<u>STATE OF NEW YORK INSURANCE DEPARTMENT</u>

<u>REPORT ON EXAMINATION</u>

<u>OF THE</u>

<u>TIAA-CREF LIFE INSURANCE COMPANY</u>

<u>AS OF</u>

<u>DECEMBER 31, 1999</u>

<u>DATE OF REPORT</u>:	<u>NOVEMBER 8, 2000</u>
<u>EXAMINER</u>:	<u>MICHAEL V. IMBRIANO</u>

TABLE OF CONTENTS

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. 21489 dated January 4, 2000 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 State of New York Insurance Department.

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

1. EXECUTIVE SUMMARY

This is the first examination of the Company since its organization and licensing on December 18, 1996.

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 statement. (See item 5 of this report)

The examiner's review of the Company's market conduct activities revealed that advertising designed to call the public's attention to the Company's individual annuity product violated various provisions of Department Regulation No. 34-A as well as Section 1313(f) of the New York Insurance Law. (See item 6A of this report)

2. SCOPE OF EXAMINATION

The Company was incorporated on November 20, 1996 and commenced business on December 18, 1996. This examination covers the period from December 18, 1996 through December 31, 1999. 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 examination comprised a verification of assets and liabilities as of December 31, 1999 to determine whether the Company's filed 1999 annual statement fairly presents its financial condition. The examiner reviewed the Company's income and disbursements necessary to accomplish such verification and 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:

Company history
Management and control
Corporate records
Fidelity bond and other insurance
Officers' and employees' welfare and pension plans
Territory and plan of operation
Market conduct activities
Growth of Company
Business in force by states
Mortality and loss experience
Reinsurance
Accounts and records
Financial statements

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 COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of New York on November 20, 1996 under the name TIAA Life Insurance Company. The Company was licensed and commenced business on December 18, 1996. The Company's name was changed to its present name on May 1, 1998. The Company's initial surplus of $10,000,000 consisted of capital, in the form of common stock, of $2,500,000 (2,500 shares at $1,000 par value) and paid in and contributed surplus of $7,500,000. As of December 31, 1999, the Company's gross paid in and contributed surplus was $242,500,000. After the initial capitalization, the Company made the following changes to its gross paid in and contributed surplus. In 1997, Teachers Insurance and Annuity Association of America ("TIAA"), the Company's ultimate parent, contributed $90 million to gross paid in and contributed surplus. In December 1997, the Company paid a $20 million dividend to its immediate parent, TIAA Holdings, Inc., (now TIAA-CREF Enterprises, Inc.). In 1998, TIAA contributed $164,900,000 to gross paid in and contributed surplus to the Company in order to build capital to $250 million. In 1999, the Company increased its gross paid in and contributed surplus by $100,000 in order to correct a prior year misstatement.

B. Holding Company

The Company is a wholly owned subsidiary of TIAA. All of the outstanding stock of TIAA is collectively held by the TIAA Board of Overseers, a nonprofit corporation created solely for the purpose of holding the stock of TIAA. The Company's immediate parent is TIAA-CREF Enterprises, Inc., a subsidiary of TIAA. Through TIAA-CREF Enterprises, Inc. TIAA controls the following affiliates of the Company: Teachers Advisors, Inc., Teachers Personal Investors Services, Inc., TCT Holdings, Inc., TIAA-CREF Tuition Financing, Inc. and TIAA-CREFTrust Co., FSB.

On January 28, 1999, the Department approved an amended and restated service agreement (originally approved on December 17, 1996) between the Company and TIAA where TIAA provides, to the Company, administrative services and facilities necessary for the operation of the life insurance business.

On November 9, 1998, the Company filed a Financial Support Agreement with the Department where TIAA agrees to maintain the Company's financial strength as follows:

1. TIAA will cause the Company to maintain at all times the greater of (a) a minimum capital and surplus of $250 million; or, (b) the capital and surplus necessary to maintain the capital and surplus of the Company at not less than 150% of the NAIC Risk Based Capitalization Model or such other amount necessary to maintain the Company's rating at the same as or better than TIAA's rating from Moody's Investors Service, Standard and Poor's, Duff and Phelps and A.M. Best.
2. TIAA will cause the Company to be sufficiently funded at all times in order to meet all of its contractual obligations to pay policy benefits and to provide policyholder services.

The Financial Support Agreement will remain in effect until such time that the Company attains a financial strength rating equal to or better than TIAA's without giving weight to the backing of the Agreement. TIAA does not construe the Financial Support Agreement as a guarantee, surety, obligation, or liability of TIAA to the Company and does not seek to act as guarantor to any creditor of the Company for recourse to or against any of the assets of TIAA.

C. Management

The Company's charter provides that the board of directors shall be a minimum of 13 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in November of each year. The bylaws state that there shall be an annual meeting of the board in November of each year. Other meetings and special meetings shall be held on such dates as the board may fix by standing resolution. The bylaws also state that the board may take any action without a meeting if all of the members of the board consent in writing to the adoption of the resolution authorizing the action. The board met once in 1996, twice in 1997, once in 1998 and once in 1999. For the period under examination the board unanimously consented to 14 actions without a meeting of the board. As of December 31, 1999, the board of directors consisted of 13 members.

The 13 board members and their principal business affiliation, as of December 31, 1999, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Scott C. Evans Katonah, NY	Executive Vice President Teachers Insurance and Annuity Association of America	1997
Dennis D. Foley Glen Rock, NJ	Vice President Teachers Insurance and Annuity Association of America	1998
Richard L. Gibbs Jericho, NY	Executive Vice President Teachers Insurance and Annuity Association of America	1996
Don W. Harrell New York, NY	Executive Vice President Teachers Insurance and Annuity Association of America	1997
Larry D. Hershberger Mahwah, NJ	Secretary TIAA-CREF Life Insurance Company	1996
Matina S. Horner Cambridge, MA	Executive Vice President Teachers Insurance and Annuity Association of America	1997
Martin L. Leibowitz New York, NY	Vice Chairman and Chief Investment Officer Teachers Insurance and Annuity Association of America	1996
John McCormack Morristown, NJ	Executive Vice President Teachers Insurance and Annuity Association of America	1996
John A. Putney, Jr. New York, NY	Executive Vice President Teachers Insurance and Annuity Association of America	1996
Larry Rubin Teaneck, NJ	Chief Actuary TIAA-CREF Life Insurance Company	1999

Name and Residence	Principal Business Affiliation	Year First Elected
John A. Somers Leonardo, NJ	Executive Vice President Teachers Insurance and Annuity Association of America	1996
Charles H. Stamm Darien, CT	Executive Vice President and General Counsel Teachers Insurance and Annuity Association of America	1996
Thomas G. Walsh New Rochelle, NY	President TIAA-CREF Life Insurance Company	1996

In March 2000, Thomas G. Walsh and John A. Putney resigned from the board and were replaced by Martin E. Galt, III and Mary Ann Werner as directors of the Company.

The examiner's review of the minutes of the meetings of the board of directors 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 Company as of December 31, 1999:

Name	Title
Thomas G. Walsh	President
Richard L. Gibbs	Executive Vice President and Chief Financial Officer
Richard J. Adamski	Vice President and Treasurer
Larry D. Hershberger	Secretary
Larry D. Rubin	Chief Actuary
Morlee Miller	Chief Administrative Officer
Charles H. Stamm*	General Counsel

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

In March 2000 John J. McCormack replaced Thomas G. Walsh as President.

D. Territory and Plan of Operation

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.

As of December 31, 1999, the Company was licensed to transact business in 33 states, and the District of Columbia. The Company is currently licensed in 41 States and the District of Columbia. In 1999, all premiums received were deposit type funds. In 1999, 77.4% of deposit type funds were received from New York (40.2%), Florida (10.8%), Illinois (9.3%), Maryland (7.2%), Michigan (5.2%) and Pennsylvania (4.8%). Policies are written on a non-participating basis.

Prior to 1999, the Company's only line of business was ordinary life insurance assumed from TIAA on a 50% coinsurance basis. As of the date of this report, the Company had policy forms for the following products approved: (1) Personal Annuity Select, an individual variable annuity product with a fixed annuity option (34 states and the District of Columbia), (2) term life (39 states and the District of Columbia), (3) universal life (33 states and the District of Columbia), (4) individual long term care (37 states and the District of Columbia) and (5) guaranteed issue long term care (35 states and the District of Columbia). The Company's term product is not yet approved for sale in New York. The Company plans to introduce a variable universal life product in 2001.

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

E. Reinsurance

As of December 31, 1999, the Company had a reinsurance treaty in effect with its parent (TIAA), where the Company assumed certain life insurance policies from its parent on an automatic 50% coinsurance basis. The total face amount of life insurance assumed as of December 31, 1999, was $443,814.

4. 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 during the period under review:

	December 18, 1996	December 31, 1999	Increase
Admitted assets	$10,000,000	$336,248,452	$326,248,452
Liabilities	$ 0	$ 72,873,159	$ 72,873,159
Common capital stock	$ 2,500,000	$ 2,500,000	$ 0
Gross paid in and contributed surplus	7,500,000	242,500,000	235,000,000
Unassigned funds (surplus)	0	18,375,293	18,375,293
Total capital and surplus	$10,000,000	$263,375,293	$253,375,293
Total liabilities, capital and surplus	$10,000,000	$336,248,452	$326,248,452

The Company's invested assets as of December 31, 1999, exclusive of Separate Accounts, were mainly comprised of bonds (81.7%), mortgage loans (9.5%) and cash and short-term investments (8.8%).

The Company's entire bond portfolio (100%) 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:

	1996	1997	1998	1999
Ordinary:				
Life insurance	$15,852	$3,080,937	$7,777,791	$(2,602,323)
Individual annuities	0	0	0	11,309,773
Total ordinary	$15,852	$3,080,937	$7,777,791	$ 8,707,450
Accident and health				
Other	$ 0	$ 0	$ 0	$ (171,681)
Total accident and health	$ 0	$ 0	$ 0	$ (171,681)
Total	$15,852	$3,080,937	$7,777,791	$ 8,535,769

The Company explained the 1999 losses on the Ordinary Life line of business and the Other Accident and Health line of business as follows:

The $2.6 million loss on Ordinary Life insurance in 1999 was due to (1) higher expenses allocated to this line of business reflecting the large development cost of the advanced life insurance products and, (2) a decrease in net investment income allocated to this line of business as a result of the large increase in individual annuity business.

The loss on Other Accident and Health insurance for 1999 reflected the development costs of the long term care business.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, surplus and other funds as of December 31, 1999, as contained in the Company's filed 1999 annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years 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, 1999 filed statement.

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

Admitted Assets

Bonds	$251,708,760
Mortgage loans	
First liens	29,119,139
Cash and short term investments	27,141,880
Federal income tax recoverable	363,351
Investment income due and accrued	3,781,907
Receivable from parent, subsidiaries and affiliates	1,255,532
State income taxes recoverable	173,589
From Separate Accounts Statement	22,704,294
Total admitted assets	$336,248,452

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	$ 39,284,860
Life policy and contract claims	543
Interest maintenance reserve	116,028
General expenses due or accrued	2,814,861
Transfers to Separate Accounts due or accrued	123,719
Taxes, licenses and fees due or accrued	144,178
Amounts withheld or retained by company as agent or trustee	172,019
Remittances and items not allocated	2,990,078
Miscellaneous liabilities:	
Asset valuation reserve	1,061,394
Payable to parent, subsidiaries and affiliates	3,588,207
From Separate Accounts Statement	22,577,272
Total liabilities	$ 72,873,159
Common capital stock	$ 2,500,000
Gross paid in and contributed surplus	242,500,000
Unassigned funds (surplus)	18,375,293
Total capital, surplus and other funds	$263,375,293
Total liabilities, capital, surplus and other funds	$336,248,452

B. CONDENSED SUMMARY OF OPERATIONS

	1996	1997	1998	1999
Premiums and considerations	$43,888	$ 1,242	$ 13,634	$59,475,280
Investment income	32,958	4,981,871	13,295,122	18,893,955
Miscellaneous income	0	0	6	30,015
Total income	$76,846	$4,983,113	$13,308,762	$78,399,250
Benefit payments	$ 430	$ 39	$ 7,986	$ 368,586
Increase in reserves	43,553	(7,469)	967	39,247,125
Commissions	5,000	232	2,100	5,500
General expenses and taxes	3,387	257,434	1,343,464	4,317,655
Net transfers to Separate Accounts	0	0	0	20,728,316
Miscellaneous deductions	0	0	0	825
Total deductions	$52,369	$ 250,270	$ 1,354,517	$64,668,007
Net gain	$24,476	$4,732,843	$11,954,245	$13,731,243
Federal income taxes	8,624	1,651,906	4,176,454	5,195,474
Net income	$15,852	$3,080,937	$ 7,777,791	$ 8,535,769

C. CAPITAL AND SURPLUS ACCOUNT

	1996	1997	1998	1999
Capital and surplus, December 31, prior year	$ 0	$10,004,666	$ 82,908,241	$255,142,772
Net income	$ 15,852	$ 3,080,937	$ 7,777,791	$ 8,535,769
Change in reserve valuation basis	0	(684)	0	0
Change in asset valuation reserve	(11,187)	(176,677)	(447,648)	(425,882)
Surplus (contributed to) withdrawn from Separate Accounts during period	0	0	(100,000)	0
Other changes in surplus in Separate Accounts Statement	0	0	104,388	22,634
Capital changes				
Paid in	2,500,000	0	0	0
Surplus adjustments				
Paid in	7,500,000	90,000,000	164,900,000	0
Dividends to stockholders	0	(20,000,000)	0	0
Prior year adjustment to paid in surplus	0	0	0	100,000
Net change in capital and surplus	$10,004,666	$72,903,576	$172,234,531	$ 8,232,521
Capital and surplus, December 31, current year	$10,004,666	$82,908,241	$255,142,772	$263,375,293

6. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Company's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

Starting in late 1999, the Company began to use advertising intended to call the attention of the general public to the Company's Personal Annuity Select product. The Company referred to these advertisements as the "Oxymoron" and the "Best on the Planet" advertisements. These advertisements violated various provisions of Department Regulation No. 34-A as well as Section 1313(f) of the New York Insurance Law as follows:

(a) 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 Company's advertising file did not contain the manner and extent of distribution for the "Oxymoron" and the "Best on the Planet" advertisements as required by Section 219.5(a) of Department Regulation No. 34-A.

The Company is in violation of Section 219.5(a) of Department Regulation No. 34-A by not indicating the manner and extent of distribution for the "Oxymoron" and "Best on the Planet" advertisements.

(b) Section 219.4(a)(3) of Department Regulation No. 34-A states:

> "Whether an advertisement has the tendency or capacity to mislead or deceive shall be determined by the superintendent from the overall impression that the advertisement may be reasonably expected to create upon a person not knowledgeable in insurance matters."

The "Oxymoron" advertisements were designed such that it was difficult to determine which entity is actually issuing the policy. Although the Company is identified as the issuer, the text appears to be about TIAA, the Company's ultimate parent, and CREF, a related entity. The text does not distinguish between TIAA, CREF and the Company and liberally interchanges the corporate identities.

The "Oxymoron" advertisements contained the following statements that would have a tendency to confuse the reader as to the true identity of the entity issuing the policy:

> "TIAA-CREF annuities have completely "wowed" the financial press."

> "TIAA-CREF introduces Personal Annuity Select
> Let's make one thing clear. At TIAA-CREF, we didn't get to be the world's largest provider of annuities . . . "

> "The fact is, people in higher education and research have been taking advantage of our low expense annuities and renowned investment experience for years. And now, all your clients can."

> "More than 80 years of investment expertise and trust."

> "TIAA-CREF has been synonymous with sound financial solutions for generations. We've built the largest retirement company with over $250 billion in assets by helping generations of investors build comfortable, rewarding futures."

At the examiner's request, the Company discontinued the use of the "Oxymoron" advertisements.

The Company is in violation of Section 219.4(a)(3) of Department Regulation No. 34-A by using advertisements containing statements that would have a tendency to confuse the reader as to the true identity of the entity issuing the policy.

(c) Section 219.4(a) of Department Regulation No. 34-A states:

> "Advertisements shall be truthful and not misleading in fact or in implication. The format and content of an advertisement of a(n) . . . annuity contract shall be sufficiently complete and clear so that it is neither misleading nor deceptive, nor has the capacity or tendency to mislead or deceive."

The "Oxymoron" advertisement states the following with regard to the current credited rate:

> "From our top rated fixed annuity—which currently delivers a guaranteed 6.25% return."

The "Best on the Planet" advertisement states the following with regard to the current credited rate:

> "If you prefer the predictability of a guaranteed return, our fixed annuity offers one of the highest rates around—currently 6.25%."

A review of the approved policy form [Form TCL-1291.2] indicated that the contract guaranteed rate for the fixed account is 3%. The credited interest rate in effect at the time this advertisement was used was 6.25%, which was composed of additional interest and the 3% guaranteed rate. The additional interest was declared by the board for contributions received from January 1, 2000 through March 31, 2000. The advertisement did not distinguish between the guaranteed rate and the current credited rate. The advertisement also did not state that the additional interest was not guaranteed.

Therefore, the Company is in violation of Section 219.4(a) of Department Regulation No. 34-A by using advertisements that did not distinguish between the guaranteed rate and the then current credited rate.

(d) Section 1313(f) of the New York State Insurance Law states:

> "Advertisements and other public announcements directed primarily at calling the attention of policyholders or prospective policyholders to an insurer and containing a statement of the separate financial condition of the holding company system shall also contain a statement of the separate financial condition of the insurer which shall comply with this section."

The "Oxymoron" advertisement states the following with regard to the assets of TIAA and CREF, as a combined entity, without mentioning the asset size of the Company:

> "TIAA-CREF has been synonymous with sound financial solutions for generations. We've built the largest retirement company with over $250 billion in assets by helping generations of investors build comfortable, rewarding futures."

The "Best on the Planet" advertisement states:

> "The word on TIAA-CREF is getting around. For over 80 years, our annuities were exclusively available to people in education. Now, everyone can take advantage of the investment expertise and low-cost approach of the world's largest retirement company, with over $250 billion in assets under management."

The reference to the assets of TIAA and CREF, as a combined entity, without disclosing the assets of the Company is in violation of Section 1313(f) of the New York Insurance Law.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

Based upon the sample reviewed, no significant findings were noted.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Based upon the sample reviewed, no significant findings were noted.

7. SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and comments contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 219.5(a) of Department Regulation No. 34-A by not indicating the manner and extent of distribution for the "Oxymoron" and "Best on the Planet" advertisements in its advertising file.	15
B	The Company violated Section 219.4(a)(3) of Department Regulation No. 34-A by using advertisements containing statements that would have a tendency to confuse the reader as to the true identity of the entity issuing the policy.	16
C	The Company violated Section 219.4(a) of Department Regulation No. 34-A by using advertisements that did not distinguish between the guaranteed rate and the then current credited rate.	17
D	The Company violated Section 1313(f) of the New York Insurance Law by using advertisements referring to the assets of TIAA, the Company's ultimate parent, and CREF, a related entity, without disclosing the assets of the Company.	18

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. **<u>21489</u>**

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

TIAA-CREF LIFE INSURANCE COMPANY

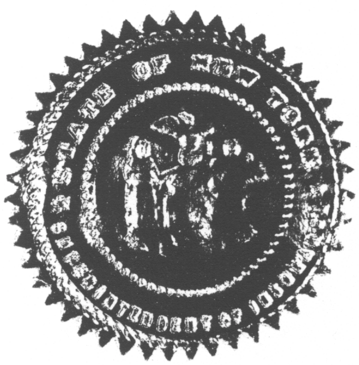
and to make a report to me in writing of the condition of the said

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