Teachers Insurance and Annuity Association of America
And Subsidiaries
Full Rating Report

Key Rating Drivers

Extremely Strong Capitalization: Fitch Ratings considers Teachers Insurance and Annuity Association of America’s (TIAA) risk-adjusted statutory capitalization to be extremely strong and well within the range of peers rated ‘AAA’. TIAA’s reported total adjusted capital (TAC) as of Dec. 31, 2018 was $44.3 billion, a 4% increase from YE 2017. TIAA’s RBC was 438% at YE 2018, and TIAA’s Prism capital model score was ‘Extremely Strong’ at YE 2017 and is expected to remain at that level in 2018.

Declining Leverage from Acquisition: Financial leverage rose following the acquisition of EverBank Financial Corp., and was at the high end of Fitch’s tolerances for the ‘AAA’ rating at 16% as of YE 2017. Financial leverage declined by 1 point in 2018, primarily due to an increase in TAC.

EverBank Acquisition: In June 2017, TIAA closed the $2.5 billion purchase of EverBank Financial Corp., and it announced in third-quarter 2016. The scale of the transaction was relatively small, less than 1% of TIAA’s general account assets, and approximately 6% of TAC. EverBank merged with TIAA’s existing retail banking business and rebranded as TIAA Bank. Fitch believes the acquisition adds scale to TIAA’s banking business and allows TIAA cross-selling opportunities with customers of TIAA Bank.

Significant Financial Flexibility: Fitch believes that TIAA’s very stable long-duration liability profile (approximately 24% of its liabilities are subject to policyholder discretionary withdrawal) and considerable room to lower crediting rates provide the company with significant financial flexibility during periods of disruption in the financial markets.

Investment Performance: TIAA’s investment portfolio continues to perform within expectations. Total impairments rose in 2018 as TIAA’s credit-related investment losses ticked up while equity-related impairments ticked down.

Macroeconomic Headwinds: Ongoing low interest rates and geopolitical uncertainty pose risks that could result in a downgrade to TIAA include failure to achieve ongoing positive surplus growth; investment losses significantly higher than expected; a regulatory change that would have a negative impact on TIAA’s core pension market; a change in TIAA’s ownership structure; a Fitch Prism score below ‘Extremely Strong’; or reported RBC below 400%; or statutory financial leverage exceeding 16%. Additionally, deterioration in Nuveen Investment Inc.’s stand-alone credit profile could cause Fitch to downgrade Nuveen Finance, LLC.

Rating Sensitivities

Downgrade Sensitivities: Key rating triggers that could result in a downgrade to TIAA include failure to achieve ongoing positive surplus growth; investment losses significantly higher than expected; a regulatory change that would have a negative impact on TIAA’s core pension market; a change in TIAA’s ownership structure; a Fitch Prism score below ‘Extremely Strong’ or reported RBC below 400%; or statutory financial leverage exceeding 16%. Additionally, deterioration in Nuveen Investment Inc.’s stand-alone credit profile could cause Fitch to downgrade Nuveen Finance, LLC.

Related Research


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Ratings
Long-Term Issuer Default Rating AA+
Insurer Financial Strength AAA
Surplus Notes AA
TIAA-CREF Life Insurance Co. Insurer Financial Strength AAA
Nuveen Finance, LLC Long-Term Issuer Default Rating AA-
Senior Unsecured Notes AA-

Rating Outlook
Stable

Financial Data
Teachers Insurance and Annuity Association
($ Mil.) 12/31/17 12/31/18
Net Income 1,050 1,438
Net Operating Gain 1,645 2,094
TAC 42,712 44,328
RBC Ratio (%) 505 438
TAC – Total adjusted capital.
Source: Fitch Ratings, S&P Global Market Intelligence.
**Teachers Insurance and Annuity Association of America (May 21, 2019)**

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<th>Factor Levels</th>
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<th>Asset/Liability &amp; Liquidity Management</th>
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<th>Reinsurance, Risk Mitigation &amp; Catastrophe Risk</th>
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<td>Industry Profile &amp; Operating Environment</td>
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**Other Factors & Criteria Elements**

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<thead>
<tr>
<th>Provisional Insurer Financial Strength</th>
<th>AAA</th>
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<tr>
<td>Non-Insurance Attributes</td>
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<tr>
<td>Corporate Governance &amp; Management</td>
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<td>Ownership</td>
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<td>Transfer &amp; Convertibility / Country Ceiling</td>
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**Insurer Financial Strength (IFS)**

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<tr>
<td>IFS Recovery Assumption</td>
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**Issuer Default Rating (IDR)**

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**Related Criteria**

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<th>Insurance Rating Criteria (January 2019)</th>
<th><strong>AAA</strong></th>
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**Bar Chart Legend:**

- Higher Influence
- Moderate Influence
- Lower Influence

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<th>Positive</th>
<th>Negative</th>
<th>Evolving</th>
<th>Stable</th>
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Teachers Insurance and Annuity Association of America
July 24, 2019
Business Profile

Dominant Position in Higher Education Market

Most Favorable Business Profile Assessment

Fitch ranks TIAA’s business profile as “most favorable” compared with other North American life insurance companies due to its most favorable competitive positioning across core markets and most favorable operating scale offset by “moderate” product diversification, which emphasizes institutional retirement products. Given this ranking, Fitch assesses TIAA’s business profile as ‘AA+’ under its credit factor scoring guidelines.

Most Favorable Competitive Positioning and Operating Scale

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 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 2018, total consolidated assets (including assets under management and assets under administration) within the TIAA organization were approximately $1.1 trillion.

Most Favorable Business Risk Profile

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. Fitch considers TIAA’s risk appetite to be much lower than the life sector as a whole.

Moderate Diversification

Although TIAA offers some life insurance products to round out its product offerings, the company’s core pension segment still accounts for a vast majority of the overall operating earnings. 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.
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. During the 2008–2009 financial crisis, TIAA and other strongly capitalized mutual companies clearly benefited from having stronger capital buffers than many publicly owned peers that were more focused on growth and return targets.

Simplified Organizational Structure

Source: S&P Global Market Intelligence.
Capitalization and Leverage

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Fitch’s Expectation</th>
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<tbody>
<tr>
<td>Total Adjusted Capital ($ Mil.)</td>
<td>39,912</td>
<td>39,611</td>
<td>40,755</td>
<td>42,712</td>
<td>44,328</td>
<td></td>
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<tr>
<td>RBC (%)</td>
<td>567</td>
<td>556</td>
<td>537</td>
<td>505</td>
<td>438</td>
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<td>Operating Leverage (x)</td>
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<td>7</td>
<td>7</td>
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<tr>
<td>Asset Leverage (x)</td>
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<tr>
<td>Fitch Statutory Financial Leverage Ratio (%)</td>
<td>15.0</td>
<td>15.1</td>
<td>13.4</td>
<td>15.8</td>
<td>15.3</td>
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Note: Statutory accounting principles. The financial leverage ratio reflects surplus notes and senior unsecured notes of Nuveen, LLC and Nuveen Finance in relation to total adjusted capital. Operating leverage is general account liabilities in relation to total adjusted capital.

Source: Fitch Ratings, S&P Global Market Intelligence.

Extremely Strong Balance Sheet

TIAA has extremely strong capitalization. Financial leverage is somewhat elevated due to recent acquisitions. TIAA’s exposure to equity market volatility is minimal.

Extremely Strong Risk-Adjusted Capitalization

Fitch considers TIAA’s statutory capital position to be extremely strong and well in excess of ‘AAA’ expectations for RBC and operating leverage. TIAA also has a Prism capital model score of ‘Extremely Strong’. The company reported a 4% increase in TAC for 2018 primarily due to retained earnings and net investment gains. This follows a 5% gain in 2017. TIAA’s reported RBC ratio is somewhat understated as the New York regulator-based surplus calculation reflects more conservative reserving practices relative to an NAIC basis. Therefore, Fitch also calculates the RBC ratio on an equivalent NAIC basis, which would be 479% for YE 2018.

Relatively High Financial Leverage Due to Recent Acquisitions

Fitch statutory financial leverage in relation to TAC was 17% as of Dec. 31, 2018. Fitch believes the quality of TIAA’s statutory capital is very high based on the company’s limited use of reinsurance and conservative reserving practices. As noted earlier, TIAA’s reserves are currently higher than NAIC reserving requirements. Statutory financial leverage, calculated using surplus on an NAIC basis, is 15%. Fitch’s statutory financial leverage calculation includes TIAA surplus notes; Nuveen Finance senior unsecured notes; and subordinated debt at TIAA Bank as leverage compared with TAC on an NAIC statutory basis.

TIAA’s total financing and commitments ratio, which also includes TIAA’s securities lending program, remained low at 0.16x as of Dec. 31, 2018 and well within rating expectations.

Minimal Exposure to Equity Market Volatility

TIAA, in conjunction with College Retirement Equities Fund (CREF), wrote the first variable annuity (VA) in 1952. However, unlike much of the industry, the company stuck to the original premise of a VA, which passed the equity market risk to the contract holder. TIAA does not guarantee the performance of CREF funds, and its VA contracts do not contain any living benefit guarantees. Therefore, Fitch views TIAA as having minimal exposure to the equity markets through VA guarantees, which created significant volatility in the earnings and capital of many VA writers.
Very Strong Debt-Servicing Capabilities and Financial Flexibility

Statutory earnings coverage is Strong. TIAA demonstrated its ability to access the capital markets by selling surplus notes out of the life insurer and senior unsecured notes out of its Nuveen (consisting of Nuveen, LLC and Nuveen Finance) subsidiaries. The ability to lower crediting rate provides significant financial flexibility.

Strong Statutory Earnings Interest Coverage

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, various securities issued by EverBank 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 in the 5.5x–7.0x range in the medium term given an incremental increase in interest expense from the EverBank acquisition and improved operating earnings over the longer term. Fitch’s view of TIAA’s debt-servicing capabilities also considers the company’s extremely strong capital position and liquidity of the entire general account.

Demonstrated Access to Capital Markets

TIAA has demonstrated access to capital markets. Most recently, TIAA raised $1.0 billion by issuing senior guaranteed debt in Nuveen in 2018. This follows issuance of $2.0 billion in proceeds from new TIAA surplus notes in May 2017, $4.0 billion previously issued through new surplus notes from TIAA, and senior unsecured debt in Nuveen Finance in 2014. At their current financial leverage, TIAA is near the limit of Fitch’s tolerance for their rating category.

Significant Financial Flexibility Through Crediting Rate

Fitch views TIAA as having significant financial flexibility through its ability to lower its crediting rate to increase earnings and capital when needed. Given the 3% minimum guaranteed rate on much of the in-force block, this flexibility will be constrained the longer interest rates stay low. Fitch does not view this as a near-term issue. The group’s strong operating cash flows and stable liability structure further enhance its flexibility.
Good Operating Profitability

TIAA’s operating profitability remains within expectations. Earnings from pensions are a key driver of profitability. TIAA is exposed to continued low interest rates, but the risk is manageable in the near term.

Operating Profitability Remains Within Expectations

Fitch considers TIAA’s earnings to be moderate on an absolute basis, but favorable on a risk-adjusted basis. Pretax statutory operating earnings rose by 25% in 2018 after being relatively flat from 2015 to 2017.

Earnings from Pensions a Key Driver of Profitability

TIAA’s ability to retain and grow its core pension liabilities is a key driver of profitability since interest margins in the pension segment account for over 70% of operating earnings. That concentration is expected to continue over the medium term, although earnings from outside the core pension segment are expected to grow over time with execution of strategies in asset management and banking. Client net flows in the core pension segment for 2018 were unfavorable compared with 2017 and expectations due to flat sales and unfavorable outflows. While net flows at Nuveen were better than 2017 and expectation, overall net flows were modestly unfavorable in 2018 compared with 2017.

Exposure to Low Rates Is Manageable in Near Term

TIAA’s investment yield improved in 2018 to 4.84% from 4.76% in 2017. TIAA benefits from earnings flexibility in its ability to lower crediting rates to support earnings and capital should the need arise.
Good Investment Performance

TIAA’s investment portfolio continues to perform within expectations. The company’s risky asset exposure is in line with peers. Gains from private equity remain strong. The company has shifted its commercial real estate exposure to commercial mortgage loans from commercial mortgage-backed securities (CMBS).

Credit-Related Investment Losses

TIAA’s investment portfolio continues to perform within expectations. Total impairments rose in 2018 as TIAA’s credit-related investment losses ticked up while equity-related impairments ticked down.

Risky Asset Exposure in Line With Peers

TIAA’s risky asset ratio (measured by below-investment-grade bonds, common stocks, troubled real estate and Schedule BA invested assets over TAC) for 2018 was 119%, same as for 2017. The proportion of below-investment-grade bonds rose slightly relative to 2017. However, if the risky asset ratio is calculated excluding the equity ownership interests of Nuveen, LLC, TIAA’s risky asset ratio falls to approximately 107%. TIAA’s risky asset ratio, calculated on this basis, is slightly unfavorable to that of other highly rated mutual peers.

Strong Private Equity Gains

Investment income related to private equity and limited partnerships was a significant boost to TIAA’s net income over the last several years, providing an additional source for strong crediting rates for policyholders. Net investment yields on the portfolio continued to perform relatively well in 2018, remaining at approximately 5% as strong private equity performance bolstered investment income despite continued low interest rates. Alternative invested assets (Schedule BA) accounted for approximately 8% of invested assets at Dec. 31, 2018 (excludes equity ownership of Nuveen, LLC).

Shift in CRE Exposure from CMBS to Commercial Mortgage Loans

Total commercial real estate (CRE) exposure, including whole loans, CMBS and CRE collateralized debt obligations (CDOs), as a percentage of invested assets steadily increased over the last five years, and was primarily driven by an increase in commercial mortgage loan exposure. The increase in commercial mortgage loan exposure as of percentage of invested assets over the last four years is consistent with that other life insurers as companies seek to trade liquidity for spread to combat low interest rates.
### TIAA Commercial Real Estate Exposure

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<th>($ Bil.)</th>
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<th>2015</th>
<th>2016</th>
<th>2017</th>
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<tr>
<td>CRE CDO</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
<td>0.0</td>
<td>0.1</td>
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<tr>
<td>Commercial Mortgage Loans</td>
<td>15.3</td>
<td>18.2</td>
<td>19.7</td>
<td>25.4</td>
<td>28.8</td>
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<td>CMBS</td>
<td>10.6</td>
<td>10.7</td>
<td>10.6</td>
<td>10.3</td>
<td>10.4</td>
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<tr>
<td>Total CRE-Related Investments</td>
<td>26.1</td>
<td>29.0</td>
<td>30.4</td>
<td>35.7</td>
<td>39.3</td>
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<tr>
<td>% of Total Invested Assets</td>
<td>11</td>
<td>12</td>
<td>13</td>
<td>14</td>
<td>15</td>
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**CRE** – Commercial real estate. **CDO** – Collateralized debt obligation. **CMBS** – Commercial mortgage-backed securities.

Source: Teachers Insurance and Annuity Association of America.
Insurance

Asset/Liability and Liquidity Management

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<tr>
<th>(%)</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Fitch’s Expectation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Bonds/Total Bonds</td>
<td>75.8</td>
<td>74.7</td>
<td>73.4</td>
<td>71.0</td>
<td>68.3</td>
<td>Fitch expects TIAA to maintain below-average exposure to disintermediation risk and strong net operating cash flows over the medium term.</td>
</tr>
<tr>
<td>Liquidity Ratio</td>
<td>227</td>
<td>215</td>
<td>201</td>
<td>181</td>
<td>170</td>
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<tr>
<td>Operating Cash Flow Coverage (x)</td>
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<td>1.4</td>
<td>1.4</td>
<td>1.3</td>
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<tr>
<td>Total Adjusted Liabilities and Deposits ($ Mil.)</td>
<td>233,115</td>
<td>241,827</td>
<td>254,125</td>
<td>265,521</td>
<td>272,614</td>
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Note: Statutory accounting principles.
Source: Fitch Ratings, S&P Global Market Intelligence.

Strong Liquidity Profile Mitigates Asset/Liability Management (ALM) Risk

TIAA’s liabilities are relatively stable and long duration. Disintermediation risk is limited. This allows TIAA to invest in less liquid assets that provide strong operating cash flows.

Stable, Long-Duration Liabilities with Limited Disintermediation Risk

Fitch views TIAA as having a very strong liquidity profile with very stable, long-duration liabilities. Approximately 72% of TIAA’s general account policy and contract reserves were not subject to discretionary withdrawal at the option of the policyholder as of YE 2018. Most of the remaining 28% of cashable account values are held by individual TIAA policyholders, which would reduce the likelihood that substantial amounts are withdrawn all at once as policyholders would have to independently do so at the same time. Additionally, tax implications for the policyholders act as a disincentive for withdrawals as most of the premiums are remitted on a before-tax basis. Therefore, withdrawals of the cashable values would result in the taxation of the entire accumulation amount. As a result, TIAA experienced relatively stable and modest surrender activity.

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.

Strong Operating 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. Therefore, TIAA benefits from a steady predictable cash flow. Its operating cash flow is strong, with approximately $16 billion annually of net premium income and about $12.5 billion of net investment income as of 2018. TIAA also maintains significant levels of cash and liquid assets, with a large, publicly traded, investment-grade bond portfolio.

Liability Profile Allows for Less Liquid Investments

Fitch views TIAA’s investments in less liquid assets, such as structured finance, private equity and commercial mortgage loans, as appropriate given its long-duration liability structure and low level of disintermediation risk. TIAA also has one of the highest liquidity ratios in the Fitch universe based on liquid assets in relation to demand liabilities.
Assets Under Management/Administration (AUM/A) Continue to Grow

Despite the decline in market values at YE 2018, Fitch expects asset management-based fees to continue to grow. However, the pension business will remain the primary earnings driver. Increasing third-party AUM/A is a key element of TIAA’s asset growth strategy.

Pension Business Remains Primary Driver of Earnings; Asset Management-Based Fee Income Higher Going Forward

TIAA’s core pension business still continues to be the primary driver of earnings and is a reliable long-term source of earnings stability for the company. Nuveen diversifies TIAA’s earnings and increases fee income (revenues earned as a percentage of AUM) for TIAA. However, Nuveen 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 are diversified by product type, which includes real estate, mutual fund and retail accounts, structured/closed-end fund products and institutional. AUM are also diversified by strategy, including credit-based strategies, equity-based strategies and alternatives.

Increasing Third-Party AUM Is Part of Asset Growth Strategy

Nuveen 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 and the formation of the TH Real Estate joint venture in 2014, currently comprises roughly one-third of total AUM for all of TIAA’s asset management entities. The Nuveen acquisition also strengthened TIAA’s distributional capabilities, as Nuveen distributed 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 near term.
Appendix A: Industry Profile and Operating Environment

This section discusses the U.S. life insurance sector. Most insurers in this sector have Insurer Financial Strength (IFS) ratings in the ‘AA’ and ‘A’ categories. These ratings reflect the sector’s very strong balance sheet profile and stable financial performance, which has benefited from cyclical economic improvement, higher interest rates and benign credit environment.

Regulatory Oversight

Fitch views U.S. insurance regulation as very developed, relatively transparent and effective. Insurance regulation is conducted at the state level and focused on protecting policyholders and promoting insurance company solvency. State insurance departments have broad regulatory authority over insurers domiciled in their state with respect to standards of solvency, financial reporting, investments, market conduct and licensing for insurers domiciled in their state, among other things.

Financial reporting requirements are considered robust and transparent based on accounting practices and procedures prescribed or permitted by the state insurance departments. Regulatory capital standards and monitoring/examination processes are robust.

Technical Sophistication of Insurance Market; Diversity and Breadth

The U.S. life insurance sector is very sophisticated technically, with diverse and very deep product offerings. Fitch’s view reflects the industry’s well-established underwriting and pricing practices, investment capabilities and analysis, and improving enterprise risk management capabilities.

Competitive Profile

The U.S. life insurance sector is highly competitive. Life insurers compete based on a number of factors, including product features, service, scale, price, financial strength, brand name, and investment and distribution capabilities. There are significant scale advantages in the life insurance business, which favors well-established competitors over new market entrants.

The adoption of more sophisticated systems and data analytic capabilities is reshaping the life insurance business model, reducing barriers to entry and changing the competitive landscape. For existing players, this trend represents both a business opportunity and a competitive threat that will emerge over time. For new market participants, this trend represents an opportunity to disrupt certain aspects of the life insurance value chain.

Financial Markets Development

The U.S. has the largest and most developed financial markets in the world. The markets are very deep, robust and highly liquid, which provides insurers the ability to maintain diversified asset portfolios, manage interest rate and credit risk exposures, and invest new cash flows with favorable trade execution. While the U.S. financial markets exhibit enormous strength in almost all economic environments, they experienced stress during extreme conditions.

Country Risk

Insurers’ ratings are unconstrained by sovereign risk issues as Fitch maintains a ‘AAA’ country rating with a Stable Outlook on the U.S. The rating is supported by structural strengths, including the size of the economy, high per capita income, strong institutions, dynamic business environment and the world’s pre-eminent reserve currency. Partially offsetting these are concerns tied to government spending and financing activity, particularly growth in government deficits and the ability to meet long-term obligations, such as retirement and healthcare entitlements.
Appendix B: Peer Analysis

TIAA Compares Well with Other ‘AAA’ Peers

TIAA is unique among its mutual peers in that its business is predominantly pension annuities rather than participating life insurance. It is within range of peers with respect to capitalization and has significant financial flexibility through its ability to lower its crediting rate to increase earnings and capital if required. TIAA’s strength and financial flexibility comes from the company’s very stable liability profile and very strong cash flows. Fitch views the company’s investment risk as measured by the risky assets-to-TAC ratio as within range of peers.

### Peer Comparison

<table>
<thead>
<tr>
<th>IFS – Insurer Financial Strength</th>
<th>Admitted Assets ($ Mil., as of Dec. 31, 2018)</th>
<th>Total Assets</th>
<th>TAC</th>
<th>Reported RBC (%)</th>
<th>Net Income</th>
<th>FLR (%)</th>
<th>Risky Assets Ratio/TAC (%)</th>
<th>ROA (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIAA</td>
<td>AAA</td>
<td>316,053</td>
<td>44,328</td>
<td>438</td>
<td>1,438</td>
<td>15</td>
<td>119</td>
<td>0.7</td>
</tr>
<tr>
<td>Northwestern Mutual</td>
<td>AAA</td>
<td>272,266</td>
<td>29,549</td>
<td>520</td>
<td>786</td>
<td>N.A.</td>
<td>119</td>
<td>0.2</td>
</tr>
<tr>
<td>New York Life</td>
<td>AAA</td>
<td>324,732</td>
<td>24,790</td>
<td>478</td>
<td>922</td>
<td>6</td>
<td>93</td>
<td>0.2</td>
</tr>
<tr>
<td>MassMutual</td>
<td>AA+</td>
<td>254,872</td>
<td>19,876</td>
<td>447</td>
<td>(716)</td>
<td>8</td>
<td>77</td>
<td>0.1</td>
</tr>
<tr>
<td>Guardian Life</td>
<td>AA+</td>
<td>75,542</td>
<td>8,602</td>
<td>514</td>
<td>454</td>
<td>N.A.</td>
<td>50</td>
<td>0.8</td>
</tr>
</tbody>
</table>

IFS – Insurer Financial Strength. FLR – Financial leverage ratio. N.A. – Not available. Note: FLR is financial leverage ratio or surplus notes in relation to total adjusted capital (TAC). Statutory data.

Source: Fitch Ratings, S&P Global Market Intelligence.
Appendix C: Additional Financial Exhibits

Adjusted Liabilities and Separate Accounts
(As of YE 2018)

Sources: Fitch Ratings, S&P Global Market Intelligence.

Investment Portfolio
(As of Dec. 31, 2018)

Note: Excludes investments in affiliates.
Source: Fitch Ratings, Teachers Insurance and Annuity Association of America.
Appendix D: Other Ratings Considerations

Below is a summary of additional ratings considerations that are part of Fitch’s ratings criteria.

Group 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.

Nuveen Finance is a subsidiary holding company of TIAA created to hold its investment in Nuveen Investments, Inc. Nuveen Finance is rated using Fitch’s Non-Bank Financial Institutions Rating Criteria.

Fitch views Nuveen Finance as a Strategically Important subsidiary of TIAA. A subsidiary viewed as Strategically Important will typically have ratings one notch and, in some cases, two lower than the parent. In the case of Nuveen Finance, a two-notch differential was used as the additional notch differentiates the ratings of the senior unsecured notes of Nuveen Finance from that of the surplus notes of TIAA, which would have a higher priority.

Fitch’s view of Nuveen Finance’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

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.

Notching Summary

<table>
<thead>
<tr>
<th>IFS Ratings</th>
<th>A baseline recovery assumption of Good applies to the IFS rating, and standard notching was used from the IFS “anchor” rating to the operating company IDR.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hybrids — Operating Company</td>
<td>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.</td>
</tr>
<tr>
<td>IDR of Nuveen Finance, LLC</td>
<td>The Nuveen Finance’s IDR reflects two notches from TIAA’s IDR based on Fitch’s view that Nuveen Finance is a Strategically Important subsidiary of TIAA per the Non-Bank Financial Institutions Rating Criteria, as stated above.</td>
</tr>
<tr>
<td>Senior Unsecured Notes of Nuveen Finance, LLC</td>
<td>As per the Non-Bank Financial Institutions Rating Criteria, the rating of the senior unsecured notes of Nuveen Finance are in line with the IDR to reflect the view that a default on the senior unsecured obligations, the only class of debt at Nuveen Finance, would be treated as a default of the entity, with average recovery prospects.</td>
</tr>
<tr>
<td>TIAA’s guarantees rank below its obligations to policy holders and is senior to its surplus notes (AA). Therefore, Fitch has set the rating of Nuveen Finance’s notes equal to TIAA’s IDR, with average recovery prospects.</td>
<td></td>
</tr>
</tbody>
</table>

Short-Term Ratings

Not applicable.
Hybrids—Equity/Debt Treatment

<table>
<thead>
<tr>
<th>Hybrid</th>
<th>Amount ($ Mil.)</th>
<th>CAR Fitch (%)</th>
<th>CAR Regulatory Override (%)</th>
<th>FLR Debt (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.850% Surplus Notes due 2039</td>
<td>1,050</td>
<td>0</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>4.900% Surplus Notes due 2044</td>
<td>1,650</td>
<td>0</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>4.270% Surplus Notes due 2047</td>
<td>2,000</td>
<td>0</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>4.375% Surplus Notes due 2054</td>
<td>350</td>
<td>0</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

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

Corporate Governance and Management

Corporate governance and management are deemed effective and neutral to the rating.

Transfer and Convertibility Risk (Country Ceiling)

None.

Criteria Variations

None.
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