FitchRatings

Insurance
Life Insurers
United States

Teachers Insurance and Annuity Association of America

Key Rating Drivers

Exceptionally Strong Capitalization: Fitch Ratings considers Teachers Insurance and Annuity Association of America's (TIAA) risk-adjusted statutory capitalization to be exceptionally strong and a primary driver of the rating. Fitch's view of exceptionally strong capitalization is supported by a reported RBC of 542% as of YE 2022, very low operating leverage and a Prism capital model score of 'Extremely Strong'.

High Statutory Financial Leverage: TIAA's statutory financial leverage remains at the high end of Fitch's tolerances for the rating. As of 2Q23, statutory financial leverage was approximately 15%, slightly lower than 16% at YE 2022. Financial leverage was elevated as of YE2022 due to lower total adjusted capital (TAC) as a result of $2.6 billion in net capital losses during the year. Net capital losses in 2022 were mainly due to the loss on the sale of TIAA Bank.

TIAA announced the sale of TIAA Bank in November 2022 to a group of private investors, including Stone Point Capital, Warburg Pincus, Reverence Capital Partners, Sixth Street and Bayview Asset Management. The sale, which was viewed as neutral to TIAA's ratings, was completed on July 31, 2023. Post-sale, the bank operates as EverBank, N.A. under a new national bank charter. All assets and business lines were included in the sale, except the trust business, which now operates as TIAA Trust, N.A. under a new national trust bank charter. TIAA retains a board seat and a noncontrolling ownership stake in EverBank, N.A.

Very Strong Business Profile: Fitch ranks TIAA's business profile in the most favorable category relative to the North American life insurance industry, reflecting its leading competitive positioning across core markets and most favorable operating scale, offset by moderate product diversification, which emphasizes institutional retirement products. Fitch considers TIAA's business risk profile to be much lower than the life sector as a whole given its large amount of very stable, long-duration liabilities — primarily general account policy and contract reserves that are not subject to discretionary withdrawal at the option of the policyholder.

Significant Financial Flexibility: Fitch believes that TIAA's very stable long-duration liability profile, design of proprietary core pension annuity product, which supports the company's relatively low portion of liabilities that are subject to policyholder discretionary withdrawal, and ability to adjust crediting rates provide the company with significant financial flexibility during periods of disruption in the financial markets.

Stable Profitability and Very Strong Coverage: TIAA's profitability measures are within range of similarly rated mutual peers. Fitch believes the company's earnings are modest on a reported basis, but strong on a risk-adjusted basis, given the low risk profile of the company's liabilities and large capital base. Fitch estimates statutory earnings interest coverage was approximately 6.6x through YE 2022, lower than 11.3x as of YE 2021, due to policyholder dividends increasing $1.4 billion to $4.1 billion during 2022. The increase in dividends was mainly driven by an increase in crediting rates on accumulating annuities in 1Q22.

Ratings

Teachers Insurance and Annuity Association of America	
Insurer Financial Strength	AAA
Long-Term IDR	AA+
Subordinated Long-Term Rating	AA
Subsidiaries	
Insurer Financial Strength	AAA
Nuveen Finance, LLC	
Long-Term IDR	AA–
Senior Unsecured Notes	AA–
Nuveen, LLC	
Long-Term IDR	AA–
Senior Unsecured Notes	AA+
Outlooks	
Insurer Financial Strength	Stable
Long-Term IDR	Stable

Financial Data

Teachers Insurance and Annuity Association of America

($ Mil.)	2021	2022
Net Income	3,912	-345
Net Operating Gain	4,265	2,270
TAC	52,383	50,500
RBC Ratio (%)	562	542

TAC – Total adjusted capital. Note: Reported on a statutory accounting basis.
Source: Fitch Ratings, Teachers Insurance and Annuity Association of America

Applicable Criteria

Insurance Rating Criteria (July 2023)

Non-Bank Financial Institutions Rating Criteria (May 2023)

Related Research

Global Insurance Mid-Year Outlook 2023 (June 2023)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade of TIAA's Ratings:

- Not applicable since TIAA is currently assigned Fitch's highest rating.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade of TIAA's Ratings:

- Failure for TIAA to achieve ongoing positive surplus growth over a multiyear period;
- A regulatory change that would have a negative impact on TIAA's core pension market;
- A change in TIAA's ownership structure;
- Fitch Prism score below 'Extremely Strong' or reported RBC below 400%;
- A sustained increase in statutory financial leverage above 16% could result in wider notching between TIAA's Insurer Financial Strength (IFS) rating and the ratings of the surplus notes, which would result in a downgrade of the surplus notes. An increase in statutory financial leverage above 20% could result in a downgrade of all ratings and wider notching between TIAA's IFS rating and the ratings of the surplus notes.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade of Nuveen, LLC's Ratings:

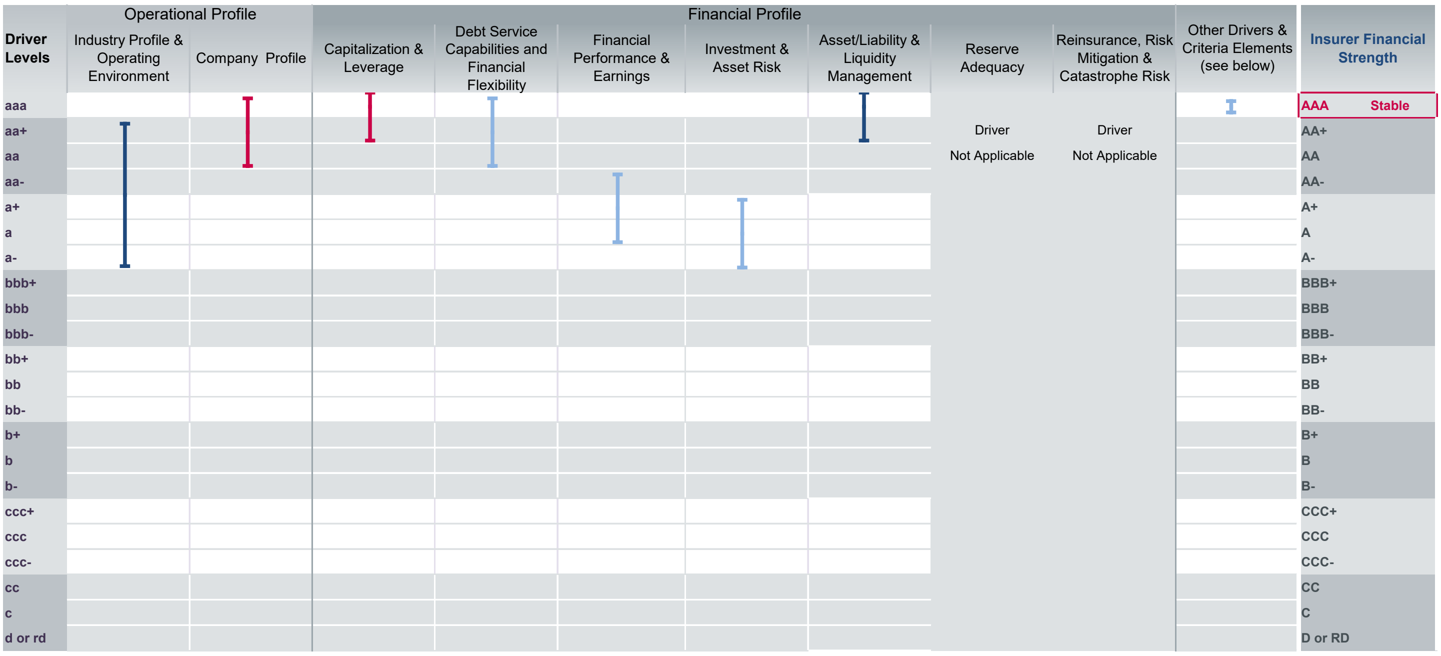
- A deterioration in Fitch's view of Nuveen, LLC as an Important subsidiary of TIAA can lead to a downgrade of Nuveen, LLC's IDR.

Latest Developments

In July 2023, TIAA completed the sale of TIAA Bank to a group of private investors, including Stone Point Capital, Warburg Pincus, Reverence Capital Partners, Sixth Street and Bayview Asset Management. Post-sale, the bank operates as EverBank, N.A. under a new national bank charter. All assets and business lines were included in the sale, except the trust business, which now operates as TIAA Trust, N.A. under a new national trust bank charter. TIAA retains a board seat and a non-controlling ownership stake in the bank.

In March 2023, Nuveen, LLC completed the acquisition of a controlling interest in Arcmont Asset Management. Arcmont is a leading European private debt investment manager. Combined with Nuveen, LLC's North American private debt and equity investment specialist Churchill Asset Management, Arcmont and Churchill create Nuveen Private Capital, a global private debt manager with more than $66.5 billion in combined committed capital, bringing Nuveen LLC's firmwide alternative credit assets under management (AUM) to approximately $178 billion as of Dec. 31, 2022.

Key Rating Drivers — Scoring Summary



Other Drivers & Criteria Elements				
Provisional Insurer Financial Strength Rating				AAA
Non-Insurance Attributes	Positive	**Neutral**	Negative	+0
Ownership / Group Support	Positive	**Neutral**	Negative	+0
Transfer & Convertibility / Country Ceiling	Yes	**No**	AAA	+0
Insurer Financial Strength Rating			Final:	**AAA**
IFS Recovery Assumption	**Good**			-1
Issuer Default Rating (IDR)			Final:	**AA+**

Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	⇧ Positive
Higher Importance	⇩ Negative
Average Importance	⇳ Evolving
Lower Importance	□ Stable

Company Profile

Dominant Position in Higher Education Market

Fitch ranks TIAA's company profile in the most favorable category relative to the North American life insurance industry, reflecting its leading competitive positioning across its core higher education pension market and most favorable operating scale, offset by moderate product diversification, which emphasizes institutional retirement products.

TIAA's primary business is providing individually owned retirement annuities to fund defined contribution pension plans at participating institutions. Its core market is the 403(b) market, particularly institutions of higher education, where it is the dominant player and has significant operating scale. TIAA is also a leading recordkeeper of defined contribution plans. Approximately 99% of TIAA's general account policy and contract reserves are attributable to pension and other retirement annuities. As of YE 2022, total consolidated assets (including AUM and assets under administration [AUA]) within the TIAA organization were approximately $1.4 trillion.

Fitch considers TIAA's business risk profile to be below average relative to the life insurance sector as a whole. TIAA has very stable, long-duration liabilities — primarily general account policy and contract reserves that are not subject to discretionary withdrawal at the option of the policyholder. TIAA generally does not offer lump-sum payouts on its core pension annuities. TIAA's core pension products are designed to convert to payout annuities, which pay out over a lifetime when the participant retires. A transferability feature was introduced in 1991 to provide more flexibility to the contract holder, but even that requires payouts over a 10-year period to protect TIAA from large-scale withdrawals.

Fitch views TIAA as having minimal exposure to the equity markets as its variable annuities (VA) pass the equity market risk to the contract holder. TIAA, in conjunction with College Retirement Equities Fund (CREF), wrote the first VA in 1952. TIAA does not guarantee the performance of CREF funds, and its VA contracts do not contain any living benefit guarantees.

Aside from exposure to a modest amount of life insurance liabilities, the company's core pension segment still accounts for a vast majority of the overall liabilities and operating results. This concentration exposes the company to potential regulatory, tax or other changes that could negatively affect this market in the future. Fitch believes the company is closely monitoring and managing this risk.

Moderate/Favorable Corporate Governance

Fitch ranks group structure, governance structure, financial transparency, and civil or criminal issues as moderate/favorable, and, as such, TIAA's company profile score is equal to Fitch's view of its business profile. The company prepares financial statements in accordance with U.S. statutory framework. PricewaterhouseCoopers is TIAA's auditor. The audit opinions for its statutory financials in 2022 were unqualified.

Company Profile Scoring Summary

	Assessment	Subscore/Impact
Business Profile Assessment	Most Favorable	aa+
Corporate Governance Assessment	Moderate/ Favorable	0 notches
Company Profile Factor Score	—	aa+

Source: Fitch Ratings

Ownership

TIAA's ownership structure is positive from a rating perspective. Fitch believes that TIAA's nonprofit charter generally allowed management to hold more conservative levels of capital and pursue a more conservative operating strategy that is less focused on near-term growth than many of its stock peers.

Capitalization and Leverage

Exceptionally Strong Balance Sheet

Fitch considers TIAA's statutory capital position to be exceptionally strong and a primary driver of the rating. Fitch's view is supported by TIAA's very strong reported RBC, low operating leverage and a Prism capital model score of 'Extremely Strong' for 2022. TIAA's reported RBC of 542% as of YE 2022 is understated as the New York regulator-based reserve calculation reflects more conservative reserving practices relative to the NAIC basis. Therefore, Fitch considers the RBC ratio on an equivalent NAIC basis in its view of statutory capitalization, which would be 585% for YE 2022. Also supporting Fitch's view of exceptionally strong capital is TIAA's low operating leverage, which remained at 5x in 2022.

The company reported a 4% decrease in TAC during 2022, primarily due to net capital losses from the sale of TIAA Bank. TIAA's statutory financial leverage increased in 2022 to 16% due to the decrease in TAC. Fitch's statutory financial leverage ratio includes TIAA surplus notes; the senior unsecured notes at Nuveen Finance, LLC and at Nuveen, LLC; and subordinated debt at TIAA Bank compared with TIAA's NAIC basis TAC. TIAA's total financing and commitments ratio, which also includes TIAA's securities lending program, was also very strong and remained low at 0.2x as of Dec. 31, 2022.

During 1H23, TIAA's TAC increased slightly to $51.3 billion, driven by gains from operations, offset by net capital losses. The company's leverage ratios remained stable during the period.

Financial Highlights

	2021	2022
Total Adjusted Capital ($ Mil.)	52,383	50,500
RBC (%)	562	542
Operating Leverage (x)	5	5
Asset Leverage (x)	7	7
Fitch Statutory Financial Leverage (%)	15	16

Note: Reported on a statutory basis.
Source: Fitch Ratings, Teachers Insurance and Annuity Association of America

Fitch's Expectations

- Based on the company's historic RBC levels, capital is expected to remain exceptionally strong with a Prism capital model score of 'Extremely Strong' and an RBC ratio above 485%.

2022 Prism Score — Teachers Insurance and Annuity Association of America

(%)	2022
Prism Score	Extremely Strong
AC/TC at Prism Score	151
Target Capital Contributors	
Life Insurance	2
Annuity	60
Accident and Health	0
Portfolio Scaling Adjustment	32
Operational Risk	9
Diversification Benefit	-2

AC – Available capital. TC – Target capital. Note: Shaded area represents the high and low of AC due primarily to unrealized gain/loss on fixed-income securities.
Source: Fitch Ratings

Debt Service Capabilities and Financial Flexibility

Very Strong Financial Flexibility and Debt-Servicing Capabilities

Fitch views TIAA as having significant financial flexibility afforded through the stability of its liability product profile, strong operating cash flows, and in its ability to lower its crediting rate to increase earnings and capital when needed. A majority of TIAA's in-force block is comprised of liabilities with a 3% minimum guaranteed rate. However, the company has flexibility to adjust rates and discontinued the offering to new institutional business. TIAA also possesses the ability to limit and impose fees on transfers into the 3% product.

Statutory earnings-based interest coverage provides strong coverage of total interest expense, which is comprised of interest expense from the senior unsecured notes of Nuveen, LLC and Nuveen Finance, LLC, various securities issued by TIAA Bank and the TIAA surplus notes. TIAA's statutory earnings interest coverage is comparable with other highly rated mutual peers. Fitch expects statutory interest coverage to remain between 5.0x and 7.0x over the medium term. Fitch's view of TIAA's debt-servicing capabilities also considers the liquidity of the entire general account.

TIAA has demonstrated access to capital markets, having most recently raised $1.25 billion by issuing surplus notes in May 2020 and had prior issuances of senior unsecured notes at Nuveen, LLC and Nuveen Finance, LLC. However, at its current financial leverage, Fitch considers TIAA to be at the limit of Fitch's tolerance with respect to notching between the IFS and the ratings of the surplus notes.

Financial Highlights

	2021	2022
Adjusted Interest Expense ($ Mil.)	392	398
Statutory Earnings Interest Coverage (x)	11.3	6.6

Note: Reported on a statutory basis.
Source: Fitch Ratings, Teachers Insurance and Annuity Association of America

Financial Performance and Earnings

Strong Operating Profitability

Fitch views TIAA's operating profitability as strong and comparable with highly rated mutual peers. Fitch considers TIAA's earnings to be moderate on an absolute basis, but favorable on a risk-adjusted basis. TIAA reported pretax net gains from operations in 2022 of $2.2 billion, a decrease of approximately $1.8 billion relative to 2021, primarily due to lower investment income and increases in policyholder dividends. In 1Q23, the TIAA board of trustees increased crediting rates on accumulating annuities. In December 2022, the board approved a 3% increase in for TIAA traditional annuitants in 2023.

TIAA's ability to retain and grow its core pension liabilities are key drivers of profitability as interest margins in the pension segment continue to account for the bulk of TIAA's operating earnings. That concentration is expected to continue over the medium term, although earnings from asset management are expected to grow over time. Client net flows in the core pension segment for 2022 were lower than plan expectations due to unfavorable market performance and negative net flows.

The large decrease in net income yoy was due to $2.6 billion of net realized capital losses. Net capital losses were mainly due to the loss on the sale of TIAA Bank, which was completed on July 31, 2023.

Financial Highlights

($ Mil.)	2021	2022
Pretax Net Gain from Operations	4,028	2,224
Net Income	3,912	-345
After-Tax Return on Capital (%)	8.6	4.4

Note: Reported on a statutory basis.
Source: Fitch Ratings, Teachers Insurance and Annuity Association of America

Fitch's Expectations

- Return metrics are expected to improve in the next 12–24 months, benefiting from higher reinvestment rates, though they could be challenged by macroeconomic volatility.

Investment and Asset Risk

Investment Performance Aligned with Rating Expectations

TIAA's investment portfolio continues to perform within rating expectations with relatively stable credit quality metrics and risk assets-to-TAC exposure in line with highly rated mutual peers. TIAA's overall investment impairments remained within historical averages over the last three-year period.

TIAA's reported risky asset ratio (measured by below-investment-grade bonds, common stocks, troubled real estate and Schedule BA invested assets over TAC) increased to 137% in 2022 from 116% in 2021. The increase was mainly due to increased exposure to below investment grade real estate from ratings migrations and increased Schedule BA assets. Fitch considers TIAA's risky asset ratio of 122% as of YE 2022, which excludes approximately $2.6 billion of bond exchange-traded fund investments that are reported as NAIC 2 bonds for RBC purposes, but classified as unaffiliated common stocks on the company's balance sheet. The adjustment is also using TAC on a NAIC basis, as reported TAC is on a more conservative New York regulator basis. The company's adjusted risky asset ratio is viewed as above average for the life industry, but comparable with highly rated mutual peers.

Total commercial real estate (CRE) exposure, including commercial mortgage loans (CMLs), commercial mortgage-backed securities (CMBS) and CRE collateralized debt obligations, as a percentage of invested assets of 16% as of YE 2022 decreased slightly yoy due to sales of CMBS. Proceeds from the sales were used to redeploy into high-quality corporate credit. Exposure to CRE has been stable in recent years. CRE as a percentage of invested assets was in the 15%–16% range since 2018.

The credit quality of the CML portfolio is lower relative to the life insurance industry as below-investment-grade loans (CM3 and below) comprised 30% of the portfolio at YE 2022. The credit quality of the CML portfolio has been stable historically, with below-investment-grade CMLs in the 21%–23% range during 2018 to 2021. Office exposure was above-average at 27% of the CML exposure at YE 2022. Favorably, TIAA has a long track record with the asset class and an exceptionally strong capital position, which will absorb potential losses that emerge.

Financial Highlights

	2021	2022
Cash and Invested Assets ($ Mil.)	299,349	306,499
Below-Investment-Grade Bonds/TAC (%)	34	40
Risky Assets Ratio (%)	116	137
Investment Yield (%)	4.6	4.3

TAC – Total adjusted capital. Note: Reported on a statutory basis.
Source: Fitch Ratings, Teachers Insurance and Annuity Association of America

Asset/Liability and Liquidity Management

Very Strong Liquidity Profile Supported by Stable, Long-Duration Liability Profile

Fitch views TIAA as having a very strong liquidity profile with very stable, long-duration liabilities and steady predictable cash flows. Given TIAA's core pension business, most of the company's premium cash flows come from defined contribution retirement systems where the contributions are predominantly a fixed percentage of participant's salaries and are remitted on a monthly or bimonthly basis.

Additionally, approximately 68% of TIAA's general account policy and contract reserves were not subject to discretionary withdrawal at the option of the policyholder as of YE 2022. Most of the remaining 32% of cashable account values are held by individual TIAA policyholders, which would reduce the likelihood that substantial amounts are withdrawn all at once. Tax implications for the policyholders disincentivize withdrawals as most of the premiums are remitted on a pretax basis. Therefore, withdrawals of the cashable values would result in the taxation of the entire accumulation amount. TIAA historically experienced relatively stable and modest surrender activity.

Fitch views TIAA's investments in less liquid assets, such as structured finance, private equity and CMLs, as reasonable given its long-duration liability structure and low level of disintermediation risk. TIAA's risk-weighted liquidity ratio of 230% at YE 2022 is viewed as very strong, reflecting the liquidity profile of both its assets and liabilities.

Financial Highlights

(%)	2021	2022
Public Bonds/Total Bonds	62	59
Risk-Weighted Liquidity Ratio	234	230
Operating Cash Flow Coverage (x)	1.2	1.2
Total Adjusted Liabilities and Deposits ($ Mil.)	308,835	315,924

Financial Highlights

(%)	2021	2022

Note: Reported on a statutory basis.
Source: Fitch Ratings, Teachers Insurance and Annuity Association of America, S&P Global Market Intelligence

Other Rating Drivers

Assets Under Management and Administration Continue to Grow

Fitch expects asset management-based fees to continue to grow over the long term, despite short-term fluctuations in market values. However, the pension business will remain the primary earnings driver. Increasing third-party AUM is a key element of TIAA's asset growth strategy. During 2022, total AUM decreased 12% to $1.2 trillion, with third-party AUM decreasing $59 billion, or 13%, compared with the prior year. The decrease is mainly due to unfavorable market performance and net cash outflows.

Fitch continues to view Nuveen, LLC's business as strategically important to TIAA considering TIAA's full ownership and potential synergies providing products and services in markets that are strategically important to TIAA, including the mutual fund, asset management and retirement services markets.

Nuveen, LLC diversifies TIAA's sources of revenue and earnings and increases fee income (revenues earned as a percentage of AUM) for TIAA. However, Nuveen, LLC also increases the potential volatility of the asset management earnings stream as the fee income may fluctuate depending on market performance and the asset manager's ability to attract and retain AUM. TIAA's AUM is diversified by product type, which includes mutual funds, structured/closed-end fund products and retail/institutional managed accounts. AUM is also diversified by strategy, including credit-based strategies, equity-based strategies and alternatives.

Nuveen, LLC is a well-established brand name in the asset management industry, with more than 115 years of history. Third-party AUM, which significantly increased from the acquisition of Nuveen, LLC and the formation of Nuveen Real Estate (formerly known as TH Real Estate) in 2014, currently comprises roughly one-third of total AUM for all of TIAA's asset management entities. The Nuveen, LLC acquisition also strengthened TIAA's distribution capabilities, as Nuveen, LLC distributes its products through retail and institutional channels, including wirehouses, independent broker/dealers and institutional relationships. The company is targeting to increase third-party AUM over the long term.

Appendix A: Peer Analysis

Peer Comparison

Click here for a report that shows a comparative peer analysis of key rating driver scoring.

Appendix B: Industry Profile and Operating Environment

Industry Profile and Operating Environment (IPOE)

Click here for a link to a report that summarizes the main factors driving the above IPOE score.

Appendix C: Other Rating Considerations

Below is a summary of additional ratings considerations that are part of Fitch's *Insurance Rating Criteria*.

Group Insurance Financial Strength (IFS) Rating Approach

TIAA is considered the lead operating entity of the group. TIAA's wholly owned subsidiary, TIAA-CREF Life Insurance Co., is viewed as Core and has a capital support agreement from TIAA.

Notching

For notching purposes for the operating company surplus notes, the regulatory environment of U.S. is assessed by Fitch as being Effective and classified as following a Ring-Fencing approach.

Nuveen Finance, LLC is a subsidiary holding company of TIAA created to hold its investment in Nuveen Investments, Inc. Fitch views Nuveen Finance, LLC as a strategically Important subsidiary of TIAA. A subsidiary viewed as Important will typically have ratings one notch and, in some cases, two notches lower than the parent. In the case of Nuveen Finance, LLC, a two-notch differential was used as the additional notch differentiates the ratings of the senior unsecured notes of Nuveen Finance, LLC from that of the surplus notes of TIAA, which would have a higher priority.

Fitch's view of Nuveen Finance, LLC's strategic importance considers TIAA's full ownership and potential synergies providing products and services in markets that are strategically important to TIAA, including the mutual fund, asset management and retirement services markets

Notching Summary

Notching Summary
IFS Ratings
A baseline recovery assumption of Good applies to the IFS rating, and standard notching was used from the IFS "anchor" rating to the implied operating company IDR.
Operating Company Hybrids
For the surplus notes issued by TIAA, a baseline recovery assumption of Below Average and a nonperformance risk assessment of Minimal were used. Notching of one notch was applied relative to the operating company IDR, which was based on Below Average for recovery and Minimal for nonperformance risk.
IDR of Nuveen Finance, LLC
Nuveen Finance, LLC's IDR reflects two notches from TIAA's IDR based on Fitch's view that Nuveen Finance, LLC is a strategically Important subsidiary of TIAA per the *Non-Bank Financial Institutions Rating Criteria*, as stated above.
Senior Unsecured Notes of Nuveen Finance, LLC
As per the *Non-Bank Financial Institutions Rating Criteria*, the rating of the senior unsecured notes of Nuveen Finance, LLC are in line with TIAA's IDR to reflect the view that a default on the senior unsecured obligations, the only class of debt at Nuveen Finance, LLC would be treated as a default of the entity, with average recovery prospects.
Senior Guaranteed Notes of Nuveen, LLC
TIAA's guarantee ranks below its obligations to policyholders and is senior to its surplus notes (AA). Therefore, Fitch has set the rating of Nuveen , LLC's notes equal to TIAA's IDR, with average recovery prospects.

IFS – Insurer Financial Strength. IDR – Issuer Default Rating.

Hybrids Treatment

Hybrid - Equity/Debt Treatment

(As of Dec. 31, 2022)

Hybrid	Amount ($ Mil.)	CAR Fitch (%)	CAR Reg. Override (%)	FLR Debt (%)
Teachers Insurance and Annuity Association of America				
6.850% Surplus Notes Due 2039	1,050	N.A.	100	100
4.900% Surplus Notes Due 2044	1,650	N.A.	100	100
4.270% Surplus Notes Due 2047	2,000	N.A.	100	100
3.300% Surplus Notes Due 2050	1,250	N.A.	100	100
4.375% Surplus Notes Due 2054	350	N.A.	100	100

CAR – Capitalization ratio: FLR – Financial leverage ratio. Note: CAR % shows portion of hybrid value included as available capital, both before (Fitch %) and the regulatory override. FLR % shows portion of hybrid value included as debt in numerator of leverage ratio.
Source: Fitch Ratings

Transfer and Convertibility Risk (Country Ceiling)

None.

Criteria Variations

None.

Appendix D: Environmental, Social and Governance Considerations

FitchRatings — Teachers Insurance and Annuity Association of America — **Insurance Navigator** Life Insurance (US)

Credit-Relevant ESG Derivation

Teachers Insurance and Annuity Association of America has 6 ESG potential rating drivers

- Teachers Insurance and Annuity Association of America has exposure to compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to own cyber risk but this has very low impact on the rating.
- Teachers Insurance and Annuity Association of America has exposure to social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	6	issues	3
not a rating driver	2	issues	2
	6	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events/natural catastrophes on operations or asset quality; credit concentrations	Financial Performance & Earnings; Investment & Asset Risk	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to own cyber risk	Industry Profile & Operating Environment; Company Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations	Company Profile; Investment & Asset Risk; Financial Performance & Earnings; Reinsurance, Risk Mitigation & Catastrophe Risk	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Company Profile	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Company Profile	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile; Ownership	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Company Profile	2
				1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.
The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.
The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact.
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE
How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

ESG Considerations

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