New York Life Advanced Markets Network

Network News

November 29, 2010

The Company You Keep ®

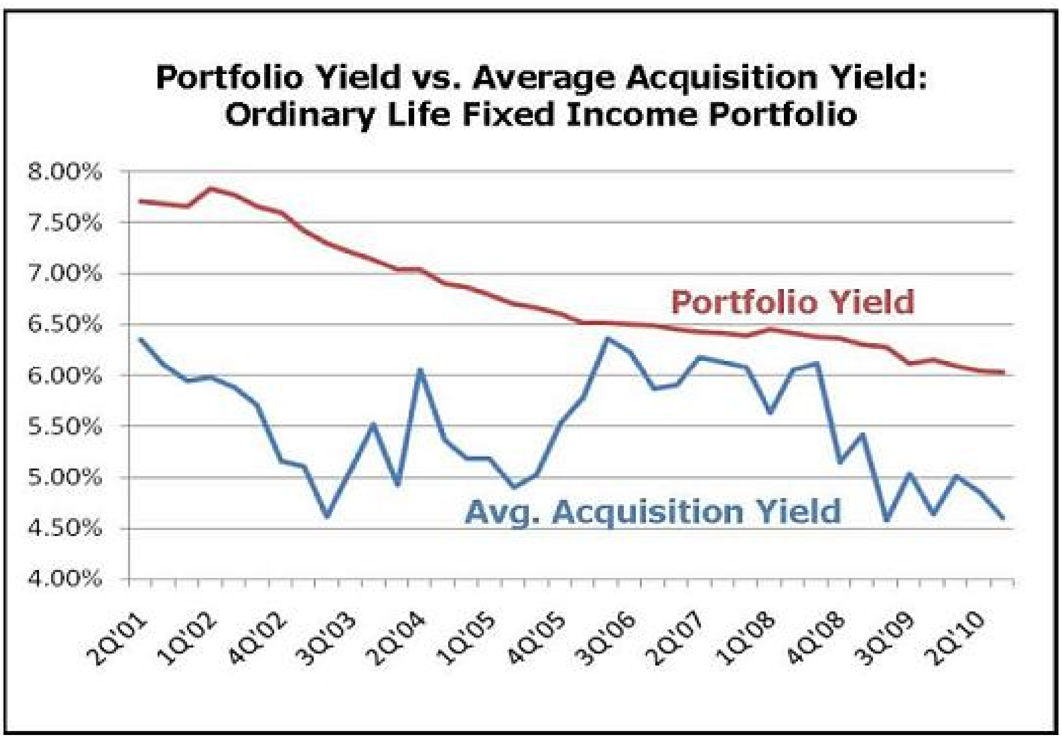
Board Authorizes $1.3 Billion in Dividends for 2011; Scale Maintained

Summary:
On November 17, the Board of Directors authorized a distribution of approximately $1.3 billion as dividends payable to policyholders in 2011 on participating individual life policies and annuity contracts, maintaining the dividend scale paid in 2010 despite the continued low interest rate environment. This represents a $59 million increase over the amount allocated for 2010 and marks the 157th consecutive year in which New York Life will exceed its guarantees by paying dividends to its participating policyholders. This decision by our Board provides a great opportunity to reach out to every Whole Life policyholder and remind them of the very smart decision they made when they purchased their policy from New York Life.

Maintaining the Dividend Scale Despite Continued Low Interest Rates

As a mutual company, our goal is to pay as high a dividend as we can, consistent with our #1 priority of long-term financial strength. In determining our dividend annually, by far the most important factor is interest rates, because we invest more than 90% of the premium we receive for our participating life insurance products in high-quality corporate and government bonds.

Over the past year, interest rates have remained at historically low levels. Thus, as bonds we purchased in the past mature and need to be rolled over, and as new money comes into the portfolio as a result of new sales, we have had to invest in lower-yielding bonds, as shown in the Average Acquisition line in the chart below. This has had the effect of steadily pushing down the returns we earn on our investment portfolio - the Portfolio Yield line shown in the chart.



Subject to minimum premium requirements and producer approval by New York Life.

The trend of interest rates continued to put downward pressure on our payable dividends in 2011. However, thanks to the continued growth of our Company and the judicious management of our general account, New York Life has maintained perhaps the industry's strongest Surplus over the past several years. Our strong Surplus position allowed us to mitigate the size of the dividend reduction we announced last year, and to maintain our dividend scale this year despite a further dip in the returns we earned on our portfolio.

The relationship between Surplus and dividends is a delicate balancing act. Maintaining a healthy Surplus is crucial: Our capital strength is the #1 factor underlying the triple-A ratings we enjoy from every major rating agency and, even more important, is the best measure of our ability to keep the promises we have made to our policyholders. Thus, as noted above, our goal is to pay as high a dividend as we can, consistent with our #1 priority of long-term financial strength.

In your conversations with current and prospective policyholders, it's important to remind them of several facts:

- Dividends are never guaranteed. They are added value above and beyond the cash value growth guaranteed in their contract.
- Because of the low interest rates that have persisted for several years, the non-guaranteed death benefits and future cash value accumulation in many policies will not equal the values illustrated at the time of purchase. Tell your clients that an in-force illustration can show them a current picture of the policy's performance. Of course, the guaranteed cash value will, under all circumstances, continue to grow at the guaranteed rate.
- The very low interest rate environment affects our dividend determination.

The Key Message to Policyholders: Promises Kept, Dividends Paid in Addition to Guarantees

For all Whole Life clients, however, the dividend action represents an opportunity to remind them of the very sound decision they made when they purchased a participating policy from New York Life. In an environment in which many financial asset classes have suffered declines, you can reassure them that the cash value in their policy continues to grow - just as it is guaranteed to do, in good times and in bad. And, as we have for more than 150 years, we are once again paying a dividend to our participating policyholders in addition to the policy's guaranteed growth.

Competitive Comparisons: Resources to Tell the Whole Story

It is impossible to accurately compare dividend interest rates across companies, since companies that issue Whole Life policies may calculate their DIRs differently; there is no mandated dividend formula or principle. Thus, it is more useful to compare the movements - rather than the actual level - of DIRs. Thus far, both Northwestern Mutual and Mass Mutual have announced reductions in their 2011 dividend scales, while New York Life is maintaining the scale used in 2010.

And, of course, DIRs only tell part of the story: Mortality experience, expenses and other factors also affect the dividend, so the company with the highest DIR may not necessarily have the highest dividend payout. And some companies treat policies with loans differently from those on which no loans have been taken. (New York Life pays the same dividend scale to all policyholders, regardless of whether they have taken loans on their policies.)

Historical net pay/net cost indexes provide a truer measure of a policy's past performance, and New York Life has compared very favorably to our major mutual competitors in this regard. Updated versions of new resources introduced last year - a four-page brochure entitled "Dividends from a Mutual Life Insurance Company" and one-page head-to-head comparisons with key competitors entitled "How Whole Life Policies Compare" - are designed to help you share that story with clients. Both are available through your inside sales support representative (contact information is below).

A conversation about dividends is also a great time to share with your clients the broader story of New York Life's financial strength and the power of mutuality

Maintaining Our Long History of Exceeding Guarantees

As a mutual company, every single dollar of value we create is carefully managed for the long-term interest of our policyholders - whether it's through paying policyholder dividends, investing in future growth or stewarding our long-term financial strength to ensure we will continue to keep our promises for years to come. We appreciate your help in sharing this crucial message with your clients.

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Contact your Retail Marketing Team for questions on any topic in this news letter at 1- 888-695-4748. Tracie Billings Ext 2664099, Stacy Geer Ext 2664012 & Kerry Matson Ext 2664008.