



# New York Life Avoids the Risks, Clients Reap the Rewards

*The Company You Keep®*

New York Life Insurance Company's \$149-billion portfolio is prudently managed, placing the Company and its policyholders on firm financial ground.

**Since mid-2007, global financial services companies have reported hundreds of billions of dollars in write-downs as a result of the falling value of subprime mortgage assets. During 2007, New York Life has added more than \$800 million to our statutory capital,<sup>1</sup> bringing it to \$14.7 billion — the most important measure of our financial strength. The value of putting your trust in a company that manages for the long term and puts policyholders first has never been more clear.**

New York Life Investment Management LLC (NYLIM)<sup>2</sup> and its affiliates are responsible for managing \$249 billion of assets, which includes the money invested in our life insurance and fixed annuity products.

Throughout 2006 and early 2007, the investment experts at NYLIM noted several trends suggesting the prices of most debt securities — including corporate bonds, which typically represent the lion's share of New York Life's investment portfolio — did not adequately reflect the degree of risk in the market. In response, NYLIM placed more of the Company's investments in traditionally safe, reliable U.S.

Treasury bonds and less in corporate debt — despite knowing that the move could result in a lower investment yields.

Gary Wendlandt, New York Life's Vice Chairman and Chief Investment Officer, called the subsequent move a "quality tilt," because it would

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position the Company away from what they perceived as an unhealthy level of risk. "At a point when you are no longer being rewarded adequately for the risks of a particular investment, you get out. We subscribe to the idea that what you don't own can't hurt you," Wendlandt says.

The Company's 163-year history of sound, prudent investing had a profound influence on the way New York Life's top investment strategists viewed the credit markets of 2007. While global financial institutions were reporting billions of dollars in write-downs, New York Life's losses on subprime investments totaled \$1.6 million during 2007 — a remarkably small amount within the context of a \$149 billion general account portfolio.

"We've been through numerous credit cycles since the company was founded," Wendlandt points out. "As a result, we tend not to get caught up in these cycles of over-optimism." Wendlandt adds that liquidity is "king" in this kind of environment, when the credit markets are roiling. "You've got to be able to meet the demands for payment, especially at a time like this, when credit is starting to tighten. "We are very well positioned for the current situation,"

<sup>1</sup> Statutory capital includes statutory surplus and the asset valuation reserve ("AVR") on a consolidated basis of the Company.

<sup>2</sup> NYLIM is a subsidiary of New York Life Insurance Company.



When Standard & Poor's gave the Company a AAA rating on August 16, 2007, it noted New York Life's "investment capabilities are strong, its credit risk management follows a robust set of guidelines," and it has "extremely strong liquidity."

he says. “Our policyholders are safe and secure.”

New York Life also benefits from its mutual ownership. Because it is not publicly traded, New York Life does not have the quarterly pressure from shareholders and Wall Street that might tempt other financial companies to take undue risks that could increase income in the short term but expose it to significant losses over time.

### **Placing Policyholders and Payees First**

According to Senior Managing Director Anthony Malloy of NYLIM, New York Life follows a traditional three-pronged approach to managing its portfolio. When considering an investment, the company looks at the issuing

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company’s cash flow (or the capacity for repayment), collateral and character. “We want to deal with people who can pay us back and companies that have high-quality

management,” Malloy says. “We think about the interests of our policyholders first, so we take a very long-term view.” Malloy continues, “We are a bottom-up, fundamental research shop that doesn’t rely on Wall Street analysts who have an interest in selling securities. We invest in income-producing securities and we’re big believers in having a well-diversified portfolio.”

### **Focus on You**

New York Life is and will remain a mutual company, owned solely by our participating policyholders. This means that, regardless of fluctuations in the economy, our focus is fixed on just one objective: meeting the needs of our policyholders and payees now, and in the future. Talk to your representative about New York Life and feel secure you’re with *The Company You Keep.*<sup>®</sup>



**New York Life Insurance Company**

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