NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

TIAA-CREF LIFE INSURANCE COMPANY

CONDITION: DECEMBER 31, 2018

DATE OF REPORT: JUNE 25, 2020

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EXAMINER: JAMES B. MORRIS, CFE

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Andrew M. Cuomo
Governor

Linda A. Lacewell
Superintendent

June 25, 2020

The Honorable Linda A. Lacewell
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31991, dated July 19, 2019, and annexed hereto, an examination has been made into the condition and affairs of TIAA-CREF Life Insurance Company, hereinafter referred to as "the Company," at its home office located at 730 Third Avenue, New York, NY 10017.

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

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

## 1. EXECUTIVE SUMMARY

The material comments contained in this report are summarized below.

- In June 2019, the Company's management and board of directors decided to cease underwriting and issuing new life insurance policies effective January 1, 2020. (See item 7 of this report.)
- During 2019, the Company decided to discontinue the separate account guaranteed interest contracts product and provided existing contract holders a notice of termination. Certain contracts were discontinued, and the market value of the accounts distributed in 2019 with the remaining contracts discontinued and terminated in early 2020. (See item 7 of this report.)
- In December 2019, the Company received a capital contribution in the amount of $220 million from its parent, Teachers Insurance and Annuity Association. (See item 7 of this report.)
- The COVID-19 pandemic has disrupted the United States' economy and caused extreme volatility in the financial markets globally in an unprecedented manner. The extent to which COVID-19 may affect the Company's financial condition or results of operations will depend on future developments, including the duration, spread, and intensity of the pandemic. The extent of these future developments is uncertain and not readily determinable as of the date of this report, considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall effect of COVID-19 on the Company's business. (See item 7 of this report.)
- In May 2020, the Teachers Insurance and Annuity Association, the parent of the Company, offered a voluntary employment separation and termination compensation package to approximately 75% of its total workforce as a cost cutting initiative in response to the COVID-19 pandemic. Employee elections into the program are subject to management approval. Some elections may be denied to ensure the business can continue to operate effectively. At the time of this report, the effect of this initiative could not yet be assessed or measured. (See item 7 of this report.)

## 2. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners ("NAIC's") *Financial Condition Examiners Handbook, 2019 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2014, to December 31, 2018. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2018, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook published by the NAIC. The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2014 through 2018, by the accounting firm of PricewaterhouseCoopers, LLP. The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company uses the internal audit department and the internal control department of its parent, Teachers Insurance and Annuity Association of America (the "Association"), which were given the task of assessing the internal control structure and compliance with the NAIC's Model Audit Rule ("MAR"). Where applicable, MAR workpapers and reports were reviewed, and portions were relied upon for this examination.

The examiner reviewed the prior report on examination which did not contain any financial condition violations, recommendations, or comments.

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

## 3. DESCRIPTION OF COMPANY

### A. History

The Company was incorporated as a stock life insurance company under the laws of the State of New York on November 20, 1996, under the name TIAA Life Insurance Company, and was licensed and commenced business on December 18, 1996. The Company is a wholly-owned subsidiary of the Association, an organization formed to provide pensions and insurance for teachers and employees of private educational institutions and, currently, to provide an array of financial and retirement planning products and services to those in the academic, medical, cultural and research fields. The Company was originally established by the Association for retaining its taxable life insurance and other non-pension businesses. The Company commenced its operations by assuming a small block of life insurance business from the Association. The Company adopted its present name on May 1, 1998.

The Company's initial resources of $10,000,000 consisted of common capital stock of $2,500,000 and paid in and contributed surplus of $7,500,000 (2,500 shares with a par value of $1,000 for $3,000 per share).

### B. Holding Company

The Company is a direct, wholly owned subsidiary of the Association. Under an at-cost service agreement, the Association performs most of the services for the Company. The Company also has a financial support agreement with the Association, under which the Association is to provide support to ensure that the Company has the greater of (a) capital and surplus of $250 million, (b) the amount of capital and surplus necessary to maintain the Company's capital and surplus at a level not less than 150% of the NAIC's Risk Based Capital Model Act, or (c) any other amount necessary to maintain the Company's financial strength rating at least the same as the Association's rating at all times.

During the examination period, the Association contributed $50 million in 2015, $50 million in 2016, and $100 million in 2018 to the Company under the financial support agreement. Additionally, the Association provides a $100 million unsecured 364-day revolving line of credit to the Company. As of December 31, 2018, there was no outstanding principal amount under this line of credit. In December 2019, the Company received an additional capital contribution in the amount of $220,000,000 from the Association.

Besides the Company, the Association directly owns numerous operating and investment subsidiaries, of which the most significant are described below.

Nuveen, LLC ("Nuveen")

On October 1, 2014, the Association acquired Nuveen (formerly Nuveen Investments, Inc.), a diversified investment management company. The Association's management believes that the complementary offerings and strong distribution network that Nuveen brings to the Association allows it to offer its clients a broader range of expertise and investment options than ever before. Nuveen operates as a separate within a multi-boutique operating model, retaining its brand. Nuveen and the Association participate in intercompany arrangements, pursuant to which Nuveen relies upon the Association for certain centralized shared services, such as human resources and technology; and the Association relies upon Nuveen for various functions, including Nuveen's distribution channels. During the examination period, Nuveen has also aligned its investment specialists under asset class platforms, such as Nuveen Equities and Fixed Income and Nuveen Real Estate and Real Assets, which alignment is a part of the firm's evolution towards a one Nuveen global operating model.

TIAA FSB Holdings, Inc. and TIAA, FSB

In July 1998, the Association began offering trust services to its participants through the formation of TIAA-CREF Trust Company, FSB (the "Trust Company"). The Trust Company then offered trust and management services to the Company's participants and their families, education and research institutions, and others.

On August 24, 2010, the Office of Thrift Supervision ("OTS"), a federal agency under the Department of the Treasury, approved the Trust Company's plans to further expand its banking services to include the acceptance of deposits in the form of high yield savings, interest checking, certificates of deposit, money market accounts, and the origination of mortgage loans. On July 21, 2011, The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 merged OTS with the Office of the Comptroller of the Currency (the "OCC") and assigned the Federal Reserve as the supervisory and regulatory authority for all bank holding companies. The Federal Reserve

Bank of Boston is the prudential banking regulator for TIAA FSB Holdings, Inc. and the OCC is the prudential banking regulator for TIAA, FSB.

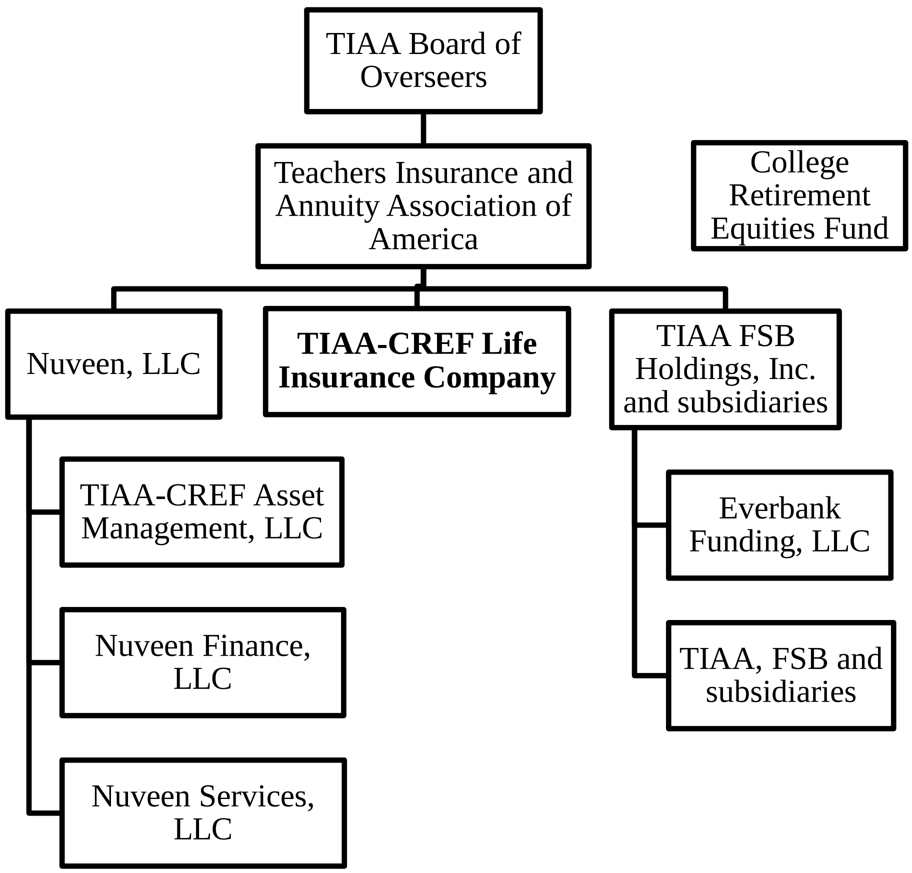
In early 2014, the Trust Company began offering lending and deposit products to the public. Lending products include fixed and adjustable rate products for both purchasing and refinancing a home, as well as home equity lines of credit. Deposit products include checking, savings, and money market accounts, as well as certificates of deposit.

On June 9, 2017, the Association acquired EverBank Financial Corp., a diversified financial services company based in Jacksonville, Florida that provided banking, mortgages, and investing services, and its wholly-owned subsidiary EverBank. The Trust Company and EverBank were subsequently combined under the legal name TIAA, FSB and is held by the Association's wholly-owned holding company TIAA FSB Holdings, Inc.

TIAA, FSB operates through three business lines: consumer banking, commercial banking, and trust services. The consumer banking business offers consumer products, including deposit services, consumer loans (including credit cards), residential lending, and loan servicing. The commercial banking business offers business clients deposit services, commercial real estate lending, lender finance, equipment finance and leasing, and mortgage warehouse financing. The trust services business offers investment management, fiduciary, and custody services to individual and institutional clients.

C. <u>Organizational Chart</u>

A partial organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2018, follows:



D. Service Agreements

The Company had six service agreements in effect with affiliates during the examination period:

| Type of Agreement and Department File Number | Effective Date | Provider of Services | Recipient of Services | Specific Services Covered | Expense* For Each Year of the Examination |
|---|---|---|---|---|---|
| Service Agreement (for Tuition Plans) File No. 27863G | 12/01/2001 | TIAA-CREF Tuition Financing, Inc. | The Company | Administrative and special services | 2014 $( 8,723,897)<br>2015 $(10,295,904)<br>2016 $( 9,246,832)<br>2017 $(11,750,026)<br>2018 $(13,394,586) |
| Amended and Restated Cash Distribution and Reimbursement Agreement for the TIAA-CREF Investment Horizon Market Value Adjusted Annuity Contracts File No. 59372 | 12/14/2011 | TIAA-CREF Individual & Institutional Services, LLC ("TC Services") | The Company | The Association makes all cash disbursements, incurs all expenses, and provides personnel when necessary for TC Services to distribute the contracts under the agreement, and the Company retained TC Services to act as the principal underwriter of these contracts | 2014 $(5,398,182)<br>2015 $(7,651,740)<br>2016 $(7,407,199)<br>2017 $(6,713,233)<br>2018 $(8,525,265) |
| Principal Underwriter Distribution Agreement ("PUDA") and Cash Disbursement and Reimbursement Agreement for the TIAA CREF Life Insurance Company Unit Investments Trust Separate Accounts File No.45989** | 5/01/2012 | The Association | The Company | The Company acts as the principal underwriter distributing the contracts under and pursuant to the PUDA, and the Association makes all cash disbursements, incurs all expenses, and provides such personnel when necessary for TC Services to fulfill its obligation under the PUDA | 2014 $(11,483,812)<br>2015 $(12,839,820)<br>2016 $(13,362,701)<br>2017 $(11,922,381)<br>2018 $(16,449,828) |

| Type of Agreement and Department File Number | Effective Date | Provider of Services | Recipient of Services | Specific Services Covered | Expense* For Each Year of the Examination |
|---|---|---|---|---|---|
| Cash Disbursement and Reimbursement Agreement for TIAA-CREF Life Stable Value Contracts File No. 45204A | 05/10/2012 | Teachers Personal Investors Services, Inc. (“TPIS”) | The Company | TPIS acts as the distributor of the contracts for the Company, and the Association makes cash disbursements and related services related to TPIS’s distribution of the contract under the agreement | 2014 $(2,780,983)<br>2015 $(1,173,522)<br>2016 $(3,193,255)<br>2017 $ (677,746)<br>2018 $ (384,076) |
| Amended and Restated Investment Management Agreement File No. 45205b | 06/01/2015 | Teachers Advisors, Inc. | The Company | Investment management services with discretionary investment authority over certain assets | 2014 $(3,798,397)<br>2015 $(4,724,404)<br>2016 $(4,602,949)<br>2017 $(4,193,105)<br>2018 $(3,197,767) |
| Amended and Restated Investment Management Agreement File No. 54677 | 01/01/2018 | The Association | The Company | Investment advisory services | 2014 $(8,234,307)<br>2015 $(8,586,630)<br>2016 $(8,513,420)<br>2017 $(7,441,569)<br>2018 $(8,437,518) |

*Amount of Expense Incurred by the Company

**The Principal Underwriter Agreement Distribution Agreement is between the Company and TC Services. The Cash Disbursement and Reimbursement Agreement is among the Company, the Association, and TC Services.

E. Management

The Company’s by-laws provide that the board of directors shall be comprised of not less than 7 and not more than 15 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in November of each year. As of December 31, 2018, the board of directors consisted of ten members. Meetings of the board are held quarterly.

The ten board members and their principal business affiliation, as of December 31, 2018, were as follows:

| Name and Residence | Principal Business Affiliation | Year First Elected |
|---|---|---|
| Rashmi D. Badwe<br>Princeton Junction, New Jersey | Senior Managing Director, Head of Individual Client Solutions, and Branch Office Manager<br>Teachers Insurance and Annuity Association of America | 2014 |
| Sue A. Collins<br>West Hartford, Connecticut | Senior Vice President and Chief Actuary<br>TIAA-CREF Life Insurance Company<br>Teachers Insurance and Annuity Association of America | 2014 |
| Christine E. Dugan<br>West Chester, Pennsylvania | Deputy Chief Actuary<br>Teachers Insurance and Annuity Association of America | 2018 |
| Bradley Finkle<br>New York, New York | Co-Head Nuveen Equities and Fixed Income,<br>Nuveen, LLC<br><br>President<br>TIAA-CREF Funds | 2018 |
| Derek J. Heaslip<br>Lynnfield, Massachusetts | Senior Managing Director, Institutional Retirement and General Manager New Markets<br>Teachers Insurance and Annuity Association of America | 2018 |
| Eric T. Jones<br>New York, New York | Senior Managing Director, Advisory Solutions and Product Development<br>Teachers Insurance and Annuity Association of America | 2008 |
| Meredith J. Kornreich<br>Rye, New York | Senior Managing Director, Division General Counsel, Retail and Institutional<br>Teachers Insurance and Annuity Association of America | 2016 |
| Russell G. Noles<br>Jersey City, New Jersey | Executive Vice President and Chief Operating Officer<br>Nuveen, LLC | 2008 |

| Name and Residence | Principal Business Affiliation | Year First Elected |
|---|---|---|
| Christopher A. Van Buren<br>Princeton, New Jersey | Executive Vice President and Chief Risk Officer<br>Teachers Insurance and Annuity Association of America | 2016 |
| Christopher J. Weyrauch<br>Basking Ridge, New Jersey | President and Chief Executive Officer<br>TIAA-CREF Life Insurance Company<br><br>Executive Vice President and Head of Individual Advisory Services<br>Teachers Insurance and Annuity Association of America | 2016 |

In anticipation of her retirement on March 1, 2019, Ms. Collins ended her service as a directors effective January 1, 2019; and Mr. Noles ended his service as a director also effective with his retirement on March 1, 2019. Because the size of the Company's board was determined to be adequate at the time by its Nominating & Governance Committee, no replacement was named.

Effective June 3, 2019, Mr. Weyrauch retired and was replaced by William G. Griesser.

The board of directors of the Association fulfils the independence requirement of the Company provide for under Section 1202(b)(3) of the New York Insurance Law.

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

The following is a listing of the principal officers of the Company as of December 31, 2018:

| Name | Title |
|---|---|
| Christopher J. Weyrauch | President and Chief Executive Officer |
| Sue A. Collins | Senior Vice President and Chief Actuary |
| Stacy K. Eisenhauer | Vice President and Chief Financial Officer |
| Jeffrey E. Grant | Managing Director |
| Jorge C. Gutierrez | Treasurer |
| Mary C. Benedetto | Secretary |

Joann Ortega, Managing Director of Individual Client Solutions and Consumer Services Officer, is the designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64).

In anticipation of her retirement on March 1, 2019, Ms. Collins was replaced as Senior Vice President and Chief Actuary by Christine E. Dugan effective January 1, 2019.

Effective May 23, 2019, Mr. Grant resigned and was replaced by Todd R. Sagmoe, Vice President of Individual Product Pricing.

Effective June 3, 2019, Mr. Weyrauch retired and was replaced by William G. Griesser.

## 4. TERRITORY AND PLAN OF OPERATIONS

The Company 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 Company is licensed to transact business in all 50 states and the District of Columbia. In 2018, 16.4% of life premiums, 11.2% of annuity considerations, and 16.8% of accident and health premiums were received from New York. Policies are written on a non-participating basis.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2018:

| Life Insurance Premiums | |
|---|---|
| New York | 16.4% |
| California | 8.3 |
| Pennsylvania | 6.2 |
| Illinois | 5.9 |
| Texas | 5.1 |
| Subtotal | 41.9% |
| All others | 58.1 |
| Total | 100.0% |

| Annuity Considerations | |
|---|---|
| New York | 11.2% |
| Florida | 9.8 |
| California | 9.5 |
| Virginia | 6.0 |
| Pennsylvania | 4.6 |
| Subtotal | 41.1% |
| All others | 58.9 |
| Total | 100.0% |

| Accident and Health Insurance Premiums | |
|---|---|
| New York | 16.8% |
| Florida | 13.6 |
| Pennsylvania | 7.6 |
| Massachusetts | 6.6 |
| Maryland | 4.3 |
| Subtotal | 48.9% |
| All others | 51.1 |
| Total | 100.0% |

| Deposit Type Funds | |
|---|---|
| California | 31.9% |
| Michigan | 20.7 |
| Connecticut | 13.8 |
| Georgia | 10.1 |
| Minnesota | 6.7 |
| Subtotal | 83.2% |
| All others | 16.8 |
| Total | 100.0% |

A. Statutory and Special Deposits

As of December 31, 2018, the Company had $5,000,000 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company. An additional $2,885,000, which was reported in Schedule E of the 2018 filed annual statement, was being held by the states of Arkansas, Georgia, Massachusetts, Missouri, Nevada, New Mexico, North Carolina, Oklahoma, Rhode Island, Tennessee, and Virginia.

B. Direct Operations

The Company's principal products are individual and group life insurance policies and individual annuities. Life insurance policies include individual term life and individual and group universal and variable universal life products; individual annuities include single premium immediate annuities, single premium deferred annuities, flexible premium deferred variable annuities, funding agreements, and separate account guaranteed interest contracts ("SAGIC"). The life insurance products and individual annuities are directly marketed to individuals, while funding agreements are directly issued to states for their state-sponsored 529 college savings and scholarship plans. The SAGIC product is an unallocated, non-participating deposit-type contract in the separate account designed as an investment vehicle offered to trustees and/or plan sponsors of stable value funds. During 2019, the Company decided to discontinue the SAGIC product and provided existing contract holders a notice of termination. Certain contracts were discontinued, and the market value of the accounts distributed in 2019 with the remaining contracts discontinued and terminated in early 2020. The Company's individual products are available to the general public, however; they primarily marketed to the individuals who own retirement annuities or insurance policies issued by the Association. Effective January 1, 2020, the Company ceased underwriting and issuing new life insurance policies.

The Company distributes its life insurance and annuity products through third party channels, including M Financial Group ("M Financial") and registered investment advisors. The Company has an exclusive distribution relationship with M Financial to offer the Company's life insurance products to M Financial's member firms and their clients since October 2011. M Financial is owned by more than 150 member firms in 40 states, the United Kingdom, and the United Arab Emirates. It comprises several entities that serve as a general insurance marketing entity, a securities broker-dealer, a registered investment advisor, a reinsurance company, and four proprietary mutual funds. With the Company's decision to cease underwriting and issuing new life insurance policies, the exclusive agreement between the Company and M Financial to distribute the Company's life insurance policies was terminated as of December 31, 2019.

C. Reinsurance

As of December 31, 2018, the Company had reinsurance treaties in effect with 14 companies, of which 9 were authorized or accredited. The Company's life and accident and health business is reinsured on coinsurance, modified coinsurance, and yearly renewable term bases. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for term life insurance policies is $1.5 million for contracts issued prior to June 27, 2006. For contracts issued after June 27, 2006, and through January 31, 2018, the maximum retention limits is $5 million for policies issued up to age 70 and $3 million for policies issued over age 70 except for 10-year term life policies issued on or after January 1, 2010, which have a maximum retention limit of $3 million. Effective January 1, 2018, the maximum retention limit for all term policies issued up to age 70 is $15 million.

The maximum retention on universal life ("UL") and variable universal life ("VUL") policies for contracts issued prior to June 27, 2006 is $1.5 million for one insured life and $2.5 million for two insured lives. Subsequently issued policies have a maximum retention limit of $5 million for one insured life and $9 million for two insured lives. For contracts issued on or after May 1, 2012, through the Company's marketing agreement with M Life Insurance Company, along with all other UL and VUL policies issued on or after February 1, 2017, the maximum retention is $15 million on one insured life and $20 million for two insured lives. The maximum retention limit is less for certain issue ages and underwriting classifications.

The total face amount of life insurance ceded as of December 31, 2018 was $38,965,897,928, which represents 65.7% of the total face amount of life insurance in force.

Reserve credit taken for reinsurance ceded to and other reinsurance recoverables from unauthorized companies, totaling $175,446,760, was supported by letters of credit, trust agreements, and other miscellaneous credit balances. The Company established a liability of $3,292,423 for reinsurance ceded to unauthorized company that was also supported by the letters of credit, trust agreements, and other miscellaneous credit balances.

The Company did not have any assumed insurance business as of December 31, 2018.

## 5. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

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

| | December 31, 2013 | December 31, 2018 | Increase (Decrease) |
|---|---|---|---|
| Admitted assets | $7,988,639,007 | $13,267,151,764 | $5,278,512,757 |
| Liabilities | $7,614,805,598 | $12,766,267,837 | $5,151,462,239 |
| Common capital stock | $ 2,500,000 | $ 2,500,000 | $ 0 |
| Gross paid in and contributed surplus | 357,500,000 | 557,500,000 | 200,000,000 |
| Unassigned funds (surplus) | 13,833,409 | (59,116,073) | (72,949,482) |
| Total capital and surplus | $ 373,833,409 | $ 500,883,927 | $ 127,050,518 |
| Total liabilities, capital and surplus | $7,988,639,007 | $13,267,151,764 | $5,278,512,757 |

The Company's invested assets as of December 31, 2018, exclusive of separate accounts, mainly comprised bonds (97.4%) and cash and short-term investments (2.1%).

The majority of the Company's bond portfolio (99.4%), as of December 31, 2018, comprised investment grade obligations.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force by type (in thousands of dollars):

| | Individual Whole Life | | Individual Term | | Group Life | |
|---|---|---|---|---|---|---|
| Year | Issued | In Force | Issued | In Force | Issued & Increases | In Force |
| 2014 | $1,500,968 | $4,532,938 | $3,641,612 | $33,034,053 | $1,391,197 | $3,502,093 |
| 2015 | $1,644,785 | $6,058,677 | $3,475,073 | $35,656,136 | $1,218,247 | $4,694,988 |
| 2016 | $1,696,796 | $7,620,371 | $2,629,644 | $38,231,107 | $860,666 | $5,455,577 |
| 2017 | $1,582,867 | $9,002,956 | $3,731,935 | $40,837,366 | $822,681 | $6,125,155 |
| 2018 | $1,412,589 | $10,208,652 | $3,098,914 | $42,539,634 | $628,787 | $6,559,035 |

The increases in the in force amounts in the above table reflect the Company's emphasis on being the sole writer of new life insurance business on behalf of the Association's clients and their employees. However, the volumes of new business issued as a percentage of the coverage in force decreased consistently throughout the examination period for all types of insurance, which is reflective of the competitive nature of the life insurance industry as a whole.

The decreases in individual term life and group life insurance new issues in 2016 as well as the decrease in individual whole life new issues in 2018 were due primarily to less-than-expected growth in the Company's distribution through its captive agency channel and through M Financial.

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:

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Ordinary: | | | | | |
| Life insurance | $(109,193,322) | $ (77,260,389) | $(44,925,258) | $ (1,788,791) | $(44,458,122) |
| Individual annuities | 17,945,234 | (24,632,298) | 15,563,276 | 2,808,082 | (7,407,425) |
| Supplementary contracts | (13,706,056) | (7,782,061) | (6,888,877) | (8,061,635) | (4,096,345) |
| Total ordinary | $(104,954,144) | $(109,674,748) | $(36,250,859) | $ (7,042,344) | $(55,961,892) |
| Group: | | | | | |
| Life | $ 1,054,684 | $ 8,304,773 | $ 12,289,407 | $ (108,967) | $ (265,847) |
| Annuities | 83,141,767 | 66,319,542 | 26,838,097 | 34,471,791 | 40,763,948 |
| Total group | $ 84,196,451 | $ 74,624,315 | $ 39,127,504 | $34,362,824 | $ 40,498,101 |
| Total other accident and health | $ 262,038 | (203,577) | $ 666 | $ 16,122 | 12,737 |
| Total | $ (20,495,655) | $ (35,254,010) | $ 2,877,311 | $27,336,602 | $(15,451,054) |

During the examination period, the Company continued to execute its strategy to grow its life and annuity insurance business. The growth initiative, which started in 2010, has resulted in higher underwriting expenses associated with new sales and higher operating expenses related to infrastructure spending to support the growth within the individual and group life businesses. Surplus strain associated with these growth initiatives has also contributed to these losses.

The decrease in net loss from ordinary life insurance in 2015, compared with 2014, was primarily due to an increase in fixed and variable universal life premiums, as well as a decrease in reserves. The decrease in net loss in 2016 was due to an increase in premiums from fixed and variable universal life insurance products besides an increase in net investment income. The decrease in net loss in 2017 resulted primarily from a decrease in reserves, driven by the release of the asset adequacy reserves from the traditional term life reserves during the year due to a significant and sustainable reduction in the Company's maintenance expenses. The increase in net loss in 2018, resulted from a decrease in premiums driven primarily by decreased sales from the products distributed by M Financial besides higher surrenders and net transfers to separate accounts.

The net losses in the individual annuity line of business have been exacerbated by a high level of surrenders and withdrawals as consumers search for perceived opportunities to move to products offered by the Company's competitors in order to realize higher returns. The significant net loss in 2015 was driven by a much higher increase in the change in reserves than in 2014, as the Company grew it's Intelligent Variable Annuity product. The increase in the change in reserves was much lower in 2016 because of the release of Actuarial Guideline 43 reserves on the Company's Personal Annuity Select, Lifetime Variable Select, and Intelligent Variable Select annuity products, resulting in an increase in net gain during the year. The decrease in net gain in 2017 was due to lower annuity considerations and a higher increase in the change in reserves in during the year. The net loss in 2018 was driven primarily by increased surrender benefits.

The decrease in net loss from supplementary contract in 2015, compared with 2014, was due to a $1.5 million in considerations for supplementary contracts with life contingencies during the year compared with zero in 2014 and due to significantly lower interest and adjustments on contract or deposit-type contract funds. The decrease in net loss in 2018, compared with 2017, was primarily due an increase in considerations for supplementary contracts with life contingencies and a decrease in general insurance expenses, offset by a decrease in net investment income.

The increase in net gain from group life insurance in 2015, compared with 2014, resulted primarily from an increase in premiums as the Company continued to grow its life business. In addition, net investment income increased in 2015, driven primarily by the growth in the corporate bond portfolio. Along with these increases, there was a lower increase in the change in reserves in 2015 compared with 2014. In 2016, group life premiums decreased significantly as the growth in new issues declined, especially in products distributed through the Company's captive sales force and M Financial. This, however, resulted in a much lower increase in the change in reserves in 2016, compared with 2015, contributing to an increase in net gain in 2016. Similar to its individual life business, the Company's per policy administrative costs have been high because of the competitive nature of the life insurance industry and the Company's relative inability to generate sufficient volumes of new business to achieve economies of scale. The high per policy administrative costs were the main driver for the net losses in 2017 and 2018 and were a significant factor in the Company's decision to cease writing new life policies effective January 1, 2020

The fluctuations in net gain from group annuity business during the examination period were due to the variation in the amounts of net investment income allocated and federal income taxes incurred or benefits gained. In 2014, the Company had a tax benefit of $27.9 million compared with a federal tax benefit of $6.7 million in 2015. This was the primary driver in the decrease in net gain in 2015, offset by an increase in revenue from investment income and investment management fees. In 2016, federal income taxes incurred was $14.2 million. This was the primary driver of the significant decrease in net gain in 2016 compared with 2015. An increase in revenue of $15.9 million from investment income and investment management fees and a decrease in federal income taxes of $4.4 million were the primary drivers of the increase in net gains in 2017.

## 6. FINANCIAL STATEMENTS

The following statements show, as of December 31, 2018, the assets, liabilities, and capital and surplus as contained in the Company's 2018 filed annual statement, a condensed summary of operations, and a reconciliation of the capital and surplus account for each year under review. 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, 2018 filed annual statement.

### A. Independent Accountants

The firm of PricewaterhouseCoopers, LLP was retained by the Company to audit the Company's combined statutory-basis statements of financial position as of December 31 of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the years then ended.

PricewaterhouseCoopers, LLP concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

| | |
|---|---|
| Bonds | $ 7,913,171,630 |
| Stocks: | |
| Preferred stocks | 182,882 |
| Cash, cash equivalents and short-term investments | 171,753,266 |
| Contract loans | 33,771,364 |
| Other invested assets | 4,707,025 |
| Investment income due and accrued | 69,960,076 |
| Premiums and considerations: | |
| Uncollected premiums and agents' balances in the course of collection | 1,844,212 |
| Deferred premiums, agents' balances and installments booked but deferred and not yet due | 17,948,456 |
| Reinsurance: | |
| Amounts recoverable from reinsurers | 2,123,513 |
| Other amounts receivable under reinsurance contracts | 12,103,495 |
| Current federal and foreign income tax recoverable and interest thereon | 2,184,230 |
| Net deferred tax asset | 16,772,754 |
| Guaranty funds receivable or on deposit | 195,779 |
| Sundry receivables | 4,007,721 |
| From separate accounts, segregated accounts and protected cell accounts | 5,016,425,361 |
| Total admitted assets | $13,267,151,764 |

C. Liabilities, Capital and Surplus

| | |
|---|---|
| Aggregate reserve for life policies and contracts | $ 3,532,202,828 |
| Liability for deposit-type contracts | 4,104,701,197 |
| Contract claims: | |
| Life | 14,860,452 |
| Premiums and annuity considerations for life and accident and health contracts received in advance | 132,909 |
| Contract liabilities not included elsewhere: | |
| Other amounts payable on reinsurance | 16,070,718 |
| Interest maintenance reserve | 11,168,896 |
| Commissions to agents due or accrued | 847,799 |
| Transfers to separate accounts due or accrued | (8,176,203) |
| Amounts withheld or retained by company as agent or trustee | 476,826 |
| Remittances and items not allocated | 17,986,278 |
| Miscellaneous liabilities: | |
| Asset valuation reserve | 52,486,440 |
| Reinsurance in unauthorized companies | 3,292,42 |
| Payable to parent, subsidiaries and affiliates | 18,528,183 |
| Miscellaneous liabilities | 141,904 |
| From Separate Accounts statement | 5,001,547,187 |
| | |
| Total liabilities | $12,766,267,837 |
| | |
| Common capital stock | $ 2,500,000 |
| Surplus notes | 557,500,000 |
| Unassigned funds (surplus) | (59,116,073) |
| Surplus | $ 498,383,927 |
| Total capital and surplus | $ 500,883,927 |
| | |
| Total liabilities, capital and surplus | $13,267,151,764 |

D. Condensed Summary of Operations

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Premiums and considerations | $675,515,518 | $ 714,894,336 | $693,813,570 | $ 734,924,946 | $ 690,236,685 |
| Investment income | 162,278,808 | 181,541,157 | 209,257,511 | 240,394,644 | 270,009,604 |
| Net gain from operations from Separate Accounts | 3,473,398 | 1,822,657 | 387,772 | 77,837 | 1,507,262 |
| Commissions and reserve adjustments on reinsurance ceded | 88,789,962 | 79,973,655 | 59,892,203 | 56,902,011 | 34,920,749 |
| Miscellaneous income | 18,314,564 | 23,037,551 | 24,433,558 | 25,857,355 | 25,106,104 |
| Total income | $948,372,250 | $1,001,269,356 | $987,784,614 | $1,058,156,793 | $1,021,780,404 |
| Benefit payments | $207,239,836 | $ 203,817,033 | $243,954,695 | $272,356,772 | $ 355,900,933 |
| Increase in reserves | 349,405,131 | 366,030,824 | 348,092,753 | 327,489,320 | 244,206,762 |
| Commissions | 34,936,933 | 33,930,046 | 31,056,411 | 27,374,816 | 24,436,689 |
| General expenses and taxes | 127,946,823 | 146,617,995 | 140,921,156 | 129,069,892 | 148,364,018 |
| Increase in loading on deferred and uncollected premiums | (1,48,721) | (1,498,119) | (1,769,885) | (1,487,920) | (2,198,557) |
| Net transfers to (from) Separate Accounts | 227,551,702 | 259,745,312 | 189,655,711 | 241,680,620 | 214,333,925 |
| Miscellaneous deductions | 16,869,118 | 24,337,528 | 20,693,200 | 23,429,641 | 49,823,302 |
| Total deductions | $962,000,822 | $1,032,980,621 | $972,604,041 | $1,019,913,141 | $1,034,867,072 |
| Net gain (loss) from operations | $ (13,628,572) | $ (31,711,265) | $ 15,180,573 | $ 38,243,652 | $ (13,086,668) |
| Federal and foreign income taxes incurred | 6,867,083 | 3,542,745 | 12,303,262 | 10,907,050 | 2,364,386 |
| Net gain (loss) from operations before net realized capital gains | $ (20,495,655) | $ (35,254,010) | $ 2,877,311 | $ 27,336,602 | $ (15,451,054) |
| Net realized capital gains (losses) | 2,969,334 | (4,539,179) | (325,265) | 1,900,039 | 818,647 |
| Net income | $ (17,526,321) | $ (39,793,189) | $ 2,552,046 | $ 29,236,641 | $ (14,632,407) |

The gradual increase in investment income during the examination period resulted from growth of the Company's investment portfolio, along with the improved yields on individual bonds purchased and held.

The fluctuations in the net gain from operations from separate accounts and from net transfers to the separate accounts reflect the variations in the levels and volumes of participant-directed activity throughout the examination period.

The gradual decline in commissions and reserve adjustments on reinsurance ceded and in commissions expenses during the examination period resulted from the decreasing trend in the level of life insurance business written under the Company's marketing agreement with M Financial, combined with a decline in the average commissions rate due to changes in the product premium mix.

The increases in benefit payments and the corresponding decreases in the increase in reserves during the examination period were primarily attributed to high levels of surrenders on life and annuity products and increased transfers on deposit-type products, combined with high levels of maturities on deferred annuity products and increased death benefits paid on life and annuity products.

The fluctuations in the federal and foreign income taxes incurred predominately mirror the variations in the Company's overall profitability.

The net realized capital losses incurred in 2015 and 2016 resulted from the recognition of other-than-temporary impairments on individual investments in the Company's investment portfolio.  The gains reflected in subsequent years represent net realized gains on the sales of bonds net of taxes and transfers to the interest maintenance reserve.

E. Capital and Surplus Account

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Capital and surplus, December 31, prior year | $373,833,409 | $354,575,179 | $362,518,243 | $409,673,730 | $411,540,841 |
| Net income | $ (17,526,321) | $ (39,793,189) | $ 2,552,046 | $ 29,236,641 | $ (14,632,407) |
| Change in net unrealized capital gains (losses) | 54,061 | 289,941 | (281,471) | (573,529) | (201,711) |
| Change in net deferred income tax | 10,932,000 | 16,437,215 | 3,909,996 | (26,980,357) | 4,947,032 |
| Change in non-admitted assets and related items | (6,924,728) | (19,293,047) | (2,044,527) | 21,195,508 | (5,498,022) |
| Change in liability for reinsurance in unauthorized companies | (88,225) | 3,198,905 | 1,803,081 | (10,827,919) | 10,648,295 |
| Change in asset valuation reserve | (9,368,086) | (6,338,038) | (7,182,831) | (6,089,391) | (5,570,831) |
| Surplus (contributed to), withdrawn from Separate Accounts during period | 23,378,997 | 0 | 0 | 0 | 0 |
| Other changes in surplus in Separate Accounts statement | (19,715,928) | 3,441,277 | (1,600,807) | (4,093,842) | (349,270) |
| Surplus Adjustments: | | | | | |
| Paid in | 0 | 50,000,000 | 50,000,000 | 0 | 100,000,000 |
| Net change in capital and surplus for the year | $ (19,258,230) | $ 7,943,064 | $ 47,155,487 | $ 1,867,111 | $ 89,343,086 |
| Capital and surplus, December 31, current year | $354,575,179 | $362,518,243 | $409,673,730 | $411,540,841 | $500,883,927 |

The fluctuations in the change in deferred income tax predominately mirror the variations in the Company's overall profitability and the Company's anticipated ability to utilize the resultant tax benefits over the next three-year period. The changes shown for 2017 and 2018 reflect the changes necessitated by the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), which was signed into law on December 22, 2017, reduced the corporate income tax rate from 35% to 21%, and disallowed the carryback of net operating losses generated after December 31, 2017, to offset and recover taxes paid in prior years to future net losses.

The significant change in non-admitted assets and related items in 2017 resulted from the recognition of the decreased value of the deferred tax asset necessitated by the passage of the Tax Cuts and Jobs Act of 2017. Changes in the remaining years were generally due to changes associated with the values related to deferred premiums and agent balances receivable.

The fluctuations in the other changes in surplus in separate accounts statement reflect the variations in the levels and volumes of participant-directed activities throughout the examination period. The increases in paid in surplus reflect the capital contributions made to the Company by its parent, the Association.

## 7. SUBSEQUENT EVENTS

In June 2019, the Company's management and board of directors decided to cease underwriting and issuing new life insurance policies effective January 1, 2020. Management indicated that this decision was based on continuing competitive circumstances within the life insurance industry, combined with the Company's inability to generate sufficient volumes of new business to attain the necessary economies of scale and profitability within the product segment.

During 2019, the Company decided to discontinue the SAGIC product and provided existing contract holders a notice of termination. Certain contracts were discontinued, and the market value of the accounts distributed in 2019 with the remaining contracts discontinued and terminated in early 2020.

In December 2019, the Company received a capital contribution in the amount of $220 million from its parent, the Association.

In December 2019, a novel strain of coronavirus—COVID-19—was reported in Wuhan, China. The virus has subsequently spread to other parts of the world, including the United States. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and on March 13, 2020, President Donald J. Trump declared the pandemic a national emergency. The COVID-19 pandemic has disrupted the United States' economy and caused extreme volatility in the financial markets globally in an unprecedented manner.

The extent to which COVID-19 may affect the Company's financial condition or results of operations will depend on future developments, including the duration, spread, and intensity of the pandemic. The extent of these future developments is uncertain and not readily determinable as of the date of this report, considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall effect of COVID-19 on the Company's business.

The Department, along with all insurance regulators and the NAIC, is closely monitoring the evolving situation and the insurance industry through a coordinated effort to assess the effect of the pandemic on various types of insurance, individual insurers, and the insurance industry as a whole.

In May 2020, the Association, the parent of the Company, offered a voluntary employment separation and termination compensation package to approximately 75% of its total workforce as a cost cutting initiative in response to the COVID-19 pandemic. Employee elections into the program are subject to management approval. Some elections may be denied to ensure the business can continue to operate effectively. At the time of this report, the effect of this initiative could not yet be assessed or measured.

## 8. SUMMARY AND CONCLUSIONS

Following are comments contained in this report:

| Item | Description | Page No(s). |
|---|---|---|
| A | In June 2019, the Company's management and board of directors decided to cease underwriting and issuing new life insurance policies effective January 1, 2020. | 29 |
| B | During 2019, the Company decided to discontinue the separate account guaranteed interest contracts product and provided existing contract holders a notice of termination. Certain contracts were discontinued, and the market value of the accounts distributed in 2019 with the remaining contracts discontinued and terminated in early 2020. | 29 |
| C | In December 2019, the Company received a capital contribution in the amount of $220 million from its parent, Teachers Insurance and Annuity Association. | 29 |
| D | The COVID-19 pandemic has disrupted the United States' economy and caused extreme volatility in the financial markets globally in an unprecedented manner. The extent to which COVID-19 may affect the Company's financial condition or results of operations will depend on future developments, including the duration, spread, and intensity of the pandemic. The extent of these future developments is uncertain and not readily determinable as of the date of this report, considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall effect of COVID-19 on the Company's business. | 29 |
| E | In May 2020, the Teachers Insurance and Annuity Association, the parent of the Company, offered a voluntary employment separation and termination compensation package to approximately 75% of its total workforce as a cost cutting initiative in response to the COVID-19 pandemic. Employee elections into the program are subject to management approval. Some elections may be denied to ensure the business can continue to operate effectively. At the time of this report, the effect of this initiative could not yet be assessed or measured. | 29 |

Respectfully submitted,

James B. Morris, CFE, CPA
Baker Tilly Virchow Krause, LLP

STATE OF MARYLAND )
)SS:
COUNTY OF BALTIMORE )

James B. Morris, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

James B. Morris

Subscribed and sworn to before me

this 25th day of June 2020

Victoria D Horne

Baltimore City, Maryland
Notary Public
Victoria D Horne
My Commission Expires 3/29/2022

Respectfully submitted,

/s/

Courtney Williams
Principal Insurance Examiner

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

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

/s/

Courtney Williams

Subscribed and sworn to before me

this__________ day of ___________________

*APPOINTMENT NO. 31991*

*NEW YORK STATE*

# *DEPARTMENT OF FINANCIAL SERVICES*

*I, LINDA A. LACEWELL, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

***JAMES B. MORRIS***
***(BAKER TILLY VIRCHOW KRAUSE, LLP)***

*as a proper person to examine the affairs of the*

***TIAA-CREF LIFE INSURANCE COMPANY***

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

***COMPANY***

*with such other information as he shall deem requisite.*

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

*this 19th day of July, 2019*

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
EXCELSIOR

*LINDA A. LACEWELL*
*Superintendent of Financial Services*

*By:*

*MARK MCLEOD*
*DEPUTY CHIEF - LIFE BUREAU*