

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF THE EXAMINATION OF:

TEACHERS INSURANCE & ANNUITY
ASSOCIATION OF AMERICA
730 THIRD AVE
NEW YORK, NY 10017

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402 and 5/425) do hereby appoint Examiner-In-Charge, Danny Talkington and associates as the proper persons to examine the insurance business and affairs of Teachers Insurance & Annuity Association of America, NAIC # 69345, and to make a full and true report to me of the examination made by them of Teachers Insurance & Annuity Association of America, with a full statement of the condition and operation of the business and affairs of Teachers Insurance & Annuity Association of America, with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business. The costs of this examination shall be borne by the company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Teachers Insurance & Annuity Association of America.



IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Springfield, this 27th day of January 2012.


Robert E. Wagner

Acting Director

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with SOPHIA TAO, at the hour of 9:57 AM
on 12 June, A.D., 2012.

Denny F. Kelly
Examiner

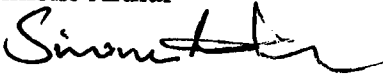
This Market Conduct Examination was conducted pursuant to Sections 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403 and 5/425). It was conducted in accordance with standard procedures of the Market Conduct Examination Section by duly qualified examiners of the Illinois Department of Insurance.

This report is divided into six parts. They are as follows: Summary, Background, Methodology, Findings, Interrelated Findings and Technical Appendices. All files reviewed were reviewed on the basis of the files' contents at the time of the examination. Unless otherwise noted, all overcharges (underwriting) and/or underpayments (claims) were reimbursed during the course of the examination.

No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance Code (215 ILCS 5/149).

The Examiner-in-Charge was responsible for the conduct of this examination. The Examiner-in-Charge did approve of each criticism contained herein and has sworn to the accuracy of this report.

Simone Arthur



Staff Attorney

Illinois Department of Insurance

TEACHERS INSURANCE & ANNUITY ASSOCIATION OF AMERICA

**320 West Washington
Springfield, Illinois 62767-001**

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: June 11, 2012 through December 14, 2012

EXAMINATION OF: Teachers Insurance & Annuity Association
of America (NAIC # 69345)

COMPANY ADDRESS: 730 Third Avenue
New York, New York 10017

**PERIOD COVERED
BY EXAMINATION:** January 1, 2011 thru December 31, 2011

EXAMINER: Danny L. Talkington
Examiner in Charge

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I. SUMMARY

1. The Company was criticized under Section 919.70 of the Illinois Administrative Code (50 Ill. Adm. Code 919.70(a)(2)) for failure to provide the insured with a reasonable written explanation for delay beyond 45 days including the "Notice of Availability of the Department of Insurance" on the 45 day delay letter as required.
2. The Company was criticized under Section 234.1 of the Illinois Insurance Code (215 ILCS 5/234.1) for failure to provide a "Notice of Enactment of the Nonforfeiture Options" as required.

II. BACKGROUND

In 1917, the Carnegie Foundation for the Advancement of Teaching (Foundation) initiated the formation of an organization to provide pensions and insurance for teachers and employees of private educational institutions. The Foundation organized the Teacher Insurance and Annuity Association of America (Company) as a legal reserve stock life insurance company under Section 70 of the New York Insurance Law (now N.Y. ISC. LAW § 1113). The Company was incorporated on March 4, 1918 and commenced business on May 17, 1918. A plan was initiated to make the Company independent of the Foundation with respect to its finances in 1935. An act of the New York State Legislature creating the Trustees of T.I.A.A. Stock (Trustees) became law on June 3, 1937, and the Foundation transferred the Company's stock to the Trustees in 1938. Part of the plan also included a proposal by the Company that the Foundation make an endowment grant to it of \$6,700,000, which would obviate any further support for its overhead expenses. The Foundation voted to accept the Company's proposal and transferred \$2,700,000 to the Company by December 31, 1937. The balance of the endowment was transferred to the Company by the end of 1938. Effective November 17, 1989, the name of the Trustees was changed to TIAA Board of Overseers (TIAA). TIAA complied with all requirements of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*), and the Director of Insurance authorized the Company to transact its appropriate business, as set forth under clauses (a) and (b) of Class 1 of Section 4 of the Illinois Insurance Code on November 23, 1971. The Company is currently authorized to transact business in Illinois.

As a companion nonprofit organization to TIAA, College Retirement Equities Fund (CREF) was founded in 1952 to provide retirement annuities based on investment in common stock. It was created through an act of the New York State legislature, under which it was organized as a nonprofit company controlled by specified members who generally have a legal function similar to that of shareholders. In the 1980's, CREF registered with the Securities and Exchange Commission as an investment company under the Investment Company Act of 1940.

On November 20, 1996, TIAA-CREF Life Insurance Company was established for the purpose of retaining the Association's taxable life insurance and other non-pension business.

Although the Company, originally known as the Association, had been formed as a New York domestic stock life insurance company, the Company was exempt from federal taxation since its founding in 1918. Effective January 1, 1998, the Company lost its exemption status from federal income taxation pursuant to Section 1042 of the Taxpayers Relief Act of 1997. TIAA's charter still obligates TIAA to operate on a not-for-profit basis.

On May 1, 2004, the Company entered into a series of agreements with Metropolitan Life Insurance Company (MetLife) for MetLife to service the Association's long-term care business; cession of 100% of the Association's group and individual long-term care liability to MetLife; and MetLife to begin the process of offering the Association's policyholders the option of transferring their policy to MetLife.

On July 28, 2004, the Association transferred title to land and buildings located at 485 Lexington Avenue and 750 Third Avenue, New York, New York in an agreement under which it continued to lease and operate the properties.

TIAA is authorized and licensed to write business in all 50 states, District of Columbia, Puerto Rico, and the U. S. Virgin Islands.

III. METHODOLOGY

The Market Conduct Examination places an emphasis on evaluating an insurer's systems and procedures used in dealing with insureds and claimants. The following categories are the general areas examined:

1. Producer Licensing & Production
2. Claims Analysis
3. Nonforfeiture Analysis
4. Policy Forms & Advertising Materials Review
5. Department of Insurance and Consumer Complaints

The review of these categories was accomplished through examination of producer files, claim files, cash surrendered policy files, policy forms, advertising material, Department of Insurance files and consumer complaint files. Each of these categories was examined for compliance with Department rules and regulations and applicable State laws.

The report concerns itself with improper practices performed with such frequency as to indicate general practices. Individual criticisms were identified and communicated to the insurer, but not cited in the report if not indicative of a general trend, except to the extent that underpayments and/or overpayments in claim surveys or undercharges and/or overcharges in underwriting surveys were cited in the report.

The following methods were used to obtain the required samples and to assure a methodical selection:

Producer Licensing & Production

Populations for the producer file reviews were determined by whether or not the producers were licensed by the State of Illinois. New business listings were retrieved from the Company's records by selecting newly solicited insurance applications that reflected Illinois addresses for applicants.

The examination period for the producer analysis was January 1, 2011 through December 31, 2011.

Claims Analysis

1. Paid Claims - Payment for claims made during the examination period.
2. Denied Claims – Denial of benefits for losses not covered by policy provisions.

All claims were reviewed for compliance with policy contracts, endorsements, and applicable Sections of the Illinois Insurance Code (215 ILCS 5/1 *et al.*), and 50 Illinois Administrative Code

Median payment periods were measured from the date that all necessary proofs of loss were received to the date of payment to the insured or the beneficiary. The examination period for the claims survey was January 1, 2011 through December 31, 2011.

Nonforfeiture Analysis

Listings were requested of all life and annuity policies that were cash surrendered, placed on extended term insurance status, or converted to reduced paid-up insurance during the examination period. These listings were retrieved by a search of Illinois life policies that were either lapsed for nonpayment of premium or were requested non-forfeiture option conversions made by the policyholders. The examination period for the Nonforfeiture Analysis was January 1, 2011 through December 31, 2011.

Policy Forms & Advertising Material Review

All policy forms, form letters, riders, and advertising materials used in Illinois during the examination period were requested. These were reviewed for compliance as to format, content and terminology as required by Illinois Law. The examination period for the Policy Forms & Advertising Material Review was January 1, 2011 through December 31, 2011.

Department of Insurance and Consumer Complaints

The Company was requested to provide all files relating to complaints received via the Department as well as those received directly by the Company from the insured or his/her representative. A copy of the Company's complaint register was also reviewed. Median periods were measured from the date of notification by the complainant to the date of response to the Department. The examination period for this survey was January 1, 2011 through June 11, 2012.

SELECTION OF SAMPLE

<u>Survey</u>	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
<u>Producers Analysis</u>			
Producers/Applications	1,704	1,704	100.00
Terminated Agents Review	0	0	.00
<u>Claims Analysis</u>			
Paid Individual Life	50	50	100.00
Paid Group Life	4	4	100.00
Paid Individual Long Term Care	245	123	50.20
Denied Individual Long Term Care	24	24	100.00
Approved Individual Waiver of Premium	1	1	100.00
Paid Annuity Death Settlements	127	127	100.00
<u>Non-Forfeiture Analysis</u>			
Life Cash Surrenders	4	4	100.00
Extended Term/Reduced Paid Up	6	6	100.00
Annuity Cash Surrenders	2,749	119	04.32
<u>Policy Forms & Advertising</u>			
	1,103	1,103	100.00
<u>Complaint Analysis</u>			
Department of Insurance Complaints	1	1	100.00
Consumer Complaints	222	222	100.00

IV. FINDINGS

A. Producer Analysis

1. A review of 1704 producers/applications produced no criticisms.
2. There were no agents terminated for cause during the survey period.

B. Claims Analysis

1. Paid Individual Life

50 paid individual life death claim files were reviewed. 16 files or 32% of the Paid Individual Life claim files reviewed were criticized. A general trend criticism was written under Section 919.70(a)(2) of the Illinois Administrative Code for failure to provide the insured with the Notice of Availability of the Department of Insurance on the 45 day delay letter as required. The Company agreed that it failed to provide the insured with the Notice of Availability of the Department of Insurance on the 45 day delay letter as required. See (50 Ill. Adm. Code 919.70(a)(2)). The median for payment was 3 days.

3. Paid Group Life

A review of 4 paid group life death claim files produced no criticisms. The median for payment was 19 days.

4. Paid Individual Long Term Care

A review of 123 paid individual long term care claim files produced no criticisms.

The median for payment was 10 days.

5. Denied Individual Long Term Care

A review of 24 denied individual long term care claim files produced no criticisms.

The median for denial was 5 days.

6. **Approved Individual Waiver of Premium**

A review of 1 approved individual waiver of premium claim file produced no criticisms.

No median for approval could be established.

6. **Paid Annuity Death Settlements**

A review of 127 paid annuity death settlement claims files produced no criticisms.

The median for payment was 5 days.

C. **Nonforfeiture Analysis**

1. **Life Cash Surrenders**

A review of 4 life cash surrender files produced no criticisms.

The median for payment was 2 days.

2. **Extended Term/Reduced Paid Up Insurance**

6 extended term/reduced paid up insurance files were reviewed.

6 files or 100% of the files reviewed were criticized. A general trend Criticism was written under Section 5/234.1 of the Illinois Insurance Code for failure to provide a Notice of Enactment of Nonforfeiture Options as required.

The Company disagreed that they failed to provide the Notice of Enactment of Nonforfeiture Options as required and stated that “referring the policy owner to the policy for information on available non-forfeiture options complies with and is a reasonable interpretation of the requirements set forth in Section 234.1. The Company has both explained

the action taken and referred the policy owner to other available options as required”.

3. Annuity Cash Surrender

A review of one hundred nineteen annuity cash surrender files produced no criticisms.

The median for payment was 2 days.

D. Policy Forms & Advertising Material

A review of 1,103 policy forms & advertising pieces produced no criticisms.

E. Complaint Analysis

1. Department of Insurance Complaints

A review of 1 Department of Insurance Complaint file produced no criticisms.

No median for response could be established.

2. Consumer Complaints

A review of 222 consumer complaints produced no criticisms.

The median for response was 14 days.

V. INTERRELATED FINDINGS

(None)

VI. TECHNICAL APPENDICES

(None)

STATE OF *New York*)
) ss
COUNTY OF *New York*)

Danny L. Talkington, being first duly sworn upon his oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of Teachers Insurance & Annuity association, NAIC #69345;

That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

That neither he nor any other persons designated as examiners nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as policyholders, and that neither he nor any other persons designated as examiners nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That he was the Examiner-In-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the company.


Danny L. Talkington
Examiner-In-Charge

Subscribed and sworn to before me
this *12th* day of *MARCH*, 2013.


Notary Public

ANNA M TIRONE
Notary Public - State of New York
No. 01716101625
Qualified in Richmond County
My Commission Expires Nov. 17, 2015



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

March 11, 2013

Sophia Tao, Compliance Associate – 12th Fl
Teachers Insurance and Annuity
Association of America
730 Third Ave
New York, New York, 10017

*sent via USPS certified mail
return receipt requested*

Dear Ms. Tao:

A Market Conduct Examination of your company was conducted by authorized examiners designated by the Director of Insurance pursuant to Illinois Insurance Code Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code. The examination covered the period January 1, 2011 through December 31, 2011.

As required by Illinois Insurance Code Section 132, the Director must notify the company made the subject of any market conduct examination of the contents of the verified examination report before filing it and making the report public of any matters relating thereto, and must afford the company an opportunity to demand a hearing with reference to the facts and other evidence therein contained. A copy of the examination report is accordingly enclosed with this letter as well as a Stipulation and Consent Agreement. The company may request a hearing within 10 days after receipt of the examination report by giving the Director written notice of the request, together with a statement of its objections. The examination report will generally not be filed until hearing is completed.

Companies that do not demand a formal hearing may submit their rebuttal with respect to any matters in the examination report. The rebuttal will be considered by the Director before the examination report is filed. Please provide any rebuttals, or the signed Stipulation and Consent Order, to the undersigned by close of business, Friday, March 29, 2013. In the event that the Company elects to sign the Stipulation and Consent Order, please sign and return both copies. The Director will sign both copies and a fully executed copy will be returned to you for your records. Note that the Stipulation and Consent requires proof of compliance with Orders 1 through 4 and payment of a civil forfeiture in the amount of \$14,000 within 30 days of the receipt of the fully executed Stipulation and Consent Order.

Once the report of examination has been filed, the exam report, the company's rebuttal, if any, and corresponding Orders (if applicable) are public documents under the Freedom of Information Act (5 ILCS 140/1 *et al.*) and may be posted on the Department's website. In the event of a formal hearing, the record of the hearing, the Hearing Officer Recommendations and the Director's final Order are also public documents and may be posted on the Department's website. Please contact me if you have any questions. I may be reached at 312-814-5410.

Sincerely,


Staff Attorney

Simone.Arthur@illinois.gov

100 West Randolph, Suite 9-301
Chicago, Illinois 60601-3395
(312) 814-2420

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

Teachers Insurance and Annuity
Association of America
730 Third Ave
New York, NY 10017

STIPULATION AND CONSENT ORDER

WHEREAS, the Director (the "Director") of the Illinois Department of Insurance (the "Department") is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Teachers Insurance and Annuity Association of America (the "Company") is authorized under the insurance laws of this State and by the Director as a foreign stock company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination ("Examination") of the Company was conducted by duly qualified examiners of the Department pursuant to Sections 131.21, 132, 401, 402 and 425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425); and

WHEREAS, the Department examiners have filed an examination report as an official document of the Department as a result of the Examination (the "Report"); and

WHEREAS, the Report cited two areas where the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company; and

WHEREAS, the Company is aware of and understands its various rights in connection with the Examination and Report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407 and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the Report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order;

NOW, THEREFORE, IT IS agreed by and between the Company and the Director as follows:

1. That the Market Conduct Examination indicated two areas where the Company was not in compliance with provisions of the Illinois Insurance Code and/or Department Regulations; and
2. That the Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and/or Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain procedures to comply with 50 Ill. Adm. Code 919.70(a)(2) of the Illinois Administrative Code whereby the Company provides the insured with reasonable written explanation for delay beyond 45 days including the "Notice of availability of the Department of Insurance" on the 45 day delay letter.
2. Institute and maintain procedures to comply with 215 ILCS 5/234.1 of the Illinois Insurance Code whereby the Company provides the insured a "Notice of Enactment of the Nonforfeiture Options".
3. Submit to the Director proof of compliance with the Order within 30 days of the execution of this Order.
4. Pay to the Director a civil forfeiture in the amount of \$10,000.00 to be paid within 30 days of the execution of this Order.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code, including but not limited to levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of Teachers Insurance and Annuity Association of America:

Kevin Tierman
Signature
KEVIN TIERNAN
Name
VP Insurance + Annuities
Title



Subscribed and sworn to before me this
24 day of April A.D. 2013.

Trina M. Sowell
Notary Public

DEPARTMENT OF INSURANCE of the
State of Illinois;

DATE May 17, 2013

Andrew Boron
Andrew Boron
Director



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

June 12, 2013

Kevin Tiernan
VP, Insurance & ATA Products
TIAA-CREF Life Insurance Company
8500 Andrew Carnegie Boulevard
Charlotte, NC 28262-9927

*sent via USPS certified mail
return receipt requested*

Re: Market Conduct Examination Report

Dear Mr. Tiernan:

Please be advised that the Department has reviewed the proof of compliance contained in your May 31, 2013 and June 3, 2013 email correspondence. The proof of compliance submitted on behalf of TIAA-CREF Life Insurance Company is sufficient.

Accordingly, the Department is closing its files on this exam. This exam, along with this closing letter, will be made public by posting on the Department's website as authorized by 215 ILCS 5/132. Thank you so much for your attention to this exam and professional conduct during this process.

Please contact me if you have any questions. I may be reached at 312-814-8580.

Sincerely,

Simone Arthur
Assistant General Counsel