

FINANCIAL SERVICES COMMISSION

**OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

TARGET MARKET CONDUCT FINAL EXAMINATION REPORT

OF

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA

AS OF

July 21, 2006

NAIC COMPANY CODE: 69345



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PURPOSE AND SCOPE OF EXAMINATION

Under authorization of the Financial Services Commission, Office of Insurance Regulation (Office), Market Investigations, pursuant to Section 624.3161, Florida Statutes, a target market conduct examination of Teachers Insurance and Annuity Association of America (Company) was performed by Examination Resources, LLC. The scope of this examination was July 1, 2004 through June 30, 2005; however, the complaint review was expanded to March 1, 2006. The examination began July 16, 2006 and ended July 21, 2006.

The purpose of this examination was to verify the Company's compliance with suitability determination requirements in marketing annuities to senior consumers, persons 65 years of age and older, as required by Section 627.4554, Florida Statutes. The examination included the following procedures:

- Verify the documents utilized by the Company or its agents to determine suitability compliance with Sections 627.4554(4)(a) and (b), and 627.4554(8), Florida Statutes.
- Review the Company's system to supervise recommendations to determine its compliance with Section 627.4554(4)(d), Florida Statutes.
- Verify the Company maintains or makes available records of information collected from the senior consumer in compliance with Section 627.4554(6)(a), Florida Statutes.
- Review a sample of 50 files for policies sold to senior consumers during the scope period to verify the Company is complying with the suitability determination process required by Sections 627.4554(4)(a) and (b), and 627.4554(8), Florida Statutes.

This Final Report is based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company. Procedures and conduct of the examination were in accordance with the Market Regulation Handbook produced by the National Association of Insurance Commissioners.

COMPANY OPERATIONS

Teachers Insurance and Annuity Association of America is a foreign Life and Health insurer licensed to conduct business in the State of Florida on July 14, 1980. The Company provides life insurance and annuities in the State of Florida.

Total Direct Premiums Written in Florida for annuities was as follows:

Year	Total Written Annuity Premium In Florida (Per Schedule T of the Annual Statement)
2004	\$196,488,036
2005	\$228,679,801

The number of annuities sold by the Company during the period of July 1, 2004 through June 30, 2005 is shown in the following table:

	Number of Fixed Annuities	% of Fixed Annuities	Number of Variable Annuities	% of Variable Annuities	Totals
Senior Consumers	0	0%	289	23%	289
Other Consumers	0	0%	964	77%	964
Totals	0	0%	1,253	100%	1,253

SUITABILITY DETERMINATION PROCESS REVIEW

Supervisory System of Annuity Recommendations

The Company provides variable annuities to 403(b) and other qualified plans to institutions in the educational, medical, cultural, and governmental arenas. The employers in these markets make the Company's program available to their employees, sometimes as a fringe benefit funded by the employer, but more often funded via payroll deduction or by rollovers from existing contracts at retirement or other termination of employment. The Company does not pay commissions and there are no fees applicable to these contracts, including surrender penalties, regardless of when the individual withdraws money from the contract.

The Company requires the suitability questionnaire, meeting NASD requirements, as a part of the application process for enrollees into employer sponsored plans. Supervision of rollovers from these plans to single premium individual contracts without agent involvement is limited to monitoring the contract issue process. Written procedures were in place.

The Company's market appears to be employer established or maintained annuity contracts used to fund a plan described by s. 401(a), s. 401(k), s. 403(b), s. 408(k), or s. 408(p) of the Internal Revenue Code of 1986, as amended, and is therefore exempt from Section 627.4554, Florida Statutes pursuant to Section 627.4554(7), Florida Statutes.

Policy Review

A sample of 50 files for policies sold to senior consumers during the scope period was reviewed to determine that the Company or its agents were complying with the suitability determination requirements of Section 627.4554(4)(a) and (b), and 627.4554(8), Florida Statutes. However, due to the number of noted exceptions, the sample size was increased to 100. Additional information received resolved all preliminary exceptions and no other exceptions were noted.

COMPLAINT ANALYSIS

There were 37 complaints requested for review, all of which were filed directly with the Company. None of the complaints were suitability related. Most of the complaints were service issues, resulting from the Company changing to a new record keeping platform and experiencing delays in sending payments on annuities in the payout phase.

REPORT SUMMARIZATION

A sample of 100 files and data validation reports was reviewed for this Company. There were no errors found.

EXAMINATION FINAL REPORT

The Office hereby issues this report as the Final Report, which is based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company in response to the draft report.