



Illinois Department of Insurance

JB Pritzker
Governor

Robert H. Muriel
Director

VIA ELECTRONIC MAIL

April 28, 2020

Mr. Roger Walton Ferguson, Jr.
President
Teachers Insurance & Annuity Association of America
730 Third Avenue
New York, NY. 10017

Re: Teachers Insurance & Annuity Association of America, NAIC 69345
Market Conduct Examination Report Closing Letter

Dear Mr. Ferguson:

The Department has reviewed your Company's proof of compliance and deems it adequate and sufficient. Therefore, the Department is closing its file on this exam.

I intend to ask the Director to make the Examination Report and Stipulation and Consent Order available for public inspection as authorized by 215 ILCS 5/132. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

Erica Weyhenmeyer
Chief Market Conduct Examiner
Illinois Department of Insurance
320 West Washington St., 5th Floor
Springfield, IL 62767
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**Illinois Department of Insurance
Market Conduct Examination**

Teachers Insurance and Annuity Association of America

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: July 15, 2019 – November 14, 2019

EXAMINATION OF: Teachers Insurance and Annuity Association of America
NAIC Number: 69345

LOCATION: 730 Third Avenue
New York, NY 10017

PERIOD COVERED
BY EXAMINATION: May 1, 2018 through April 30, 2019
COMPLAINTS: November 1, 2017 through April 30, 2019

EXAMINERS: Terence Greene, The INS Companies
John Drake, MCM, APIR, ChFC, CLU, RHU, FLMI, HIA
Chris Heisler, Examiner-in-Charge, AIE, MCM, FLMI, ARC

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I. FOREWORD

This is a comprehensive market conduct examination report of the Teachers Insurance and Annuity Association of America (NAIC Code 69345). This examination was conducted at the offices of Teachers Insurance and Annuity Association of America (“Company or TIAA”), located at 730 Third Avenue New York, NY 10017.

The Illinois Department of Insurance (“Department”) examined both TIAA-CREF Life Insurance Company (“TIAA Life”) and its parent, Teachers Insurance and Annuity Association of America (“TIAA”) at the same time. Separate market conduct exam reports were prepared for each company. This report is specifically for Teachers Insurance and Annuity Association of America.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures or files does not constitute approval thereof by the Illinois Department of Insurance.

During this examination, examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

II. SCOPE OF THE EXAMINATION

The Department has the authority to conduct this examination pursuant to, but not limited to, 215 ILCS 5/132.

The purpose of the examination was to determine if the Company complied with Illinois statutes, and Illinois Administrative Code and to consider whether the Company's operations are consistent with public interest. The primary period covered by this review is May 1, 2018 through April 30, 2019 for claims and November 1, 2017 through April 30, 2019 for complaints unless otherwise noted. Errors outside of this time period discovered during the examination may also be included in the report.

The examination was a comprehensive examination involving the following business functions of the individual life insurance and individual annuity line of business: claims handling practices, policy forms and advertising in use, producer licensing, new business and handling of consumer and Department complaints.

In performing this examination, the examiners reviewed a sample of the Company's practices, procedures, products, forms, advertising, extra-contractual claim adjudication guidelines, and files. Therefore, some noncompliant events may not have been discovered. As such, this report may not fully reflect all the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdiction does not constitute acceptance of such practices.

III. COMPANY PROFILE

TIAA was established in 1918 as a legal reserve life insurance company under the insurance laws of the State of New York by the Carnegie Foundation for the Advancement of Teaching. Under its charter, TIAA's purpose is to aid and strengthen non-profit educational and research organizations, governmental entities and other non-profit institutions by providing retirement and insurance benefits for their employees and their families and by counseling such organizations and their employees on benefit plans and other measures of economic security, all without profit to the corporation or its stockholder.

All outstanding common stock of TIAA is held by the TIAA Board of Overseers (the "Board of Overseers"). The Board of Overseers is a New York not-for-profit corporation incorporated in the State of New York, created for the purpose of holding the stock of TIAA. The Board of Overseers elects the members of the TIAA Board of Trustees (the "Board"). The Board oversees the management of TIAA and, among other thing, approves changes to TIAA's organizational documents.

TIAA operates through two primary lines of business: TIAA Financial Solutions and Nuveen, its asset management business. Each of these business lines are discussed in more detail below. Across these business lines, TIAA, directly and through its subsidiaries and affiliates, offers a wide array of financial services and products, including:

- Fixed and variable annuities (directly and through separate accounts);
- Mutual funds;
- Wealth management advice;
- Investment advice;
- Education savings programs;
- Life insurance;
- Trust and banking services;
- Planned giving and endowment services;
- Brokerage services; and
- Third-party institutional and individual asset management products and services.

Product Distribution:

Plan contributions for annuity and mutual fund pension products are remitted directly by participating institutions. TIAA has established relationships with approximately 15,000 non-profit institutions. These institutions offer TIAA's retirement annuities and mutual funds to their employees as options within their defined contribution benefit plans. TIAA provides support and educational services to participating institutions through approximately 160 local offices supporting participating institutions throughout the United States.

Mutual funds, individual life and non-pension annuities offered directly to individuals are primarily sold through the internet, by direct mail or through intermediaries affiliated with TIAA.

TIAA's primary business is providing retirement annuities to fund defined contribution pension plans at participating institutions. Typical defined contribution plans offered by higher educational

institutions provide for the employer and employee to each contribute a specified percentage of employee's salary. Generally, TIAA's annuities are held in tax-deferred retirement plans, and assets accumulate until the contract holder dies or begins receiving benefits under a payout option.

Because of the unique purpose of TIAA's annuities, TIAA participants typically can only withdraw funds in the form of lifetime annuity income or as an annuity payable over seven to ten years depending on the contract. As such, lump-sum cash withdrawals are generally not allowed under a TIAA retirement annuity contract. Contracts available for use in supplemental plans that generally hold employee contributions are fully liquid to the participant. As of December 31, 2018, approximately 72% of TIAA's general account policy and contract reserves were not subject to discretionary withdrawal at the option of the individual policyholder.

Individual Life Insurance and Individual Annuity written premium and market share in Illinois per the NAIC Market Analysis Review System for TIAA are as follows:

Year	Individual Life Premium	Market Share	Individual Annuity Premium	Market Share
2018	\$9,391,512	0.166%	\$194,541,618	2.552%
2017	\$10,308,059	0.188%	\$229,128,450	3.338%

IV. SUMMARY

A comprehensive market conduct examination of Teachers Insurance and Annuity Association of America was performed to determine compliance with Illinois statutes and Illinois Administrative Code.

The following represents a summary of findings; however specific details are found in each section of the report.

TABLE OF TOTAL VIOLATIONS							
Teachers Insurance and Annuity Association of America							
Crit #	Statute/Rule	Description of Violations	Population	Files Reviewed	Number of Violations	Findings Section	Error %
1	50 IAC 919.70(a)(2)	Paid Individual Life – Failed to provide Notice of Availability of the Department of Insurance on the delay letter	46	46	18	A.1	39.10%
2	50 IAC 919.70(a)(2)	Paid Individual Life – Failed to provide beneficiary with a reasonable written explanation of delay beyond 45 days	46	46	2	A.1	4.30%
3	215 ILCS 5/224(1)(l)	Paid Individual Life – Failed to notify beneficiary of the availability of interest at time of claim	46	46	13	A.1	28.30%
4	50 IAC 919.70(a)(2)	Annuity Death Settlements, failed to provide Notice of Availability of the Department of Insurance on the delay letter	1,469	113	46	A.2	40.70%
5	50 IAC 919.70(a)(2)	Annuity Death Settlements, failed to notify the insured's beneficiary with a reasonable written explanation for delay beyond 45 days	1,469	113	3	A.2	2.60%

V. METHODOLOGY

The market conduct examination covered the business written for the period of May 1, 2018 through April 30, 2019. Complaints covered the period of November 1, 2017 through April 30, 2019. Specifically, the examination focused on a review of the following areas:

1. Producer Licensing and Production Analysis
2. Policy Forms and Advertising Material Analysis
3. Claims Analysis
4. Policy Application and Decline Analysis
5. External and Internal Policy Replacement Analysis
6. Consumer and Insurance Department Complaints

The review of these categories was accomplished through examination of appointed and terminated producer files, application files, cash surrendered policy files, extended term and reduced paid-up policy files, claim files, Insurance Department and consumer complaint files, policy forms and advertising material. Each of these categories is examined for compliance with Department Regulations and applicable State Laws.

The report concerns itself with improper practices performed by the Company which resulted in failure to comply with Illinois statutes and/or administrative rules. Criticisms were prepared and communicated to the Company addressing violations discovered in the review process. All valid criticisms were incorporated in this report.

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

Producer Licensing and Production Analysis

Populations for the producer file reviews were determined by whether the producers were duly licensed in Illinois. New business listings were retrieved from company records selecting newly solicited insurance applications, which reflected Illinois addresses for the applicants.

Policy Forms and Advertising Material Analysis

A list of all plans, form letters, riders and advertising materials used in Illinois during the examination period were requested. All were reviewed for compliance as to format, content and terminology as required by Illinois Law.

Claims Analysis

Claim surveys were selected using the following criteria:

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

All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and the Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*).

All median payment periods were measured from the date necessary proofs of loss were received to the date of payment or denial to the insured or the beneficiary.

The examination period for the claims review was May 1, 2018 through April 30, 2019.

Policy Application and Decline Analysis

The Company provided a listing of all life insurance and annuity application files relating to those applications that were declined during the survey period. The files were reviewed to determine validity of the reason for denial.

External and Internal Policy Replacement Analysis

The Company provided a listing of all life insurance and annuity files for policies that were either internal or external replacements of existing policies. The replacements were reviewed to determine compliance with 215 ILCS 5/224(2) and to determine if the required replacement forms were properly executed and or sent.

Consumer and Insurance Department Complaints

The Company provided all files relating to complaints which had been received via the Department of Insurance 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 of the complaint to the date of response by the Company. The period of review was November 1, 2017 through April 30, 2019.

VI. SELECTION OF SAMPLES

Teachers Insurance and Annuity Association of America

<u>Survey</u>	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
CLAIMS ANALYSIS			
Individual Life	46	46	100%
Annuity Death Settlements	1,469	113	7.70%
CONSUMER COMPLAINTS			
CONSUMER COMPLAINTS	143	72	50.30%
DEPARTMENT OF INSURANCE COMPLAINTS	2	2	100%
POLICYHOLDER SERVICES			
Annuity New Business Issued	1,071	113	10.60%
Policy Loans	29	29	100%
Individual Life Cash Surrender	19	19	100%
Annuity Cash Surrender	45,149	116	0.26%
PRODUCER LICENSING			
Agents (New Business transactions)	757	113	14.90%
Agents Terminated	105	53	50%
Agents Terminated for Cause	2	2	100%
POLICY FORMS AND ADVERTISING			
Policy Forms	61	61	100%
Advertising Materials	6,957	115	1.60%

VII. FINDINGS

A. Claims Practices

The examiners reviewed the Company's claim practices to determine its efficiency of handling, accuracy of payment, adherence to contract provisions and compliance with Illinois laws and regulations.

1. Individual Life Claims

The Company failed to provide the Notice of Availability of the Department of Insurance on the delay letter for 18 claims as required by 50 Ill. Adm. Code 919.70(a)(2). Criticism 1.

The Company failed to provide the beneficiary with a reasonable written explanation of delay beyond 45 days for two (2) claims as required by 50 Ill. Adm. Code 919.70(a)(2). Criticism 2.

A review of 46 paid individual life claims produced three (3) criticisms. The Company failed to notify the beneficiary of the availability of interest at time of claim for 13 claims as required by 215 ILCS 5/224(1)(1). Criticism 3.

The median for payment was six (6) days.

2. Annuity Death Settlements

The Company failed to provide the Notice of Availability of the Department of Insurance on the delay letter for 46 claims as required by 50 Ill. Adm. Code 919.70(a)(2). Criticism 4.

A review of 113 paid and pending annuity death settlements produced two (2) criticisms. The Company failed to notify the insured's beneficiary with a reasonable written explanation for the delay beyond 45 days for three (3) claims as required by 50 Ill. Adm. Code 919.70(a)(2). Criticism 5.

The median for payment was two (2) days.

B. Policyholder Services

1. Annuity New Business Issued

A review of 113 annuity new business application files produced no criticisms.

2. Policy Loans

A review of 29 policy loan files produced no criticisms.

3. Individual Life Cash Surrender

A review of 19 individual life cash surrender files produced no criticisms.

The median for surrender was one (1) day.

4. Annuity Cash Surrender

A review of 116 annuity cash surrender files produced no criticisms.

The median for surrender was two (2) days.

C. Producer Licensing

A review of 113 agent new business transactions produced no criticisms.

A review of 53 terminated agents produced no criticisms. A review of 2 terminated agents for cause produced no criticisms.

D. Complaints

A review of 72 consumer complaints produced no criticisms.

A review of two (2) Illinois Department of Insurance complaints produced no criticisms.

E. Policy Forms and Advertising

1. Policy Forms

A review of 61 policy forms produced no criticisms.

2. Advertising

A review of 115 pieces of advertising material produced no criticisms.

STATE OF Illinois)
) ss
COUNTY OF Sangamon)

Christopher J. Heisler, being first duly sworn upon his/her 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 and Annuity Association of America (the "Company"), NAIC #69345.

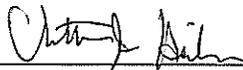
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish 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 the Examiner-In-Charge nor any other persons so designated 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 a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated 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 she/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.



Examiner-In-Charge

Subscribed and sworn to before me
this 14th day of November, 2019.



Notary Public

