STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA

AS OF

DECEMBER 31, 1999

DATE OF REPORT:	NOVEMBER 8, 2000
EXAMINER:	MICHAEL V. IMBRIANO

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

November 8, 2000

Honorable Neil D. Levin
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 21488, dated January 4, 2000 and annexed hereto, a limited scope examination has been made into the condition and affairs of Teachers Insurance and Annuity Association of America, hereinafter referred to as "the Association" or "TIAA", at its home office located at 730 Third Avenue, New York, NY 10017.

Wherever "Department" appears in this report, it refers to the State of New York Insurance Department.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

This was a limited scope examination of the Association as of December 31, 1999 which included: (i) a review or audit of certain targeted balance sheet items and (ii) a limited review of market conduct activities of the Association. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 1999 filed annual statement. (See item 2 of this report)

The examiner's review of the Association's advertising practices revealed that the Association violated Department Regulation No. 34-A when: (1) it failed to maintain a complete advertising file for institutional advertising; and, (2) it did not include the city of its home office in some of its advertisements and marketing literature. The Association was cited for a similar violation in the prior report on examination. (See item 6A of this report)

The examiner noted that the Association was charging first year premiums that were less than the filed rates for group long term disability policies in violation of Section 4235(h)(3) of the New York Insurance Law. The Association was cited for a similar violation in the prior report on examination. (See item 6B of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1994. This examination covers the period from January 1, 1995 through December 31, 1999. This was a limited scope examination which included: (i) a review or audit of certain targeted balance sheet items considered by this Department to require analysis, verification or description, (ii) a review or audit of certain targeted market conduct activities of the Association and (iii) a review or audit of the items noted in the following paragraph. The balance sheet items targeted for review were bonds, stocks, real estate, mortgage loans on real estate, leased securities, derivatives and Separate Accounts. The market conduct activities targeted for review were the advertising and sales activities of the Association and the underwriting and treatment of policyholders relating to the Association's Separate Account contract holders. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 1999 but prior to the date of this report (i.e., the completion date of the examination).

The examiner utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

Association history
Management and control
Corporate records
Fidelity bond and other insurance
Territory and plan of operation
Growth of Association
Business in force by states

The examiner reviewed the corrective actions taken by the Association with respect to violations and recommendations contained in the prior report on examination. The results of the examiner's review are contained in item 8 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations, or rules or which require explanation or description.

3. DESCRIPTION OF ASSOCIATION

A. History

In 1917, the Carnegie Foundation for the Advancement of Teaching ("the Foundation") initiated the formation of an organization to provide pensions and insurance for teachers and employees of private educational institutions. On March 4, 1918, the Foundation organized the Teacher Insurance and Annuity Association of America as a legal reserve stock life insurance company under Section 70 of the New York Insurance Law (now Section 1113).

A plan was initiated to make the Association 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" ("the Trustees") became law on June 3, 1937, and Carnegie transferred the Association stock to the Trustees in 1938. Part of the plan also included a proposal by the Association that Carnegie make an endowment grant to it of $6,700,000 which would obviate any further support for its overhead expenses. Carnegie voted to accept the Association's proposal and transferred $2,700,000 to the Association by December 31, 1937. The balance of the endowment was transferred to the Association by the end of 1938.

Effective November 17, 1989, the name of the Trustees of T.I.A.A. Stock was changed to "TIAA Board of Overseers."

The College Retirement Equities Fund ("CREF") was established in 1952 as a separate corporation to be a companion organization to the Association. CREF was organized to provide annuities based upon equity investments that would vary with economic conditions, while the Association would provide fixed annuity contracts.

Although the Association had been formed as a New York domestic stock life insurance company, the Association was exempt from federal taxation since its founding in 1918. Effective January 1, 1998, the Association lost its exemption from federal income taxation pursuant to Section 1042 of the Taxpayers Relief Act of 1997.

On November 20, 1996, the Association formed the TIAA Life Insurance Company (now TIAA-CREF Life Insurance Company) as a New York domiciled stock life insurance company, headquartered in the State of New York under the Association's directly held subsidiary TIAA-CREF Enterprises, Inc. TIAA-CREF Life Insurance Company was originally established for the purpose of retaining the Association's taxable life insurance and other non-pension business. Currently, TIAA-CREF Life Insurance Company markets life, annuity and health insurance products to the general public.

In 1994, the Association established Separate Account (VA-1) as a registered variable annuity separate account for both individual and group qualified flexible premium deferred annuities. In 1995, the Association established a second Separate Account (VA-2) as a real estate separate account designed to fund individual and group annuity contracts funding tax qualified pension plans.

The Association was selected as the program manager for New York State College Savings Program. New York State started the College Savings Program in the fall of 1998 as an IRC Section 529 qualified state tuition program. The College Savings Program allows New York State residents to contribute pre-tax funds for their children's college education. Beginning in September 1998, New York State residents can deduct up to $5,000 in contributions annually from their New York State taxable income. Earnings are tax-exempt for New York State income tax purposes and deferred for federal income tax purposes.

B. Holding Company

All of the outstanding stock of the Association is held by the TIAA Board of Overseers, a nonprofit corporation created solely for the purpose of holding the stock of the Association. The Association has direct ownership of 47 operating and investment subsidiaries. In addition, the Association has 100% ownership of TIAA-CREF Enterprises, Inc. a holding company that controls the following operating subsidiaries: TIAA-CREF Life Insurance Company, Teachers Advisors, Inc., Teachers Personal Investors Services, Inc., TCT Holdings, Inc. and TIAA-CREF Tuition Financing, Inc.

C. Management

The constitution of the TIAA Board of Overseers specifies that there shall be seven members of the board that shall manage its affairs. The term of membership shall be seven years with one member elected each year. Each member shall also be a trustee.

The following were the members of the TIAA Board of Overseers as of December 31, 1999:

Name and Residence	Principal Business Affiliation	Year First Elected
Dr. Lucius J. Barker Menlo Park, CA	William Bennett Munro Professor of Political Science Stanford University	1993
John H. Biggs New York, NY	Chairman, President and Chief Executive Officer Teachers Insurance and Annuity Association of America and College Retirement Equities Fund	1993
William G. Bowen Princeton, NJ	President The Andrew W. Mellon Foundation	1995
Dr. Stanley O. Ikenberry Washington, DC	President American Council on Education	1998
Gertrude G. Michelson New York, NY	Retired Senior Vice President R.H. Macy & Co., Inc.	1996
Paul A. Volcker New York, NY	Former Chairman Federal Reserve Board and Frederick H. Schultz Professor of International Economic Policy Emeritus Princeton University	1997
Dr. Clifton R. Wharton, Jr. New York, NY	Former Chairman and Chief Executive Officer Teachers Insurance and Annuity Association of America and College Retirement Equities Fund	1994

The bylaws state that the general management of the property, business and affairs of the Association shall be vested in the board of trustees. The board of trustees shall consist of four classes of trustees, each class to consist of four trustees, with one class elected at the annual election each year to serve a term of four years. The bylaws specify that the board shall hold an annual meeting in November of each year and may hold other meetings as the board may fix by standing resolution. As of December 31, 1999, the board of trustees consisted of 16 members. The board met four times in 1995, three times in 1996, five times in 1997, four times in 1998 and three times in 1999.

The 16 board members and their principal business affiliation, as of December 31, 1999 were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
David Alexander* Claremont, CA	President Emeritus Pomona College	1970
Marcus Alexis* Evanston, IL	Board of Trustees Professor of Economics and Professor of Management and Strategy Graduate School of Management Northwestern University	1986
John H. Biggs New York, NY	Chairman, President and Chief Executive Officer Teachers Insurance and Annuity Association of America and College Retirement Equities Fund	1989
Willard T. Carleton* Tucson, AZ	Donald R. Diamond Professor of Finance College of Business and Public Administration, University of Arizona	1984
Robert C. Clark* Cambridge, MA	Dean and Royall Professor of Law Harvard Law School, Harvard University	1988
Estelle A. Fishbein* Baltimore, MD	Vice President and General Counsel The John Hopkins University	1987
Frederick R. Ford* West Lafayette, IN	Executive Vice President and Treasurer Emeritus Purdue University	1983
Martin J. Gruber* Ridgewood, NJ	Nomura Professor of Finance Leonard N. Stern School of Business, New York University	1996
Ruth S. Hamilton* East Lansing, MI	Professor of Sociology and Director of African Diaspora Research Project Michigan State University	1989
Martin L. Leibowitz New York, NY	Vice Chairman and Chief Investment Officer Teachers Insurance and Annuity Association of America and College Retirement Equities Fund	1995

Name and Residence	Principal Business Affiliation	Year First Elected
Robert M. O'Neil* Charlottesville, VA	Director The Thomas Jefferson Center for the Protection of Free Expression University Professor and Professor of Law University of Virginia	1993
Leonard S. Simon* Rochester, NY	Vice Chairman Charter One Financial Inc.	1981
Ronald L. Thompson* Maumee, OH	Chairman and Chief Executive Officer Midwest Stamping Co.	1995
Paul R. Tregurtha* Stamford, CT	Chairman and Chief Executive Officer Mormac Marine Group, Inc. and Moran Transportation Company, Inc. Vice Chairman Interlake Steamship Company	1981
William H. Waltrip* Southport, CT	Chairman Technology Solution Company	1980
Rosalie J. Wolf* New York, NY	Treasurer and Chief Investment Officer The Rockefeller Foundation	1996

* Not affiliated with the Association or any other entity in the holding company system

The examiner's review of the minutes of the meetings of the board of trustees and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Association as of December 31, 1999:

Name	Title
John H. Biggs	Chairman, President and Chief Executive Officer
Martin L. Leibowitz	Vice Chairman and Chief Investment Officer
Richard J. Adamski	Vice President and Treasurer
Scott C. Evans	Executive Vice President
Richard L. Gibbs	Executive Vice President
Don W. Harrell	Executive Vice President
Matina S. Horner	Executive Vice President
E. Laverne Jones	Vice President and Corporate Secretary
John J. McCormack	Executive Vice President
John A. Putney, Jr.	Executive Vice President
Deanne J. Shallcross	Executive Vice President
David A. Shunk	Executive Vice President
John A. Somers	Executive Vice President
Charles H. Stamm*	Executive Vice President and General Counsel
Thomas G. Walsh	Executive Vice President
Mary Ann Werner	Executive Vice President
James A. Wolf	Executive Vice President

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 64

In January 2000, Martin E. Galt, III, C. Victoria Apter and Frances Nolan were elected Executive Vice Presidents. In March 2000, Harry I. Klaristenfeld and Ira J. Hoch were elected Executive Vice Presidents. In April 2000, John A. Putney, Jr. and. Thomas G. Walsh retired as officers of the Association.

D. Territory and Plan of Operation

The Association is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Association is licensed in 38 states and the District of Columbia. A review of the Association's premiums and considerations revealed that no state, other than New York, received more than 10% of the annuity considerations. In 1999, 49.7% of the annuity considerations were received from New York (17.3%), Pennsylvania (6.6%), Massachusetts (6.5%), California (5.1%), New Jersey (5.0%), Michigan (4.9%) and Illinois (4.4%). Policies are written on a non-participating basis; however, since the Association's charter states that the corporation's operations shall be conducted "without profit to the corporation or its stockholders," surplus is distributed to its policyholders as excess interest. During the examination period, participation in the Association was only available to employees of nonprofit educational or research institutions, as well as nonprofit ancillary educational institutions. In 2000, the Association amended its charter to include participation by employees of government agencies and other nonprofit institutions.

The Association offers pension products to colleges, universities, schools and school systems, teaching hospitals, museums and libraries, and other non-profit research and educational institutions. The products that are offered by the Association include Retirement Annuities ("RAs"), Group Retirement Annuities ("GRAs"), Supplemental Retirement Annuities ("SRAs") and Group Supplemental Retirement Annuities ("GSRAs") and Individual Retirement Annuities ("IRAs"). The Association's pension products accounted for 87% of the Association's premium income for the period under examination comprised as follows: individual annuities (72%) and group annuities (15%).

The Association's pension contracts have three types of ownership (1) delayed vesting, (2) participant owned and (3) institution owned. A delayed vesting contract requires that a participant must work for a certain length of time or vesting period before the participant can own the contract. If employment terminates prior to completion of the vesting period, the pension benefits are forfeited. A participant owned contract is owned by the participant at the issuance of the contract. An institution owned contract is owned by the participant upon termination of employment.

All annuity contracts issued by the Association are non-assignable and contain provisions for lifetime annuity income and death benefits. Contractual provisions provide for a fixed pay out period (from 2 to 30 years), internal transfers (within the Association or to CREF), external transfers (to another carrier), and cash withdrawals. Pension loans are available on the GSRA product.

The Association's traditional annuity is geared to participants who are risk averse, have already invested in stocks and bonds, or want to offset the risks in more volatile investments. The Association's traditional annuities guarantee a payment of 3%. Amounts paid over the contractually guaranteed amount represent excess interest. The Association also writes a small amount of individual life insurance, group life insurance, group accident and health insurance and individual accident and health insurance.

The Association's sales operations are conducted on a direct response basis.

4. SIGNIFICANT OPERATING RESULTS

The information contained in the following tables has been extracted from the Company's filed annual statements for the period under examination and has been subjected to a limited audit or review as indicated in the Scope of Examination (item 2 of this report).

The following table indicates the Company's financial growth during the period under review:

	December 31, 1994	December 31, 1999	Increase
Admitted assets	$73,347,833,851	$110,497,431,473	$37,149,597,622
Liabilities	$69,910,009,835	$103,472,003,617	$33,561,993,782
Common capital stock	$ 2,500,000	$ 2,500,000	$ 0
Gross paid in and contributed surplus	0	550,000	550,000
Special surplus funds	3,435,324,016	7,022,377,856	3,587,053,840
Total capital and surplus	$ 3,437,824,016	$ 7,025,427,856	$ 3,587,603,840
Total liabilities, capital and surplus	$73,347,833,851	$110,497,431,473	$37,149,597,622

The Company's invested assets as of December 31, 1999, exclusive of Separate Accounts, were mainly comprised of bonds (71.6%) and mortgage loans (19.9%).

The majority (94.1%) of the Company's bond portfolio, as of December 31, 1999, was comprised of investment grade obligations.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements: (000's omitted)

	1995	1996	1997	1998	1999
Ordinary:					
Life insurance	$ 8,263	$ 18,534	$ 5,008	$ 7,631	$ 16,675
Individual annuities	905,912	862,537	993,698	698,125	1,032,297
Supplementary contracts	3,441	7,835	(2,311)	5,326	7,378
Total ordinary	$917,616	$888,906	$ 996,395	$711,082	$1,056,350
Group:					
Life	$ (156)	$ 1,732	$ 2,067	$ (1,523)	$ 7,069
Annuities	23,957	56,585	116,261	8,406	26,072
Total group	$ 23,801	$ 58,317	$ 118,328	$ 6,883	$ 33,141
Accident and health:					
Group	$ (15,090)	$ (9,494)	$ 1,137	$ 273	$ (5,947)
Other	(3,236)	(135)	(2,147)	(5,903)	(6,142)
Total accident and health	$ (18,326)	$ (9,629)	$ (1,010)	$ (5,630)	$ (12,089)
All other lines	$ 0	$ 0	$ 0	$ (1,703)	$ (5,301)
Total	$923,091	$937,594	$1,113,713	$710,632	$1,072,101

The losses on group accident and health insurance for 1995, 1996, and 1999 were caused by high claims experience on long term disability business. The Association showed positive results in 1997 and 1998.

The other accident and health line of business consists of long term care business. This product has not yet grown to a size that can sustain profits. The Association expects to generate positive earnings as the business grows and matures.

The Association's "All other lines of business" consists of the TIAA-CREF Tuition Financing Business where the Association handles the administration for the New York State College Savings Plan. (See item 3A of this report) For 1998 and 1999, expenses were in excess of asset-based fees received.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, surplus and other funds as of December 31, 1999, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years 1995 through 1999 as extracted from the Association's filed annual statements for the period under examination. These financial statements have been subjected to a limited audit or review as indicated in the Scope of Examination (item 2 of this report).

A. ASSETS, LIABILITIES, CAPITAL, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 1999

Admitted Assets

Bonds	$ 75,703,778,607
Preferred stocks	425,049,611
Common stocks	4,081,299,705
Mortgage loans:	
First liens	20,553,515,779
Other than first liens	452,154,413
Real estate:	
Properties occupied by the company	166,582,197
Properties acquired in satisfaction of debt	15,490,553
Investment real estate	1,107,634,365
Policy loans	393,614,559
Cash and short-term investments	410,052,667
Other invested assets	2,373,321,375
Derivatives	90,026,762
Reinsurance ceded:	
Amounts recoverable from reinsurers	13,207
Commissions and expense allowances due	17,134
Electronic data processing equipment	66,872,553
Federal income tax recoverable	362,925
Life insurance premiums and annuity considerations deferred and uncollected on in force business	68,954,596
Accident and health premiums due and unpaid	18,074,065
Investment income due and accrued	1,233,604,368
Receivable from parent, subsidiaries and affiliates	323,783,671
January 1, 2000 annuity benefits released on December 31, 1999	170,039,240
Sundry receivables	92,134,845
From Separate Accounts Statement	2,751,054,276
Total admitted assets	$110,497,431,473

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	$ 93,035,993,825
Aggregate reserve for accident and health policies	576,758,271
Supplementary contracts without life contingencies	256,955,968
Policy and contract claims:	
Life	228,341,590
Accident and health	4,243,656
Policyholders' dividends due and unpaid	7,567,465
Dividends apportioned for payment	2,032,037,375
Premiums and annuity considerations received in advance	3,372,688
Policyholder premiums, including deferred annuity liability	924,667
Interest maintenance reserve	1,110,348,869
General expenses due or accrued	82,931,248
Transfers to Separate Accounts due or accrued	(355,652)
Taxes, licenses and fees due or accrued, excluding federal income taxes	13,756,823
Unearned investment income	2,926,310
Amounts withheld or retained by company as agent or trustee	122,437,333
Remittances and items not allocated	77,937,932
Liability for benefits for employees and agents if not included above	49,326,879
Borrowed money and interest thereon	248,318,931
Asset valuation reserve	2,637,779,227
Payable to parent, subsidiaries and affiliates	190,213,036
Deferred income	8,255,565
Miscellaneous liabilities	15,718,280
Derivatives	8,279,419
Liability for risk experience on certain group insurance policies	6,879,636
From Separate Accounts Statement	2,751,054,276
Total liabilities	$103,472,003,617
Common capital stock	$ 2,500,000
Gross paid in and contributed surplus	550,000
Contingency reserve for investment losses, annuity and insurance mortality and other risks	7,010,159,502
Contingency reserve for group life insurance	12,218,354
Total capital, surplus and other funds	$ 7,025,427,856
Total liabilities, capital, surplus and other funds	$110,497,431,473

B. CONDENSED SUMMARY OF OPERATIONS

	1995	1996	1997	1998	1999
Premiums and considerations	$ 3,858,069,175	$ 4,390,823,096	$ 5,474,951,167	$ 6,176,055,375	$ 6,151,033,315
Investment income	6,110,736,913	6,530,117,162	6,907,371,622	7,452,863,049	7,933,503,742
Commissions and reserve adjustments on reinsurance ceded	(70,770)	117,365	42,404	123,191	81,007
Miscellaneous income	2,061,710,193	2,276,149,946	2,465,986,896	2,665,055,787	2,858,427,030
Total income	$12,030,445,511	$13,197,207,569	$14,848,352,089	$16,294,097,402	$16,943,045,094
Benefit payments	$ 2,266,476,381	$ 3,004,343,323	$ 3,899,818,090	$ 4,129,682,378	$ 4,732,117,460
Increase in reserves	5,327,096,016	5,096,442,128	5,234,452,652	6,632,365,867	6,096,996,647
General expenses and taxes	241,795,245	249,000,231	272,584,388	327,085,341	335,038,897
Increase in loading and cost of collection	1,097,748	1,728,134	944,806	2,041,831	928,773
Net transfers to Separate Accounts	92,995,463	395,686,225	545,670,419	487,975,604	490,880,392
Miscellaneous deductions	32,079,288	48,776,628	63,253,800	66,831,582	80,786,822
Total deductions	$ 7,961,540,141	$ 8,795,976,669	$10,016,724,155	$11,645,982,603	$11,736,748,991
Net gain	$ 4,068,905,370	$ 4,401,230,900	$ 4,831,627,934	$ 4,648,114,799	$ 5,206,296,103
Dividends	3,136,327,562	3,450,483,614	3,693,721,462	3,949,336,622	4,159,407,213
Federal income taxes	9,487,967	13,153,881	24,194,402	(11,854,001)	(25,212,919)
Net gain from operations before net realized capital gains	$ 923,089,841	$ 937,593,405	$ 1,113,712,070	$ 710,632,178	$ 1,072,101,809
Net realized capital gains (losses)	(171,105,076)	(3,135,717)	112,900,386	129,729,738	(48,028,305)
Net income	$ 751,984,765	$ 934,457,688	$ 1,226,612,456	$ 840,361,916	$ 1,024,073,504

C. CAPITAL AND SURPLUS ACCOUNT

	1995	1996	1997	1998	1999
Capital and surplus, December 31, prior year	$3,437,824,015	$4,056,179,874	$4,750,704,693	$5,776,574,801	$6,323,208,648
Net income	$ 751,984,764	$ 934,457,686	$1,226,612,456	$ 840,361,916	$1,024,073,504
Change in net unrealized capital gains (losses)	52,706,109	30,452,145	(2,481,679)	(171,048,854)	(112,613,081)
Change in non-admitted assets and related items	(802,629)	(4,763,942)	1,199,907	(17,828,890)	(25,585,305)
Change in reserve valuation basis	0	0	(4,657,418)	8,670,773	0
Change in asset valuation reserve	(196,172,192)	(274,053,378)	(203,721,361)	(115,480,687)	(183,655,911)
Other changes in surplus in Separate Accounts statement	77,387,702	1,045,204	(28,996,987)	(74,706,520)	0
Surplus adjustments					
Paid in	0	0	0	0	550,000
Dividends to stockholders	0	0	0	0	(550,000)
Repurchase of Separate Account surplus	33,252,105	7,387,104	37,915,190	76,666,109	0
Initial contribution by TIAA in Separate Account	(100,000,000)	0	0	0	0
Net change in capital and surplus	$ 618,355,859	$ 694,524,819	$1,025,870,108	$ 546,633,847	$ 702,219,207
Capital and surplus, December 31, current year	$4,056,179,874	$4,750,704,693	$5,776,574,801	$6,323,208,648	$7,025,427,855

6. MARKET CONDUCT ACTIVITIES

The examiner's review of the Association's market conduct activities affecting participants was limited to a review of the Association's advertising and marketing activities and a review of the underwriting and treatment of the Association's Separate Account policyholders. (See item 2 of this report)

A. Advertising and Sales Activities

As part of this examination, the examiner reviewed a sample of the Association's advertising files and the marketing activities.

1) Section 219.5(a) of Department Regulation No. 34-A states:

> "Each insurer shall maintain at its home office a complete file containing a specimen copy of every printed, published or prepared advertisement hereafter disseminated in this state, with a notation indicating the manner and extent of distribution and the form number of any policy advertised. In order to be complete, the file must contain all advertisements whether used by the company, its agents or solicitors or other persons. That portion of the advertising file which has been covered by a filed report on examination may be eliminated."

The Association's advertising file was incomplete in that it did not contain specimen copies of the "institutional" advertisements.

The Association violated Section 219.5(a) of Department Regulation No. 34-A by not maintaining specimen copies of its "institutional" advertisements in its advertising file.

2) Section 219.4(p) of Department Regulation No. 34-A states, in part:

> "In all advertisements made by an insurer, or on its behalf, the name of the insurer shall be clearly identified, together with the name of the city, town or village in which it has its home office in the United States. . . . "

The examiner's review of the Association's advertising revealed that 20 advertisements from a sample of 28 did not have the city of the home office of TIAA.

The Association is in violation of Section 219.4(p) of Department Regulation No. 34-A by not including the city of its home office in some advertisements. This is a repeat violation from the prior report on examination. (See item 8 of this report)

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files and the applicable policy forms relating to the Association's Separate Account business.

Based upon the sample reviewed, no significant findings were noted relating to the Association's Separate Account business.

The examiner also conducted a review of group long term disability underwriting to ascertain whether the Association took corrective action with regard to the violation and recommendation contained in the prior report on examination.

1) Section 4235(h)(3) of the New York Insurance Law states, in part:

> "No insurer shall issue any policy of group accident, group health or group accident and health insurance the premium rate under which for the first policy year is less than that determined by the schedules of such insurer as then on file with the superintendent . . . "

The Association applied a 7% discount for five out of the seven New York group cases reviewed for a restricted benefit duration for mental and nervous disorders instead of the filed 5% discount.

The Association is in violation of Section 4235(h)(3) of the New York Insurance Law for using group health premium rates that were less than the schedule of rates on file with the Department. The Association was cited for a similar violation in the prior report on examination.

2) Section 4235(h)(1) of the New York Insurance Law states, in part:

> "Each domestic insurer and each foreign or alien insurer doing business in this state shall file with the superintendent its schedules of premium rates, rules and classification of risks for use in connection with the issuance of its policies of group accident, group health or group accident and health insurance . . . "

The Association applied a discount for a shortened ADEA (Age Discrimination in Employment Act of 1967) schedule that was not on file with the Department, which resulted in charging policyholders a lower premium rate than the rate on file with the Department.

The Association is in violation of Section 4235(h)(1) of the New York Insurance Law by not filing its current group health schedule of premium rates (i.e., ADEA discount) with the Department.

C. Treatment of Policyholders

The examiner reviewed a sample of various death claims, annuity payments and surrenders relating to the Association's Separate Account business. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account relating to the Association's Separate Account business.

Based upon the sample reviewed, no significant findings were noted relating to the Association's Separate Account business.

7. MORTGAGE LOANS

Section 1414(e) of the New York Insurance Law states:

> "Purchase money mortgages received on dispositions of real property shall be valued in an amount not exceeding ninety percent of the value of such real property as determined by an appraisal made by an appraiser at or about the time of the disposition; provided that purchase money mortgages received on dispositions of real property acquired or held pursuant to paragraph five of subsection (a) of section one thousand four hundred four of this article or on dispositions of real property acquired or held under section one thousand four hundred five of this article in satisfaction of loans, mortgages, liens, judgments, decrees or other debts previously owing to such insurer in the course of its business shall in no event be valued in an amount exceeding its acquisition costs."

The examiner noted that one loan was valued in excess of the amount allowed by Section 1414(e) of the New York Insurance Law. This property was acquired in December 1997 through a non-judicial foreclosure and consisted of a two level regional shopping mall including the surrounding land. In October 1998, the leasehold improvements (523,220 square feet of retail space out of 1,124,455 total retail space in the shopping mall), subject to a 60-year ground lease with the Association as the lessor, were sold for $55 million subject to a $55 million purchase money mortgage. An appraisal report dated December 14, 1998 valued the leasehold improvements at $34 million as of January 31, 1998, indicating a loan to value ratio of 162%.

The Association is in violation of Section 1414(e) of the New York Insurance Law for valuing this mortgage loan in excess of 90% of the appraised value of the property.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in the prior report on examination and the subsequent actions taken by the Association in response to each citation:

Item	Description
A	The Association violated Section 219.4(p) of Department Regulation No. 34-A by not including the city of its home office in some advertisements. A review of advertising revealed numerous instances where the Association had failed to include the city of its home office in its advertising material. (See item 6A of this report)
B	The Association violated Section 51.7 of Department Regulation No. 60 for using a form different from Exhibit B and an approved form without obtaining prior approval. A review indicated that the Association has taken corrective action with regard to the prior report violation of Department Regulation No. 60.
C	The examiner recommended that the Association maintain denied applications for individuals who apply for group life insurance after the initial period, for review for the period under examination. A review indicated that the Association is in compliance with the prior examination report recommendation.
D	The Association violated Section 4235(h)(3) of the New York Insurance Law for charging a first year premium rate that was less than determined by the schedules on file with the Department. The examiner’s review of New York group accident and health underwriting found the Association had charged first year premiums that are less than the filed rate in a similar manner as found in the prior examination. (See item 6B of this report)

9. SUMMARY AND CONCLUSIONS

Following are the violations contained in this report:

Item	Description	Page No(s).
A	The Association violated Section 219.5(a) of Department Regulation No. 34-A by not maintaining specimen copies of its “institutional” advertisements in its advertising file.	17
B	The Association violated Section 219.4(p) of Department Regulation No. 34-A by not including the city of its home office in some advertisements.	17
C	The Association is in violation of Section 4235(h)(3) of the New York Insurance Law for using group health premium rates that were less than the schedule of rates on file with the Department.	18
D	The Association violated Section 4235(h)(1) of the New York Insurance Law by not filing its current group health schedule of premium rates (i.e., ADEA discounts) with the Department.	18
E	The Association violated Section 1414(e) of the New York Insurance Law for valuing a mortgage loan in excess of 90% of the appraised value of the property.	19

Respectfully submitted,

_____________/s/____________
MICHAEL V. IMBRIANO
ASSOCIATE INSURANCE EXAMINER

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

MICHAEL V. IMBRIANO being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_____________/s/____________
MICHAEL V. IMBRIANO

Subscribed and sworn to before me

this__________ day of ___________________2000

APPOINTMENT NO. 21488

STATE OF NEW YORK

INSURANCE DEPARTMENT

I **NEIL D. LEVIN** *, Superintendent of Insurance of the*

State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

MICHAEL V. IMBRIANO

as proper person to examine into the affairs of the

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA

and to make a report to me in writing of the condition of the said

COMPANY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name and affixed the official Seal of the Department at the City of New York

this 4th day of January ,2000

NEIL D. LEVIN
Superintendent of Insurance

Superintendent