How does TIAA support the guarantees under its contracts?

TIAA's guaranteed annuity and funding agreements

Customers receive a guarantee that TIAA will credit interest at rates at least as great as the guaranteed minimum amount in the contract (typically between 1% and 3%). This guarantee is backed by TIAA's financial strength. Customers do not participate in the market performance of underlying investments in the portfolios.

TIAA is domiciled in New York and licensed to do business in every state, the District of Columbia and Puerto Rico

State insurance regulators primarily regulate TIAA's insurance business.

What backs the guarantees under TIAA's general account guaranteed annuity and funding agreement contracts?

TIAA issues "general account" annuities and funding agreements that include interest rate guarantees. Such "general account" products are backed by the financial strength of TIAA. Because of state insurance law and state insurance guaranty associations, insurance customers are generally better shielded from harm in state insurance insolvency proceedings than creditors have been in bankruptcies or other types of receivership proceedings.

Additional information on TIAA's general account can be found in the quarterly "TIAA General Account Financial Strength" document: **https://www.tiaa.org/public/pdf/performance/retirement/profiles/TIAA_Gen_Act_Fin_Strength.pdf.**

What backs the guarantees under TIAA's separate account guaranteed annuity and funding agreement contracts?

TIAA also issues annuities and funding agreements that include interest rate guarantees and are backed by the financial strength of TIAA, but where the guarantees are supported first by an internally dedicated pool of TIAA assets (known as a "separate account"), and if the assets in the separate account are insufficient to meet contract guarantees, the deficit is backed by the TIAA general account. This structure significantly reduces general account risk but doesn't entirely eliminate it. General account protection is as described above.

How did TIAA fare during the financial crisis of 2008 and what is it doing to maintain its financial strength?

While TIAA's business results were not immune from the effects of the last financial markets recession and the historically low interest environment that has followed, TIAA has continued to make good on the promises in its contracts every year of its more than 100-year history. TIAA has always set aside amounts to create capital or contingency reserves that help provide the financial strength to back contract guarantees. Today, TIAA remains a well-capitalized company holding five times the capital or surplus required by our primary insurance regulator (the New York Department of Financial Services).[1]

For its stability, claims-paying ability and overall financial strength, Teachers Insurance and Annuity Association of America (TIAA) is a one of only three insurance groups in the United States to currently hold the highest rating available to U.S. insurers from three of the four leading insurance company rating agencies: A.M. Best (A++ as of 7/21), Fitch (AAA as of 11/21) and Standard & Poor's (AA+ as of 9/21), and the second highest possible rating from Moody's Investors Service (Aa1 as of 5/21). There is no guarantee that current ratings will be maintained. The financial strength ratings represent a company's ability to meet policyholders' obligations and do not apply to variable annuities or any other product or service not fully backed by TIAA's claims-paying ability. The ratings also do not apply to the safety or the performance of the variable accounts, which will fluctuate in value.

TIAA's annual statements and other financial documents such as ratings agency reports can be found here: **https://www.tiaa.org/public/about-tiaa/corporate-governance-leadership/document-library.**

What happens if TIAA is unable to meet its obligations under these contracts?

Insurance business is monitored and regulated by state insurance departments, and one of their primary objectives is protecting policyholders from the risk of a company in financial distress. State insurance regulators have several tools and actions to ensure an insurer has sufficient reserves to meet its minimum guarantees, making insurer insolvencies rare. From conservative accounting rules and mandatory annual CPA audits to investment regulations/limitations and minimum capital/surplus requirements, a state insurance regulator's "toolbox" helps insurers handle greater losses than other parts of the financial sector in down-market cycles. If a company enters a period of financial difficulty and is unable to meet its obligations, the insurance commissioner in the company's home state would initiate a process—dictated by the laws of the state (New York for TIAA) and including a new management team appointed by the commissioner—whereby efforts are made to help the company regain its financial footing. This period is known as rehabilitation.

If it is determined that the company cannot be rehabilitated, the company is declared insolvent and the commissioner will ask the state court to order the liquidation of the company. The court will seize the company's assets and operate the company pending rehabilitation or liquidation. The insurance commissioner, usually through an appointed receiver, seeks to transfer the company's assets to cash and distribute that cash to creditors. In all states, policyholders are priority claimants whose claims are paid before those of general creditors. An insolvency also triggers close coordination between state insurance regulators, the bankruptcy receiver and state guaranty associations.

What is the role of state guaranty associations and their guaranty funds?

Life insurers are required to become members of the Life & Health Insurance Guaranty Association of every state in which they do business, but are forbidden by law from promoting membership in guaranty associations as evidence that an investment in the insurer is safe and secure regardless of the insurer's financial strength. TIAA is licensed as a life insurer in all 50 states and the District of Columbia, so is a member of every jurisdiction's guaranty fund. In the event of an insolvency, all insurer members are assessed fees to fund the guaranty association obligations. If TIAA's assets were insufficient to meet the obligations of all contract owners, the New York Department of Financial Services Superintendent would work closely with the guaranty associations of every state in which TIAA does business. All investments in TIAA annuities issued pursuant to its life insurer authority are protected to a certain level by the guaranty association of the state in which you reside (if different from the state in which you purchased your contract). The amount of guaranty association coverage for most

TIAA is a member of every state life insurance guaranty association

There is more information about the national system of guaranty associations at this website: **www.nolhga.com.**

annuities varies by state from $100,000 to $500,000 per person (not per contract); benefits for unallocated annuities or funding agreements may have different limits and are applied for the group contract as a whole, not for individual participants (such as a $1 million cap in New York).

Here is a link to a summary of the guaranty association benefit limits for every state: **https://www.nolhga.com/factsandfigures/main.cfm/location/lawdetail/docid/8.**

How have policyholders fared under some of the most notable insurer insolvencies of the last few decades (Mutual Benefit Life, Executive Life, Confederation Life)?

By the early 1970s, there was a national consensus to create a state guaranty fund system and the first guaranty fund model act was adopted in 1971. The 1980s and early 1990s saw insolvencies of several significant life insurers (Baldwin United—1983; Executive Life—1991; Mutual Benefit Life—1991; Confederation Life—1994) and also some smaller life insurers. There have been no notable life insurer insolvencies since. The life insurance industry and regulators learned from these experiences, including how to better stress test insurers to help prevent insolvencies. Policies of an insolvent company are often transferred to a financially sound insurance company. If policies are not transferred to another company, the policies are continued and claims administered by either the guaranty associations or a third-party administrator (TPA) working on behalf of the associations. The result is a life insurance industry that seems better prepared than others to withstand national economic challenges. Despite the effects of the economic challenges on investment banks, commercial banks and thrifts, hedge funds, credit unions and government-sponsored mortgage entities, only a single life insurer has had to be liquidated since the start of 2008.[2] The national guaranty fund system is "experienced, well financed, and armed with legal and financial tools that permit the system to manage successfully virtually any foreseeable economic scenario. Even in the event of a '1,000-year flood' affecting the life insurance industry, the ability of the system to make use of the assets of insolvent insurers in conjunction with Guaranty Association assessments…should serve as a solid foundation for protecting consumers."[3]

History of insurer liquidations

A chart illustrating the history of life and health insurance company liquidations handled by the national system of guaranty associations since 1983 can be found at: **https://www.nolhga.com/factsandfigures/main.cfm/location/insolvencies.**

Pension plan vs. annuity issuer failures

During the same 2008-2015 period that saw the failures of 931 pension plans affecting more than 560,000 participants, no active annuity insurer with unsatisfied annuity obligations was liquidated. Source: **https://www.nolhga.com/resource/code/file.cfm?ID=2559.**

[1] Source: Financial Strength: TIAA General Account, March 31, 2022.

[2] American Medical and Life Insurance Company, a New York domiciled company that had been winding down business since 2013 only had 28 in-force policies in effect as of November 2016 for which an assuming carrier could not be found. On December 28, 2016, a liquidation order for the company was approved that terminated the remaining policies as of June 26, 2017.

[3] Peter Gallanis, President, National Organization of Life and Health Guaranty Associations, in a 2009 presentation to the American Bar Association. Mr. Gallanis made similar representations in a 2011 testimony before the U.S. Congress in hearings on insurance oversight and legislative proposals, and in industry and regulatory presentations including a 2017 presentation to the Association of Life Insurance Counsel.

This material is for informational or educational purposes only and does not constitute fiduciary investment advice under ERISA, a securities recommendation under all securities laws, or an insurance product recommendation under state insurance laws or regulations. This material does not take into account any specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on the investor's own objectives and circumstances.

Accumulations in CREF, the TIAA Real Estate Account, and variable annuity mutual fund investment options are not subject to TIAA creditor claims, and would be paid to policyholders at the then-current market value regardless of any TIAA insolvency.

Investment, insurance, and annuity products are not FDIC insured, are not bank guaranteed, are not deposits, are not insured by any federal government agency, are not a condition to any banking service or activity, and may lose value.

TIAA's guaranteed annuity and funding agreement contracts are issued by Teachers Insurance and Annuity Association of America (TIAA), New York, NY. These contracts are guaranteed insurance contracts and not investments for federal securities law purposes. Guarantees are for the declared period; future declared rates are at TIAA's discretion. All guarantees are based on TIAA's claims-paying ability. Annuity and funding agreement contracts may contain terms for keeping them in force. Exclusions, restrictions, limitations and reductions in benefits will, in certain situations, apply to these contracts.

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