingencies – Borrowed Money"	9	10
Total borrowed money	$2,894	$1,551

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 at December 31, 2007 was $9 million.

On April 28, 2003, the Company entered into an agreement with CS, referred to as Shared Appreciation Income Linked Securities II ("SAILS II"). Under this agreement, the Company may deliver up to 22 million shares of ESI common stock on April 28, 2008 or settle the transaction in cash instead of delivering shares. Upon entering into the transaction, the Company received $13.86 per share, or $305 million, less prepaid interest and offering costs, bringing net proceeds to $273 million. The Company is entitled to 100% of the appreciation up to $16.63 per share. Any appreciation in excess of $16.63 per share will be due to CS upon settlement (price per share and number of shares have been adjusted for a stock split effective June 25, 2007). At December 31, 2007, the outstanding balance payable by the Company was $1,543 million, including a liability of $1,240 million related to the appreciation in the stoc-k's market value above $16.63 per share. The price per share and number of shares in the foregoing paragraph have been adjusted for all stock splits since April 2003. No interest payments were made during 2007 or 2006.

Securities Lending Program

The Company participates in securities lending for the purpose of enhancing income on certain securities held. As of December 31, 2007 and 2006, $4,018 million and $2,607 million, respectively, of the Company's fixed maturities and equity securities were on loan to others. Such assets reflect the extent of the Company's involvement in securities lending, not the Company's risk of loss. At December 31, 2007 and 2006, the Company recorded cash collateral received under these agreements of $4,052 million and $2,626 million, respectively, and established a corresponding liability for the same amount. The Company also holds collateral in the form of securities having a market value of $57 million and $52 million at December 31, 2007 and 2006, respectively, which is not included on the accompanying Statutory Statements of Financial Position.

Repurchase Agreements

The Company enters into agreements to purchase and resell securities for the purpose of enhancing income on the securities portfolio. At December 31, 2007, and December 31, 2006, the Company had no agreements to sell and repurchase securities. Under agreements to sell and repurchase securities, the Company obtains the use of funds from a broker for generally one month. Cash collateral received is invested in short term investments and the offsetting collateral liability is considered fair value.

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 $13 million, which have been accrued in Other Liabilities on the accompanying Statutory Statements of Financial Position.

NOTE 15 – PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Under New York State Insurance Law, the Company is required to nonadmit all furniture and EDP equipment where the individual cost is less than fifty thousand dollars. 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, 2007 and 2006 (in millions):

	2007		
	Carrying Amount	**Accumulated Depreciation**	**Depreciation**
Software	$ 219	$ 106	$ 20
PC equipment	42	27	4
Web site development	54	30	5
Subtotal EDP	$ 315	$ 163	$ 29
Office furniture	$ 139	$ 115	$ 4
Telecommunications	36	20	4
Leasehold improvements	87	59	3
Subtotal Furniture	$ 262	$ 194	$ 11
Total	$ 577	$ 357	$ 40

	2006		
	Carrying Amount	**Accumulated Depreciation**	**Depreciation**
Software	$ 192	$ 84	$ 14
PC equipment	31	22	3
Web site development	45	23	3
Subtotal EDP	$ 268	$ 129	$ 20
Office furniture	$ 132	$ 109	$ 5
Telecommunications	37	24	3
Leasehold improvements	76	54	4
Subtotal Furniture	$ 245	$ 187	$ 12
Total	$ 513	$ 316	$ 33

NOTE 16 – WRITTEN PREMIUMS

Deferred and uncollected life insurance premiums at December 31, 2007 and 2006 were as follows (in millions):

	2007		2006	
	Gross	Net of Loading	Gross	Net of Loading
Ordinary new business	$ 108	$ 53	$ 102	$ 47
Ordinary renewal	1,042	993	1,003	939
Group Life	384	307	368	299
Total	$ 1,534	$ 1,353	$ 1,473	$ 1,285

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, 2007 and 2006, the Company nonadmitted $2 millions of premiums that were over 90 days past due.

Premiums written by third party administrators during 2007 and 2006 totaled $582 million and $609 million, respectively.

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, 2007 and 2006. SSAP No. 27, defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties (in millions):

	2007		2006	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Bonds	$66,668	$68,175	$64,411	$66,151
Mortgage loans	9,081	9,225	8,082	8,314
Common and preferred stocks	8,811	8,817	8,287	8,310
Real Estate	453	839	569	878
Policy Loans	6,619	6,619	6,249	6,249
Limited partnerships and other long-term investments	7,700	7,965	5,758	5,944
Cash, cash equivalents and short-term investments	4,608	4,608	2,947	2,947
Derivatives	774	667	514	498
Liabilities:				
Deposit Fund Contracts:				
Funding Agreements	19,345	19,199	16,080	16,017
Annuities Certain	531	576	563	628
Other	1,968	1,968	2,266	2,266
Borrowed money	2,894	2,895	1,551	1,563

Bonds

For publicly traded bonds, estimated fair value is determined using quoted market prices. For bonds without a readily ascertainable estimated fair value, the Company has determined an estimated fair value using a discounted cash flow approach, broker–dealer quotations or management's pricing model.

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.

Real Estate

The estimated fair value of real estate is determined by discounting estimated future cash flows using market interest rates and or market appraised values. For real estate joint ventures, which are immaterial to the total real estate held, estimated fair value is assumed to approximate the carrying value.

Policy Loans

Policy loans are stated at the aggregate balance due, which approximates estimated fair value, since loans on policies have no defined maturity and reduce amounts payable at death or surrender.

Equity Securities

Estimated fair values of preferred stocks are based on published market values, where available. For preferred stocks without readily ascertainable market values, the Company has determined an estimated fair value using a discounted cash flow approach, broker-dealer quotations, or management's pricing model.

The estimated fair value of unaffiliated common stocks has been determined using quoted market prices for publicly traded securities and broker-dealer quotations or management's pricing model for private placement securities. The estimated fair value of affiliated common stock, excluding the Company's investment in ESI, is equal to the carrying value since these entities are not publicly traded and a reliable value cannot be determined.

Limited Partnerships and Other Long-Term 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.

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

Estimated fair values are based on the net present value of cash flows discounted at current rates.

Deposit Fund Contracts

For GICs and annuities certain, estimated 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, primarily 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 statement value approximates estimated fair value, with the exception of the SAILS II agreement, as described in Note 14 – Commitments and Contingencies. The fair value of this agreement was $1,544 million at December 31, 2007.