



TIAA-CREF Life Insurance Company

Audited Statutory -Basis Financial Statements
as of December 31, 2011 and 2010 and for the
three years ended December 31, 2011

December 31, 2011

TIAA-CREF LIFE INSURANCE COMPANY
INDEX TO STATUTORY - BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2011

| | <u>Page</u> |
|---|-------------|
| Report of Independent Auditors | 2 |
| Statutory - Basis Financial Statements: | |
| Statements of Admitted Assets, Liabilities and Capital and Surplus..... | 3 |
| Statements of Operations | 4 |
| Statements of Changes in Capital and Surplus | 5 |
| Statements of Cash Flows | 6 |
| Notes to Financial Statements..... | 7 |



Report of Independent Auditors

To the Board of Directors of
TIAA-CREF Life Insurance Company:

We have audited the accompanying statutory statements of admitted assets, liabilities and surplus of TIAA-CREF Life Insurance Company (the "Company") as of December 31, 2011 and 2010, and the related statutory-basis statements of operations and changes in capital and surplus, and cash flows for each of the three years ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the New York State Department of Financial Services, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2011 and 2010, or the results of its operations or its cash flows for each of the three years in the period ended December 31, 2011.

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the Company as of December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, on the basis of accounting described in Note 2.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP".

April 11, 2012

TIAA-CREF LIFE INSURANCE COMPANY

**STATUTORY- BASIS STATEMENTS OF ADMITTED ASSETS,
LIABILITIES AND CAPITAL AND SURPLUS**

| | December 31, | |
|---|---------------------|---------------------|
| | 2011 | 2010 |
| ADMITTED ASSETS | (in thousands) | |
| Bonds | \$ 3,182,147 | \$ 2,518,764 |
| Preferred stocks | 7,343 | 7,343 |
| Common stocks | 163 | --- |
| Mortgage loans | 13,726 | 52,651 |
| Cash, cash equivalents and short-term investments | 106,502 | 88,008 |
| Contract loans | 4,227 | 4,025 |
| Other long-term investments | 12,821 | 1,097 |
| Investment income due and accrued | 36,382 | 30,512 |
| Federal income tax recoverable from TIAA | 774 | 3,206 |
| Net deferred federal income tax asset | 5,441 | 6,149 |
| Other assets | 12,579 | 10,797 |
| Separate account assets | 867,988 | 848,443 |
| TOTAL ADMITTED ASSETS | \$ 4,250,093 | \$ 3,570,995 |
| LIABILITIES, CAPITAL AND SURPLUS | | |
| Liabilities | | |
| Reserves for life and health, annuities and deposit-type contracts | \$ 2,969,775 | \$ 2,341,156 |
| Asset valuation reserve | 10,594 | 7,805 |
| Interest maintenance reserve | 6,427 | 6,174 |
| Other liabilities | 23,171 | 21,972 |
| Separate account liabilities | 841,741 | 823,307 |
| TOTAL LIABILITIES | 3,851,708 | 3,200,414 |
| Capital and Surplus | | |
| Capital (2,500 shares of \$1,000 par value common stock issued and outstanding) | 2,500 | 2,500 |
| Additional paid-in capital | 357,500 | 357,500 |
| Surplus | 35,048 | 6,803 |
| Deferred income taxes | 3,337 | 3,778 |
| TOTAL CAPITAL AND SURPLUS | 398,385 | 370,581 |
| TOTAL LIABILITIES, CAPITAL AND SURPLUS | \$ 4,250,093 | \$ 3,570,995 |

See notes to statutory - basis financial statements

TIAA-CREF LIFE INSURANCE COMPANY

STATUTORY - BASIS STATEMENTS OF OPERATIONS

For the Years Ended December 31,

| | 2011 | 2010 | 2009 |
|--|-------------------|-------------------|-------------------|
| | | (in thousands) | |
| REVENUES | | | |
| Insurance and annuity premiums and other considerations | \$ 225,388 | \$ 218,934 | \$ 232,200 |
| Net investment income | 132,685 | 129,279 | 131,115 |
| Other revenue | 13,775 | 12,524 | 11,195 |
| TOTAL REVENUES | \$ 371,848 | \$ 360,737 | \$ 374,510 |
| EXPENSES | | | |
| Policy and contract benefits | \$ 128,247 | \$ 125,285 | \$ 142,267 |
| Increase in policy and contract reserves | 83,741 | 74,327 | 55,901 |
| Net operating expenses | 56,214 | 46,493 | 42,778 |
| Net transfers to separate accounts | 37,938 | 48,360 | 75,252 |
| Other benefits and expenses | 34,848 | 31,970 | 33,954 |
| TOTAL EXPENSES | \$ 340,988 | \$ 326,435 | \$ 350,152 |
| Income before federal income tax and net realized capital gains (losses) | 30,860 | 34,302 | 24,358 |
| Federal income tax expense | 10,545 | 8,509 | 11,922 |
| Net realized capital gains (losses) less capital gains taxes, after transfers to the interest maintenance reserve | 9,190 | (849) | (19,452) |
| NET INCOME (LOSS) | \$ 29,505 | \$ 24,944 | \$ (7,016) |

See notes to statutory - basis financial statements

TIAA-CREF LIFE INSURANCE COMPANY

STATUTORY - BASIS STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS

| | Capital Stock | Additional Paid-In Capital | Surplus (Deficit) | Total |
|---|--------------------------|---|------------------------------|-------------------|
| | (in thousands) | | | |
| Balance, December 31, 2008 | \$ <u>2,500</u> | \$ <u>287,500</u> | \$ <u>(9,669)</u> | \$ <u>280,331</u> |
| Net loss..... | | | (7,016) | (7,016) |
| Net unrealized capital loss on investments..... | | | (1,706) | (1,706) |
| Change in asset valuation reserve..... | | | 616 | 616 |
| Change in accounting principle (SSAP 43R)..... | | | 4,290 | 4,290 |
| Change in accounting principle (SSAP 10R)..... | | | 3,967 | 3,967 |
| Change in surplus in separate accounts..... | | | 3,436 | 3,436 |
| Change in liability for reinsurance in unauthorized companies..... | | | (1,692) | (1,692) |
| Change in net deferred income tax..... | | | 9,286 | 9,286 |
| Change in non-admitted assets: | | | | |
| Deferred federal income tax asset..... | | | (6,650) | (6,650) |
| Deferred premium asset limitation..... | | | (609) | (609) |
| Other invested assets..... | | | (1,089) | (1,089) |
| Other assets..... | | | 149 | 149 |
| Capital contribution..... | | 70,000 | --- | 70,000 |
| Balance, December 31, 2009 | \$ <u>2,500</u> | \$ <u>357,500</u> | \$ <u>(6,687)</u> | \$ <u>353,313</u> |
| Net income..... | | | 24,944 | 24,944 |
| Net unrealized capital loss on investments..... | | | (672) | (672) |
| Change in asset valuation reserve..... | | | (7,513) | (7,513) |
| Change in surplus in separate accounts..... | | | 455 | 455 |
| Change in liability for reinsurance in unauthorized companies..... | | | 1,692 | 1,692 |
| Change in net deferred income tax..... | | | (2,676) | (2,676) |
| Change in non-admitted assets: | | | | |
| Deferred federal income tax asset..... | | | 213 | 213 |
| Amount recoverable from reinsurers..... | | | (225) | (225) |
| Deferred premium asset limitation..... | | | 146 | 146 |
| Incremental deferred federal income tax asset..... | | | (189) | (189) |
| Other invested assets..... | | | 1,089 | 1,089 |
| Other assets..... | | | 4 | 4 |
| Balance, December 31, 2010 | \$ <u>2,500</u> | \$ <u>357,500</u> | \$ <u>10,581</u> | \$ <u>370,581</u> |
| Net income..... | | | 29,505 | 29,505 |
| Net unrealized capital gain on investments..... | | | 2,723 | 2,723 |
| Change in asset valuation reserve..... | | | (2,789) | (2,789) |
| Change in surplus in separate accounts..... | | | (82) | (82) |
| Change in net deferred income tax..... | | | (14,040) | (14,040) |
| Change in non-admitted assets: | | | | |
| Deferred federal income tax asset..... | | | 13,773 | 13,773 |
| Amount recoverable from reinsurers..... | | | 225 | 225 |
| Deferred premium asset limitation..... | | | (1,070) | (1,070) |
| Incremental deferred federal income tax asset..... | | | (441) | (441) |
| Balance, December 31, 2011 | \$ <u>2,500</u> | \$ <u>357,500</u> | \$ <u>38,385</u> | \$ <u>398,385</u> |

See notes to statutory - basis financial statements

TIAA-CREF LIFE INSURANCE COMPANY

STATUTORY - BASIS STATEMENTS OF CASH FLOWS

For the Years Ended December 31,

| | 2011 | 2010 | 2009 |
|---|-------------|----------------|-------------|
| | | (in thousands) | |
| CASH FROM OPERATIONS | | | |
| Insurance and annuity premiums and other considerations | \$ 223,405 | \$ 218,701 | \$ 233,062 |
| Miscellaneous income | 12,494 | 11,419 | 11,038 |
| Net investment income | 132,287 | 140,012 | 149,949 |
| Total Receipts | 368,186 | 370,132 | 394,049 |
| Policy and contract benefits | 126,558 | 125,883 | 142,795 |
| Operating expenses | 68,319 | 52,128 | 46,194 |
| Federal income tax expense/(benefit) | (7,346) | 10,960 | 12,470 |
| Net transfers to separate accounts | 36,345 | 50,081 | 75,912 |
| Total Disbursements | 223,876 | 239,052 | 277,371 |
| Net cash from operations | 144,310 | 131,080 | 116,678 |
| CASH FROM INVESTMENTS | | | |
| Proceeds from long-term investments sold, matured, or repaid: | | | |
| Bonds | 383,016 | 425,289 | 427,883 |
| Stocks | --- | --- | 4,846 |
| Mortgage loans | 38,926 | 8,452 | 19,407 |
| Miscellaneous proceeds | 51 | 5,163 | 259 |
| Cost of investments acquired: | | | |
| Bonds | 1,067,103 | 569,674 | 681,551 |
| Stocks | --- | 1,968 | 2,925 |
| Miscellaneous applications | 4,990 | --- | --- |
| Net increase in contract loans | 202 | 2,197 | 735 |
| Net cash from investments | (650,302) | (134,935) | (232,816) |
| CASH FROM FINANCING AND OTHER | | | |
| Additional paid in capital | --- | --- | 70,000 |
| Net deposits on deposit-type contracts funds | 520,049 | (22,396) | 51,796 |
| Other cash provided (applied) | 4,437 | 3,374 | 234 |
| Net cash from financing and other | 524,486 | (19,022) | 122,030 |
| NET CHANGE IN CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS | 18,494 | (22,877) | 5,892 |
| CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR | 88,008 | 110,885 | 104,993 |
| CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS, END OF YEAR | \$ 106,502 | \$ 88,008 | \$ 110,885 |

See notes to statutory - basis financial statements

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS

DECEMBER 31, 2011

Note 1 – Organization and Operations

TIAA-CREF Life Insurance Company commenced operations as a legal reserve life insurance company under the insurance laws of the State of New York on December 18, 1996, under its former name, TIAA Life Insurance Company and changed its name to TIAA-CREF Life Insurance Company (“TIAA-CREF Life” or the “Company”) on May 1, 1998. TIAA-CREF Life is a direct wholly-owned subsidiary of Teachers Insurance and Annuity Association of America (“TIAA” or the “Parent”), a legal reserve life insurance company established under the insurance laws of the State of New York in 1918.

The Company issues non-qualified annuity contracts with fixed and variable components, fixed and variable universal life contracts, funding agreements, term-life insurance and single premium immediate annuities.

Note 2 – Significant Accounting Policies

Basis of Presentation:

The accompanying financial statements have been prepared on the basis of statutory accounting principles prescribed or permitted by the New York State Department of Financial Services (the “Department”); a comprehensive basis of accounting that differs from accounting principles generally accepted in the United States (“GAAP”). The Department requires insurance companies domiciled in the State of New York to prepare their statutory basis financial statements in accordance with the National Association of Insurance Commissioners’ (“NAIC”) Accounting Practices and Procedures Manual (“NAIC SAP”), subject to any deviation prescribed or permitted by the Department (“New York SAP”).

The table below provides a reconciliation of the Company’s net income (loss) and capital and surplus between NAIC SAP and the New York SAP annual statement filed with the Department. The primary differences arise because the Company maintains more conservative reserves, as prescribed or permitted by New York SAP, under which annuity reserves are generally discounted on the basis of contractually guaranteed interest rates and mortality tables.

The deferred premium asset limitation results from the Department requiring that any deferred premium asset established along with the corresponding mean reserve should be reduced by the proportionate amount reinsured on a coinsurance basis. Under this approach the deferred premium asset for reinsurance is adjusted based upon the premium mode of the direct policy rather than the premium mode of the reinsurance agreement.

| | For The Years Ended December 31, | | |
|---|---|-------------------|-------------------|
| | 2011 | 2010 | 2009 |
| | (in thousands) | | |
| Net Income (Loss), New York SAP | \$ 29,505 | \$ 24,944 | \$ (7,016) |
| New York SAP Prescribed Practices: | | | |
| Additional Reserves for: | | | |
| Term Conversions | 107 | 87 | 101 |
| Deferred and Payout Annuities issued after 2000 | --- | (1) | (1) |
| Net Income (Loss), NAIC SAP | <u>\$ 29,612</u> | <u>\$ 25,030</u> | <u>\$ (6,916)</u> |
| Capital and Surplus, New York SAP | \$ 398,385 | \$ 370,581 | \$ 353,313 |
| New York SAP Prescribed Practices: | | | |
| Deferred Premium Asset Limitation | 25,972 | 24,903 | 25,049 |
| Additional Reserves for: | | | |
| Term Conversions | 1,240 | 1,133 | 1,045 |
| Deferred and Payout Annuities issued after 2000 | <u>2</u> | <u>2</u> | <u>3</u> |
| Capital and Surplus, NAIC SAP | <u>\$ 425,599</u> | <u>\$ 396,619</u> | <u>\$ 379,410</u> |

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS – (continued)
DECEMBER 31, 2011

Note 2 – Significant Accounting Policies – (continued)

Accounting Principles Generally Accepted in the United States: The Financial Accounting Standards Board ("FASB") dictates the accounting principles for financial statements that are prepared in conformity with GAAP with applicable authoritative accounting pronouncements. As a result, the Company cannot refer to financial statements prepared in accordance with NAIC SAP and New York SAP as having been prepared in accordance with GAAP.

The primary differences between GAAP and NAIC SAP can be summarized as follows.

Under GAAP:

- The Asset Valuation Reserve ("AVR") is eliminated as it is not recognized under GAAP. The AVR is established under NAIC SAP as a direct charge to surplus;
- The Interest Maintenance Reserve ("IMR") is eliminated as it is not recognized under GAAP. The realized gains and losses resulting from changes in interest rates are reported as a component of net income under GAAP rather than being deferred and subsequently amortized into income over the remaining expected life of the investment sold;
- Certain assets designated as "non-admitted assets" are included in the GAAP balance sheet rather than excluded from assets in the statutory balance sheet;
- Policy acquisition costs, such as commissions, and other costs incurred in connection with acquiring new business, are deferred and amortized over the expected lives of the policies issued under GAAP rather than being expensed when incurred;
- Policy and contract reserves are based on estimates of expected mortality, morbidity, persistency and interest under GAAP rather than being based on statutory mortality, morbidity and interest requirements;
- Investments in wholly-owned subsidiaries, other entities under the control of the parent, and certain variable interest entities are consolidated in the parent's financial statements rather than being carried at the parent's share of the underlying GAAP equity or statutory surplus of a domestic insurance subsidiary;
- Investments in bonds considered to be "available for sale" are carried at fair value under GAAP rather than at amortized cost;
- Impairments on securities other than loan-backed and structured securities due to credit losses are recorded as other-than-temporary impairments ("OTTI") through earnings for the difference between amortized cost and discounted cash flows when a security is deemed impaired. Other declines in fair value related to factors other than credit are recorded as other comprehensive income, which is a separate component of stockholder's equity. Under NAIC SAP, an impairment for such securities is recorded through earnings for the difference between amortized cost and fair value;
- For loan-backed and structured securities ("LB&SS") that are other-than-temporarily impaired, declines in fair value related to factors other than credit are recorded as other comprehensive income, which is a separate component of stockholder's equity. Under NAIC SAP, such declines in fair value are not recorded until a credit loss occurs;
- Changes in the allowance for estimated uncollectible amounts related to mortgage loans are recorded through earnings rather than as unrealized losses, which is a component of surplus under NAIC SAP;
- Changes in the value of certain other long-term investments accounted for under the equity method of accounting are recorded through earnings rather than as unrealized gains (losses), which is a component of surplus under NAIC SAP;

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 2 – Significant Accounting Policies – (continued)

- Deferred income taxes, subject to valuation allowance, include federal and state income taxes and changes in the deferred tax are reflected in earnings. Under NAIC SAP, deferred taxes exclude state income taxes and are admitted to the extent they can be realized within three years subject to a 15% limitation of capital and surplus with changes in the net deferred tax reflected as a component of surplus;
- Contracts that do not subject the Company to significant risks arising from policyholder mortality or morbidity are reported as a deposit liability. Under NAIC SAP, contracts that have any mortality and morbidity risk, regardless of significance, and contracts with life contingent annuity purchase rate guarantees are classified as insurance contracts and amounts received under these contracts are reported as revenue;
- Declines in fair value of derivatives are recorded through earnings under GAAP rather than surplus. Derivatives embedded in host contracts are accounted for separately like a freestanding derivative if certain criteria are met. Replication Synthetic Asset Transactions ("RSAT") are not recognized under GAAP;
- Certain reinsurance transactions are accounted for as financing transactions under GAAP and as reinsurance for statutory purposes. Assets and liabilities are reported gross of reinsurance for GAAP and net of reinsurance for statutory purposes. Transactions recorded as financing under GAAP have no impact on premiums or losses incurred, while for statutory purposes, premiums paid to the reinsurer are recorded as ceded premiums (a reduction in revenue) and expected reimbursement for losses from the reinsurer are recorded as a reduction in losses.

The effects of these differences, while not determined, are presumed to be material.

Reclassifications: Certain prior year amounts in the financial statements have been reclassified to conform to the 2011 presentation. These reclassifications did not affect the total assets, liabilities, net income or surplus previously reported.

Use of Estimates: The preparation of the Company's statutory-basis financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses at the date of the financial statements. Actual results may differ from those estimates.

Accounting Policies:

The following is a summary of the significant accounting policies followed by the Company:

Investments: Publicly traded securities are accounted for as of the date the investments are purchased or sold (trade date). Other investments are recorded on the settlement date. Realized capital gains and losses on investment transactions are accounted for under the specific identification method. A realized loss is recorded when an impairment is considered to be other-than-temporary.

Bonds: Bonds are stated at amortized cost using the current effective interest method. Bonds in or near default (rated NAIC 6) are stated at the lower of amortized cost or fair value. Bonds the Company intends to sell prior to maturity ("held for sale") are stated at the lower of amortized cost or fair value.

Included within bonds are loan-backed and structured securities. Estimated future cash flows and expected prepayment speeds are used to determine the amortization of loan-backed and structured securities under the prospective method. Expected future cash flows and prepayment speeds are evaluated quarterly for changes. Loan-backed and structured securities are reported at the lower of amortized cost or fair value when rated NAIC 6 or when determined to be held for sale.

If it is determined that a decline in the fair value of a bond, excluding loan-backed and structured securities, is other-than-temporary, the cost basis of the bond is written down to fair value as the new cost basis and the amount of the write down is accounted for as a realized loss. The new cost basis is not changed for subsequent recoveries in fair value. Future declines in fair value which are determined to be other-than-temporary are recorded as realized losses.

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 2 – Significant Accounting Policies – (continued)

Loan-backed and structured securities that the Company has the intent and ability to hold are considered other-than-temporarily impaired when the Company does not expect to recover the entire amortized cost basis of the security, and the amount of the OTTI recognized as a realized loss is the difference between the security's amortized cost basis and the present value of cash flows expected to be collected, discounted at the security's effective interest rate.

Loan-backed and structured securities that the Company intends to sell or does not have the intent and ability to retain for a period of time sufficient to recover the amortized cost basis are written down to fair value and the amount of the OTTI recognized as a realized loss is the difference between the security's amortized cost basis and fair value at the balance sheet date.

In periods subsequent to the recognition of an OTTI loss, the Company accounts for the other-than-temporarily impaired security as if the security had been purchased on the measurement date of the impairment. The difference between the new amortized cost basis and the cash flows expected to be collected is accreted as interest income in future periods based on prospective changes in cash flow estimates.

The fair values for publicly traded long term bond investments are generally determined using prices provided by third party pricing services. For privately placed long term bond investments without readily ascertainable market value, such values are determined with the assistance of independent pricing services utilizing a discounted cash flow methodology based on coupon rates, maturity provisions and credit assumptions.

Common Stocks: Common stocks of unaffiliated companies are stated at fair value, which is based on quoted market prices, where available. Changes in fair value are recorded through surplus. For common stocks without quoted market prices, fair value is estimated using independent pricing services or internally developed pricing models. When it is determined that a decline in fair value of an investment is other-than-temporary, the cost basis of the investment is reduced to its fair value and the amount of the reduction is accounted for as a realized loss.

Preferred Stocks: Preferred stocks are stated at amortized cost unless they have an NAIC rating designation of 4, 5, or 6 which are stated at the lower of amortized cost or fair value. The fair values of preferred stocks are determined using prices provided by third party pricing services. When it is determined that a decline in fair value of an investment is other-than-temporary, the cost basis of the investment is reduced to its fair value and the amount of the reduction is accounted for as a realized loss.

Mortgage Loans: Mortgage loans are stated at amortized cost, net of valuation allowances, except that purchase money mortgages are stated at the lower of amortized cost or ninety percent of appraised value. Mortgage loans held for sale are stated at the lower of amortized cost or fair value. Mortgage loans are evaluated for impairment when it is probable that the receipt of contractual payments of principal and interest may not occur when scheduled. If the impairment is considered to be temporary, a valuation reserve is established for the excess of the carrying value of the mortgage over its estimated fair value. Changes in valuation reserves for mortgage loans are included in net unrealized capital gains and losses on investments. When an event occurs resulting in an impairment that is other-than-temporary, a direct write-down is recorded as a realized loss and a new cost basis is established. The fair value of mortgage loans is generally determined using a discounted cash flow methodology based on coupon rates, maturity provisions and credit assumptions.

Wholly-Owned Subsidiaries: Investments in wholly-owned subsidiaries are stated at the value of their underlying net assets as follows: (1) domestic insurance subsidiaries are stated at the value of their underlying statutory surplus; (2) non-insurance subsidiaries are stated at the value of their underlying audited GAAP equity. Dividends and distributions from subsidiaries are recorded in investment income and changes in the equity of subsidiaries are recorded directly to surplus as unrealized gains or losses.

Other Long-term Investments: Other long-term investments primarily include investments in limited partnerships and limited liability companies which are carried at the Company's percentage of the underlying GAAP equity as reflected on the respective entity's financial statements. The Company monitors the effects of current and expected market conditions and other factors on these investments to identify and quantify any impairment in value. The Company assesses impairment information by performing analysis between the carrying value and the cost basis of the investments. The Company evaluates recoverability of the asset to determine if OTTI is warranted. When deemed to be other-than-temporarily impaired, the investment is written down to estimated fair value.

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 2 – Significant Accounting Policies – (continued)

Other long-term investments include the Company's investments in surplus notes, which are stated at amortized cost. All of the Company's investments in surplus notes have an NAIC 1 rating designation. The Company changed its classification of its investments in surplus notes to other long-term investments during 2011 pursuant to NAIC guidelines. During 2010, the Company's investments in surplus notes were classified as bonds. The carrying amount of the Company's investments in surplus notes was \$11,713 thousand and \$11,749 thousand at December 31, 2011 and 2010, respectively.

Cash and Cash Equivalents: Cash includes cash on deposit and cash equivalents. Cash equivalents are short-term, highly liquid investments, with original maturities of three months or less at the date of purchase, and are stated at amortized cost.

Short-Term Investments: Short-term investments (investments with remaining maturities of one year or less at the time of acquisition, excluding those investments classified as cash equivalents) that are not in default are stated at amortized cost using the straight line interest method. Short-term investments in default are stated at the lower of amortized cost or fair value.

Contract Loans: Contract loans are stated at outstanding principal balances.

Derivative Instruments: The Company has filed a Derivatives Use Plan with the Department. This plan details the Company's derivative policy objectives, strategies, controls and any restrictions placed on various derivative types. The plan also specifies the procedures and systems that the Company has established to evaluate, monitor and report on the derivative portfolio in terms of valuation, hedge effectiveness and counterparty credit quality. The Company may use derivative instruments for hedging, income generation, and asset replication purposes. Derivatives used by the Company include interest rate swaps, credit default swaps and foreign currency swaps.

The carrying value of a derivative position may be at cost or fair value, depending on the type of instrument and accounting status. Hedge accounting is applied for some foreign currency swaps that hedge fixed income investments carried at amortized cost. The foreign exchange premium or discount for these foreign currency swaps is amortized into income and a currency translation adjustment computed at the spot rate is recorded as an unrealized gain or loss. The derivative component of a RSAT is carried at unamortized premiums received or paid, adjusted for any impairments. The cash component of a RSAT is classified as a bond on the Company's balance sheet. Derivatives used in hedging transactions where hedge accounting is not being utilized are carried at fair value. The Company does not offset the carrying value amounts recognized for derivatives executed with the same counterparty under the same netting agreement.

Investment Income Due and Accrued: Investment income due is investment income earned and legally due to be paid to the Company at the reporting date. Investment income accrued is investment income earned but not legally due to be paid to the Company until subsequent to the reporting date. The Company writes off amounts deemed uncollectible as a charge against investment income in the period such determination is made. Amounts deemed collectible, but over 90 days past due for any invested asset except mortgage loans in default are non-admitted. Amounts deemed collectible, but over 180 days past due for mortgage loans in default are non-admitted. The Company accrues interest income on impaired loans to the extent it is deemed collectible.

Separate Accounts: Separate Accounts are established in conformity with insurance laws and are segregated from the Company's general account and are maintained for the benefit of separate account contract holders.

Non-Admitted Assets: For statutory accounting purposes, certain assets are designated as non-admitted assets (principally investments in other long-term investments, furniture and equipment, leasehold improvements, prepaid expenses, and a portion of deferred federal income tax ("DFIT") assets). The non-admitted portion of the DFIT asset was \$24,234 thousand and \$37,566 thousand at December 31, 2011 and 2010, respectively. Other non-admitted assets were \$25,972 thousand and \$25,128 thousand at December 31, 2011 and 2010, respectively. Changes in non-admitted assets are charged or credited directly to surplus.

Insurance and Annuity Premiums: Life insurance premiums are recognized as revenue over the premium-paying period of the related policies. Annuity considerations are recognized as revenue when received. Expenses incurred when acquiring new business are charged to operations as incurred.

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2011

Note 2 – Significant Accounting Policies – (continued)

Reserves for Life and Health Insurance, Annuities and Deposit-type Contracts: Policy and contract reserves are determined in accordance with standard valuation methods approved by the Department and are computed in accordance with standard actuarial formulae. The reserves established utilize assumptions for interest, mortality and other risks insured. Such reserves are established to provide for adequate contractual benefits guaranteed under policy and contract provisions.

Liabilities for deposit-type contracts, which do not contain any life contingencies, are equal to deposits received and interest credited to the benefit of contract holders, less surrenders or withdrawals that represent a return to the contract holders.

The Company performs Asset Adequacy Analysis in order to test the adequacy of its reserves in light of the assets supporting such reserves, and determined that its reserves were sufficient to meet its obligations.

Interest Maintenance Reserve: The IMR defers recognition of realized capital gains and losses resulting from changes in the general level of interest rates. These gains and losses are amortized into investment income over the expected remaining life of the investments sold. The IMR is calculated in accordance with the NAIC Annual Statement Instructions for Life and Accident and Health Insurance Companies.

A realized gain or loss on each bond sold, excluding loan-backed and structured securities, is interest-related if the security's NAIC rating did not change by more than one classification from the date of purchase to the date of sale, and its NAIC rating was never a 6 during the holding period.

A realized gain or loss on each preferred stock sold is interest-related if the security did not have an NAIC rating of 4, 5 or 6 at any time during the holding period and the NAIC rating did not change by more than one classification from the date of purchase to the date of sale.

A realized gain or loss on each mortgage loan sold is interest-related if interest is not more than 90 days past due, not in the process of foreclosure or voluntary conveyance, or the mortgage loan was not restructured over the prior two years.

A realized gain or loss on each derivative investment sold is interest-related based on the characteristics of the underlying invested asset.

For loan-backed and structured securities, realized gains or losses resulting from sale transactions and realized losses resulting from OTTI are bifurcated between IMR and AVR based upon the present value of cash flows and amortized cost at the time of the transaction.

Asset Valuation Reserve: The AVR is established to offset potential credit-related investment losses from bonds, stocks, mortgage loans, real estate, derivatives and other long-term investments. Changes in AVR are recorded directly to surplus. The AVR is calculated in accordance with the NAIC Annual Statement Instructions for Life and Accident and Health Insurance Companies.

Realized gains or losses resulting from the sale of U.S. Government securities and securities of agencies which are backed by the full faith and credit of the U.S. Government are exempt from the AVR.

A realized gain or loss on each bond sold, excluding loan-backed and structured securities, is non-interest-related if the security's NAIC rating changed by more than one classification from the date of purchase to the date of sale, or its NAIC rating was a 6 at any time during the holding period.

A realized gain or loss on each preferred stock sold is non-interest-related if the security had an NAIC rating of 4, 5 or 6 at any time during the holding period or the NAIC rating changed by more than one classification from the date of purchase to the date of sale.

A realized gain or loss on each mortgage loan sold is non-interest-related if interest is more than 90 days past due, in the process of foreclosure or voluntary conveyance, or the mortgage loan was restructured over the prior two years.

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2011

Note 2 – Significant Accounting Policies – (continued)

A realized gain or loss on each derivative investment sold is non-interest-related based on the characteristics of the underlying invested asset.

For loan-backed and structured securities, realized gains or losses resulting from sale transactions and realized losses resulting from OTTI are bifurcated between IMR and AVR based upon the present value of cash flows and amortized cost at the time of the transaction. OTTI for non-loan backed and structured securities, stocks, mortgage loans, real estate and other long-term investments are considered non-interest related realized losses and included in the AVR calculation.

Application of New Accounting Pronouncements: *SSAP No. 101 – Income Taxes, a Replacement of SSAP No. 10—Income Taxes and SSAP No. 10R—Income Taxes, A Temporary Replacement of SSAP No. 10* and is effective January 1, 2012. For purposes of accounting for federal and foreign income taxes, reporting entities shall adopt *FASB Statement No. 109, Accounting for Income Taxes* (“FAS 109”) with modifications for state income taxes, the realization criteria for deferred tax assets, and the recording of the impact of changes in deferred tax balances. The Company has determined that SSAP No. 101 will not have a material impact on the current and deferred taxes presented under SSAP No. 10R.

SSAP 5R - Liabilities, Contingencies and Impairments of Assets adopts, with modification, guidance from FASB Accounting Standard Codification 460, *Guarantees* effective December 31, 2011. The substantive revisions require entities to recognize, at the inception of a guarantee, a liability for the obligations it has undertaken in issuing the guarantee, even if the likelihood of having to make payments under the guarantee is remote. Under the new guidance, a liability is required to be recognized at the inception of a related party guarantee. The guidance does exempt from measurement guarantees made to or on behalf of wholly-owned subsidiaries.

SSAP 100, Fair Value Measurements, effective December 31, 2010, defines fair value, establishes a framework for measuring fair value and establishes disclosure requirements about fair value. This standard applies under other accounting pronouncements that require or permit fair value measurements. The Company adopted this guidance effective December 31, 2010. It did not have a material impact on the Company's financial statements.

SSAP 56 – Separate Accounts – Revised disclosures, adopted September 2009 and required within the 2010 annual financial statements. The revised disclosures require disclosure on the general nature of the entity's separate account business, an identification of the separate account assets that are legally insulated from the general account claims, identification of the separate account products that have guarantees backed by the general account and a discussion of securities lending transactions within the separate account.

SSAP No. 43R – Loan-backed and Structured Securities - Revised, effective September 30, 2009, which superseded *SSAP No. 98 - Treatment of Cash Flows When Quantifying Changes in Valuation and Impairments, an Amendment of SSAP No. 43 - Loan-backed and Structured Securities*, provides statutory accounting guidance for loan-backed and structured securities and incorporates certain principles underlying recent changes in GAAP OTTI guidance for statutory reporting. The financial impact in 2009 of the adoption of *SSAP No. 43R* at September 30, 2009, by the Company, was a \$4,290 thousand increase in surplus as an adjustment as of July 1, 2009 and was recognized as a cumulative effect due to a change in accounting principle.

SSAP No. 43R guidance results in an OTTI recorded through earnings for the difference between amortized cost and the present value of discounted cash flows of structured securities. Declines in fair value related to non-credit declines are not recognized in earnings and only require disclosure if the entity has the intent and ability to hold to recovery. The guidance requires a recognized realized loss recorded in earnings for the difference between fair value and amortized cost if the entity intends or is required to sell the investment at the measurement date. The entity is required to evaluate discounted cash flows quarterly to assess credit deterioration.

For reporting periods beginning on or after January 1, 2009, *SSAP No. 98 - Treatment of Cash Flows When Quantifying Changes in Valuation and Impairments, an Amendment of SSAP No. 43 – Loan-backed and Structured Securities* established statutory accounting principles for impairment analysis and subsequent valuation of loan-backed and structured securities. The change resulting from the adoption of this statement was accounted for prospectively. No cumulative effect adjustments or application of the new guidance to prior events or periods were required.

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2011

Note 2 – Significant Accounting Policies – (concluded)

SSAP No. 10R – Revised, *Income Taxes*, was effective as of December 31, 2009 for the 2009 annual financial statements and the 2010 and 2011 interim and annual financial statements only. For entities that meet specified capital requirements, the revised statement increases the admitted DFIT asset ceiling by increasing the limit from 10 to 15 percent of capital and surplus and by extending the recoverable period from 1 to 3 years. The change resulting from the modification of this statement was accounted for as a change in accounting principle in 2009. The Company's adoption of SSAP 10R resulted in an additional of \$3,337 thousand, \$3,778 thousand and \$3,967 thousand of admitted deferred tax assets recognized as of December 31, 2011, 2010 and 2009, respectively. The statement is applicable through 2011 and incorporates additional disclosures for tax-planning strategies.

For reporting periods beginning on or after January 1, 2009, SSAP No. 99 - *Accounting for Certain Securities Subsequent to an Other-Than-Temporary Impairment*, establishes standards for the treatment of premiums or discounts applicable to certain securities subsequent to the recognition of an OTTI. The other-than-temporarily impaired security is recorded as if the security had been purchased on the measurement date of the OTTI. The discount or reduced premium associated with the other-than-temporarily impaired security, based on the new cost basis, is amortized over the remaining life of the security, to the extent recoverable in a prospective manner based on the amount and timing of future estimated cash flows. The change resulting from the adoption of this statement is accounted for prospectively. No cumulative effect adjustment or application of the new guidance to prior events or periods is required. The Company adopted this guidance January 1, 2009.

Note 3 – Long Term Bonds, Preferred Stocks and Common Stocks

For 2011 reporting purposes, the NAIC clarified the definition for LB&SS to more clearly include financial instruments such as credit tenant loans, equipment trust certificates, other structured trusts, hybrid securities and municipal securities issued through special purpose vehicles. These investments were previously classified as non-LB&SS issuer obligations. The Company has reclassified prior year amounts to conform to this clarification.

The book/adjusted carrying value, estimated fair value, excess of fair value over book/adjusted carrying value and excess of book/adjusted carrying value over fair value of long-term bonds and preferred stocks at December 31 are shown below (in thousands):

| | 2011 | | | |
|--|--|---|--------------------|-------------------------|
| | Book/ Adjusted Carrying Value | Excess of | | Estimated Fair Value |
| Fair Value Over Book/ Adjusted Carrying Value | | Book/ Adjusted Carrying Value Over Fair Value | | |
| Bonds: | | | | |
| U.S. governments | \$ 140,136 | \$ 9,234 | \$ --- | \$ 149,370 |
| States, territories & possessions | 8,970 | 851 | --- | 9,821 |
| Political subdivisions of states, territories, & possessions | 7,459 | 371 | --- | 7,830 |
| Special revenue & special assessment, non-guaranteed agencies & government | 318,694 | 26,051 | (228) | 344,517 |
| Industrial & miscellaneous | 2,686,380 | 196,283 | (35,041) | 2,847,622 |
| Credit tenant loans..... | 9,235 | 1,577 | --- | 10,812 |
| Hybrids..... | 11,273 | 56 | (75) | 11,254 |
| Total bonds | 3,182,147 | 234,423 | (35,344) | 3,381,226 |
| Preferred stocks..... | 7,343 | 1,170 | --- | 8,513 |
| Total bonds and preferred stocks..... | \$ 3,189,490 | \$ 235,593 | \$ (35,344) | \$ 3,389,739 |

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 3 – Long Term Bonds, Preferred Stocks and Common Stocks (continued)

| | 2010 | | | |
|--|--|--|--|---------------------------------|
| | Book/ Adjusted Carrying Value | Excess of | | Estimated Fair Value |
| | | Fair Value Over Book/ Adjusted Carrying Value | Book/ Adjusted Carrying Value Over Fair Value | |
| Bonds: | | | | |
| U.S. governments | \$ 93,343 | \$ 3,582 | \$ (1,835) | \$ 95,090 |
| States, territories & possessions | 13,968 | 369 | (151) | 14,186 |
| Political subdivisions of states, territories, & possessions | 2,562 | 60 | --- | 2,622 |
| Special revenue & special assessment, non- guaranteed agencies & government | 223,041 | 16,483 | (9,109) | 230,415 |
| Industrial & miscellaneous | 2,148,222 | 130,072 | (38,078) | 2,240,216 |
| Credit tenant loans | 7,405 | 1,312 | --- | 8,717 |
| Hybrids | <u>30,223</u> | <u>139</u> | <u>(955)</u> | <u>29,407</u> |
| Total bonds | 2,518,764 | 152,017 | (50,128) | 2,620,653 |
| Preferred stocks | <u>7,343</u> | <u>640</u> | <u>---</u> | <u>7,983</u> |
| Total bonds and preferred stocks | \$ 2,526,107 | \$ 152,657 | \$ (50,128) | \$ 2,628,636 |

Impairment Review Process: All securities are subjected to the Company's process for identifying OTTI. The Company writes down securities that it deems to have an OTTI in value in the period that the securities are deemed to be impaired, based on management's case-by-case evaluation of the decline in value and prospects for recovery. Management considers a wide range of factors in the impairment evaluation process, including, but not limited to, the following: (a) the length of time the fair value has been below amortized cost; (b) the financial condition and near-term prospects of the issuer; (c) whether the debtor is current on contractually obligated interest and principal payments; (d) the intent and ability of the Company to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value or repayment; (e) information obtained from regulators, rating agencies and various public sources; (f) the potential for impairments in an entire industry sector or sub-sector; (g) the potential for impairments in certain economically-depressed geographic locations; and (h) the potential for impairment based on an estimated discounted cash flow analysis for loan-backed and structured securities. Where impairment is considered to be other-than-temporary, the Company recognizes a write-down as a realized loss and adjusts the cost basis of the security accordingly. The Company does not change the revised cost basis for subsequent recoveries in value. Once an impairment write-down has been recorded, the Company continues to review the impaired security for appropriate valuation on an ongoing basis.

Based upon the factors above in the Company's impairment evaluation process, the securities discussed in the following section which were in an unrealized loss position at December 31, 2011 and 2010, were not deemed to be other than temporarily impaired.

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 3 – Long Term Bonds, Preferred Stocks and Common Stocks (continued)

Unrealized Losses on Bonds and Preferred Stocks: The gross unrealized losses and estimated fair values for bonds and preferred stocks by the length of time that individual securities had been in a continuous unrealized loss position are shown in the table below (in thousands):

| | Less than twelve months | | | Twelve months or more | | |
|---|-------------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|
| | Amortized Cost | Gross Unrealized Loss | Estimated Fair Value | Amortized Cost | Gross Unrealized Loss | Estimated Fair Value |
| December 31, 2011 | | | | | | |
| All other bonds | \$ 219,793 | \$ (4,050) | \$ 215,743 | \$ 44,410 | \$ (2,852) | \$ 41,558 |
| Loaned-backed and structured bonds | 13,090 | (3,041) | 10,049 | 109,943 | (25,401) | 84,542 |
| Total bonds | \$ 232,883 | \$ (7,091) | \$ 225,792 | \$ 154,353 | \$ (28,253) | \$ 126,100 |
| Preferred stocks | --- | --- | --- | --- | --- | --- |
| Total bonds and preferred stocks | \$ 232,883 | \$ (7,091) | \$ 225,792 | \$ 154,353 | \$ (28,253) | \$ 126,100 |

| | Less than twelve months | | | Twelve months or more | | |
|---|-------------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|
| | Amortized Cost | Gross Unrealized Loss | Estimated Fair Value | Amortized Cost | Gross Unrealized Loss | Estimated Fair Value |
| December 31, 2010 | | | | | | |
| All other bonds | \$ 349,039 | \$ (8,911) | \$ 340,128 | \$ 53,525 | \$ (4,185) | \$ 49,340 |
| Loaned-backed and structured bonds | 30,750 | (1,304) | 29,446 | 153,532 | (38,218) | 115,314 |
| Total bonds | \$ 379,789 | \$ (10,215) | \$ 369,574 | \$ 207,057 | \$ (42,403) | \$ 164,654 |
| Preferred stocks | --- | --- | --- | --- | --- | --- |
| Total bonds and preferred stocks | \$ 379,789 | \$ (10,215) | \$ 369,574 | \$ 207,057 | \$ (42,403) | \$ 164,654 |

As of December 31, 2011, the categories of securities where the estimated fair value declined and remained below cost for less than twelve months were concentrated in commercial mortgage-backed securities (38%), manufacturing (24%) and finance (21%). The preceding percentages were calculated as a percentage of the gross unrealized loss.

As of December 31, 2011, the categories of securities where the estimated fair value declined and remained below cost for twelve months or greater were concentrated in commercial mortgage-backed securities (72%) and residential mortgage backed securities (11%). The preceding percentages were calculated as a percentage of the gross unrealized loss.

As of December 31, 2010, the categories of securities where the estimated fair value declined and remained below cost for less than twelve months were concentrated in public utilities (20%), manufacturing (19%), and revenue & special obligations (11%). The preceding percentages were calculated as a percentage of the gross unrealized loss.

As of December 31, 2010, the categories of securities where the estimated fair value declined and remained below cost for twelve months or greater were concentrated in commercial mortgage-backed securities (58%) and asset backed securities (19%). The preceding percentages were calculated as a percentage of the gross unrealized loss.

Based upon the Company's current evaluation of these securities in accordance with its impairment policy, the cause of the decline is primarily attributable to increased market yields for these particular securities since acquisition caused principally by widening of credit spreads primarily from diminished market liquidity as opposed to a long-term deterioration in credit quality. The Company currently intends and has the ability to hold the securities with unrealized losses for a period of time sufficient for them to recover and the Company has concluded that these securities are not other-than-temporarily impaired.

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 3 – Long Term Bonds, Preferred Stocks and Common Stocks (continued)

Scheduled Maturities of Bonds: The carrying value and estimated fair value of bonds, categorized by contractual maturity, are shown below. Bonds not due at a single maturity date have been included in the following table based on the year of final maturity. Actual maturities may differ from contractual maturities because borrowers may prepay obligations with or without call or prepayment penalties. Mortgage-backed and asset-backed securities are shown separately in the table below, as they are not due at a single maturity date (\$ in thousands):

| | December 31, 2011 | | | December 31, 2010 | | |
|---|---------------------|----------------|----------------------|---------------------|----------------|----------------------|
| | Carrying Value | % of Total | Estimated Fair Value | Carrying Value | % of Total | Estimated Fair Value |
| Due in one year or less..... | \$ 158,966 | 5.0 % | \$ 161,783 | \$ 175,285 | 7.0 % | \$ 178,009 |
| Due after one year through five years..... | 1,436,179 | 45.1 | 1,496,322 | 1,160,886 | 46.0 | 1,236,646 |
| Due after five years through ten years..... | 575,910 | 18.1 | 618,883 | 255,950 | 10.2 | 267,736 |
| Due after ten years..... | 464,264 | 14.6 | 551,272 | 471,149 | 18.7 | 496,585 |
| Subtotal | <u>2,635,319</u> | <u>82.8</u> | <u>2,828,260</u> | <u>2,063,270</u> | <u>81.9</u> | <u>2,178,976</u> |
| Residential mortgage-backed securities..... | 315,503 | 9.9 | 339,993 | 222,992 | 8.9 | 236,079 |
| Commercial mortgage-backed securities..... | 105,052 | 3.3 | 83,104 | 108,793 | 4.3 | 86,609 |
| Asset-backed securities..... | 126,273 | 4.0 | 129,869 | 123,709 | 4.9 | 118,989 |
| Subtotal | <u>546,828</u> | <u>17.2</u> | <u>552,966</u> | <u>455,494</u> | <u>18.1</u> | <u>441,677</u> |
| Total | <u>\$ 3,182,147</u> | <u>100.0 %</u> | <u>\$ 3,381,226</u> | <u>\$ 2,518,764</u> | <u>100.0 %</u> | <u>\$ 2,620,653</u> |

For the year ended December 31, 2011, the preceding table includes NAIC 6 long-term bond investments totaling approximately \$11 thousand which are categorized as residential mortgage-backed securities.

For the year ended December 31, 2011, the preceding table includes sub-prime mortgage investments totaling \$16,462 thousand under residential mortgage-backed securities. 70% of the sub-prime securities were rated investment grade (NAIC 1 and 2).

For the year ended December 31, 2010, the preceding table includes NAIC 6 long-term bond investments totaling approximately \$245 thousand which are categorized as residential mortgage-backed securities.

For the year ended December 31, 2010, the preceding table includes sub-prime mortgage investments totaling \$24,418 thousand under residential mortgage-backed securities. One hundred percent (100%) of the sub-prime securities were rated investment grade (NAIC 1 and 2).

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 3 – Long Term Bonds, Preferred Stocks and Common Stocks (continued)

Bond Diversification: The carrying values of long-term bond investments were diversified by the following classification at December 31 as follows:

| | <u>2011</u> | <u>2010</u> |
|---|---------------|---------------|
| Manufacturing..... | 24.0% | 21.5% |
| Public utilities..... | 15.8 | 17.7 |
| Finance and financial services..... | 11.7 | 12.3 |
| Residential mortgage-backed securities..... | 9.9 | 8.9 |
| Oil and gas..... | 9.1 | 9.0 |
| Communication..... | 5.0 | 5.6 |
| Asset-backed securities..... | 4.0 | 4.9 |
| Services..... | 3.9 | 3.2 |
| Transportation..... | 3.6 | 3.4 |
| Commercial mortgage-backed securities..... | 3.3 | 4.3 |
| U.S. and other governments..... | 2.4 | 2.0 |
| Mining..... | 2.4 | 1.6 |
| Retail and wholesale trade..... | 2.1 | 3.0 |
| Real estate investment trusts..... | 1.8 | 1.0 |
| Revenue and Special Obligation..... | 1.0 | 1.6 |
| Total..... | <u>100.0%</u> | <u>100.0%</u> |

Troubled Debt Restructuring: During 2011 and 2010, the Company did not record any bonds or stocks through troubled debt restructurings.

Exchanges: The Company acquired bonds and stocks through exchanges aggregating \$37,907 thousand and \$29,943 thousand during the year ended December 31, 2011 and 2010, respectively. When exchanging securities, the Company generally accounts for assets at their fair value with any gain or loss realized at the date of exchange, unless the exchange was as a result of restricted securities under SEC rule 144A exchanged for unrestricted securities, which are accounted for at book value.

Loan-backed and Structured Securities: Prepayment assumptions for loan-backed and structured securities are based on historical averages drawing from performance experience for a particular transaction and may vary by security type and vintage.

The Company had no OTTI on securities which it lacked the ability to hold or had the intent to sell for the years ended December 31, 2011 and 2010.

The following table represents loan-backed and structured securities with a recognized OTTI and currently held at December 31, 2011 where the present value of cash flows expected to be collected is less than the amortized cost (in whole dollars):

| <u>CUSIP</u> | <u>Book/Adj. Carrying Value Amortized Cost Before Financial Reporting Period</u> | <u>Projected Cash Flows</u> | <u>Recognized Other-Than- Temporary Impairment</u> | <u>Amortized Cost After Other-Than- Temporary Impairment</u> | <u>Fair Value as of Impairment Date</u> | <u>Financial Reporting Period of Impairment</u> |
|--------------|--|---------------------------------|--|--|---|---|
| 05948KZW2 | \$ 21,975 | \$ 8,044 | \$ (13,931) | \$ 8,044 | \$ 8,997 | 12/31/2011 |
| 78443CAR5 | 4,723,286 | 1,661,987 | (3,061,299) | 1,661,987 | 1,643,859 | 12/31/2011 |
| 05948KZW2 | 39,579 | 23,515 | (16,064) | 23,515 | 40,249 | 09/30/2011 |
| 52521RAS0 | 1,619,808 | 1,564,385 | (55,423) | 1,564,385 | 1,726,363 | 09/30/2011 |
| 525221EB9 | 3,980,520 | 3,884,257 | (96,263) | 3,884,257 | 3,470,812 | 06/30/2011 |
| 05948KZW2 | 59,714 | 39,579 | (20,135) | 39,579 | 53,646 | 06/30/2011 |
| 05948KZW2 | 85,158 | 59,714 | (25,444) | 59,714 | 85,090 | 03/31/2011 |
| 361849N57 | 9,826,091 | 5,057,748 | (4,768,343) | 5,057,748 | 6,399,080 | 03/31/2011 |
| 525221EB9 | 4,247,625 | 4,113,923 | (133,702) | 4,113,923 | 3,491,099 | 03/31/2011 |
| 76113GAC2 | 220,904 | 168,594 | (52,310) | 168,594 | 387,051 | 03/31/2011 |

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2011

Note 3 – Long Term Bonds, Preferred Stocks and Common Stocks (concluded)

| CUSIP | Book/Adj. Carrying Value Amortized Cost Before Financial Reporting Period | Projected Cash Flows | Recognized Other-Than- Temporary Impairment | Amortized Cost After Other-Than- Temporary Impairment | Fair Value as of Impairment Date | Financial Reporting Period of Impairment |
|--------------|---|-------------------------|--|---|---|---|
| 361849N57 | 10,019,085 | 9,845,076 | (174,009) | 9,845,076 | 6,149,360 | 12/31/2010 |
| 525221EB9 | 4,506,525 | 4,491,161 | (15,364) | 4,491,161 | 3,593,739 | 12/31/2010 |
| 52521RAS0 | 1,893,411 | 1,794,754 | (98,657) | 1,794,754 | 1,195,473 | 12/31/2010 |
| 52521RAS0 | 2,357,222 | 1,999,845 | (357,377) | 1,999,845 | 1,262,735 | 09/30/2010 |
| 525221EB9 | 4,788,617 | 4,629,945 | (158,672) | 4,629,945 | 3,612,550 | 09/30/2010 |
| 525221JV0 | 1,386,866 | 1,343,150 | (43,716) | 1,343,150 | 1,389,414 | 06/30/2010 |
| 05948KZV4 | 821,818 | 799,825 | (21,993) | 799,825 | 738,142 | 06/30/2010 |
| 05948KZW2 | 174,319 | 172,059 | (2,260) | 172,059 | 277,185 | 06/30/2010 |
| 126171AQ0 | 4,279,102 | 3,221,462 | (1,057,640) | 3,221,462 | 1,920,795 | 06/30/2010 |
| 161551GA8 | 3,525 | 3,112 | (413) | 3,112 | 1,742 | 06/30/2010 |
| 52521RAS0 | 2,469,848 | 2,467,918 | (1,930) | 2,467,918 | 1,318,571 | 06/30/2010 |
| 525221JV0 | 1,204,722 | 1,143,027 | (61,695) | 1,143,027 | 1,219,172 | 06/30/2010 |
| 161551GA8 | 3,552 | 3,547 | (5) | 3,547 | 1,616 | 03/31/2010 |
| 05948KZV4 | 1,663,136 | 873,300 | (789,836) | 873,300 | 712,928 | 03/31/2010 |
| 05948KZW2 | 401,049 | 196,541 | (204,508) | 196,541 | 284,834 | 03/31/2010 |
| 525221EB9 | 4,971,258 | 4,803,741 | (167,517) | 4,803,741 | 3,475,458 | 03/31/2010 |
| 52521RAS0 | 2,782,285 | 2,514,992 | (267,293) | 2,514,992 | 1,353,507 | 03/31/2010 |
| 76113GAC2 | 981,879 | 350,473 | (631,406) | 350,473 | 382,698 | 03/31/2010 |
| 126171AQ0 | 4,979,133 | 4,294,375 | (684,758) | 4,294,375 | 1,184,275 | 12/31/2009 |
| 161551GA8 | 8,692 | 3,568 | (5,124) | 3,568 | 727 | 12/31/2009 |
| 525221EB9 | 4,999,219 | 4,976,531 | (22,688) | 4,976,531 | 2,699,322 | 12/31/2009 |
| 33848JAC9 | 4,999,895 | 3,183,306 | (1,816,589) | 3,183,306 | 2,894,035 | 09/30/2009 |
| 161551GA8 | 3,129 | - ² | (2,168) | 961 | 961 | 06/30/2009 |
| 52521RAS0 | 3,173,729 | - ² | (1,672,517) | 1,501,212 | 1,501,212 | 06/30/2009 |
| 015386AD7 | 1,875,000 | - ² | (453,600) | 1,421,400 | 1,421,400 | 03/31/2009 |
| 161551GA8 | 6,290 | - ² | (5,623) | 667 | 667 | 03/31/2009 |
| 05948KZV4 | 5,974,533 | - ² | (4,889,875) | 1,084,658 | 1,084,658 | 12/31/2008 |
| 05948KZW2 | 1,289,001 | - ² | (942,174) | 346,827 | 346,827 | 12/31/2008 |
| 161551GA8 | 12,971 | - ² | (6,764) | 6,207 | 6,207 | 12/31/2008 |
| 76113GAC2 | 4,756,743 | - ² | (4,437,090) | 319,653 | 319,653 | 12/31/2008 |
| 20847TBL4 | 2,370,132 | - ² | (1,780,189) | 589,943 | 589,943 | 12/31/2008 |
| 05948KZW2 | 1,577,833 | 1,337,678 ¹ | (240,155) | 1,337,678 | 594,025 | 09/30/2008 |
| 05948KZW2 | 2,447,525 | 1,626,116 ¹ | (821,409) | 1,626,116 | 1,103,004 | 06/30/2008 |
| Total | | | \$ (30,077,928) | | | |

¹ Impairment based on undiscounted cash flows

² Impairment based on Fair Value

Other Disclosures:

At December 31, 2011 and 2010, the carrying value of common stock denominated in foreign currency was \$163 thousand and \$0, respectively. The Company had no bonds denominated in foreign currency as of December 31, 2011 or 2010.

Debt securities amounting to approximately \$8,476 thousand and \$8,546 thousand at December 31, 2011 and 2010, respectively, were on deposit with governmental authorities or trustees, as required by law.

The Company had no restricted stock as of December 31, 2011 or 2010.

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 4 – Mortgage Loans

The Company originates mortgage loans that are principally collateralized by commercial real estate. The Company did not originate conventional loans or acquire mezzanine loans during 2011 or 2010; therefore, there was no coupon rate or maximum percentage of any one loan to the value of the security at the time of the originated loans for 2011 or 2010.

Impairment Review Process: The Company monitors the effects of current and expected market conditions and other factors on the collectability of mortgage loans to identify and quantify any impairment in value. Impairments are classified as either temporary, for which a recovery is anticipated, or other-than-temporary. Mortgage loans held to maturity with other-than-temporarily impaired values are written down to net realizable values based upon independent appraisals of the collateral while mortgage loans held for sale are written down to the current fair value of the loan.

There were no investments in impaired mortgage loans at December 31, 2011 and 2010, respectively.

There were no allowances for mortgage loan credit losses where any impairment was determined to be temporary at December 31, 2011 and 2010, respectively.

Mortgage Loan Diversification: The following tables set forth the mortgage loan portfolio by property type and geographic region (in thousands):

| | <u>December 31, 2011</u> | | <u>December 31, 2010</u> | |
|-----------------------------|--------------------------|-------------------|--------------------------|-------------------|
| | <u>Carrying Value</u> | <u>% of Total</u> | <u>Carrying Value</u> | <u>% of Total</u> |
| <u>Property Type</u> | | | | |
| Shopping centers..... | \$ 8,562 | 62.4 % | \$ 29,375 | 55.8 % |
| Apartments | 5,164 | 37.6 | 5,281 | 10.0 |
| Office building | --- | --- | 17,995 | 34.2 |
| Total | \$ 13,726 | 100.0 % | \$ 52,651 | 100.0 % |

| | <u>December 31, 2011</u> | | <u>December 31, 2010</u> | |
|---------------------------------|--------------------------|-------------------|--------------------------|-------------------|
| | <u>Carrying Value</u> | <u>% of Total</u> | <u>Carrying Value</u> | <u>% of Total</u> |
| <u>Geographic Region</u> | | | | |
| Mountain | \$ 8,562 | 62.4 % | \$ 8,761 | 16.6 % |
| South Central..... | 5,164 | 37.6 | 5,281 | 10.0 |
| North Central | --- | --- | 20,614 | 39.2 |
| South Atlantic..... | --- | --- | 17,995 | 34.2 |
| Total | \$ 13,726 | 100.0 % | \$ 52,651 | 100.0 % |

Regional classification is based on American Council of Life Insurers regional chart. See below for details of regions.

- South Atlantic states are DE, DC, FL, GA, MD, NC, SC, VA and WV
- South Central states are AL, AR, KY, LA, MS, OK, TN and TX
- North Central states are IA, IL, IN, KS, MI, MN, MO, NE, ND, OH, SD and WI
- Mountain states are AZ, CO, ID, MT, NV, NM, UT and WY

The entire mortgage portfolio in the Mountain region consists of an investment in Arizona at December 31, 2011 and 2010. The entire mortgage portfolio in the South Central region consists of an investment in Texas at December 31, 2011 and 2010.

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 4 – Mortgage Loans (concluded)

Scheduled Mortgage Loan Maturities: The following table sets forth the contractual maturity schedule of mortgage loans (in thousands):

| | <u>December 31, 2011</u> | | <u>December 31, 2010</u> | |
|--|--------------------------|-------------------|--------------------------|-------------------|
| | <u>Carrying Value</u> | <u>% of Total</u> | <u>Carrying Value</u> | <u>% of Total</u> |
| Due in one year or less | \$ 8,562 | 62.4% | \$ 21,382 | 40.6% |
| Due after one year through five years..... | 5,164 | 37.6 | 31,269 | 59.4 |
| Total..... | \$ 13,726 | 100.0% | \$ 52,651 | 100.0% |

Actual maturities may differ from contractual maturities because borrowers may have the right to prepay mortgages, although prepayment premiums may be applicable.

There were no mortgage troubled debt restructurings during the periods ended December 31, 2011 and 2010. When restructuring mortgage loans, the Company generally requires participation features, yield maintenance stipulations, and/or the establishment of property-specific escrow accounts funded by the borrowers. With respect to impaired loans, the Company accrues interest income to the extent it is deemed collectible. Cash received on impaired mortgage loans that are performing according to their contractual terms is applied in accordance with those terms. For mortgage loans in the process of foreclosure, cash received is initially held in suspense and applied as a return of principal at the time that the foreclosure process is completed, or the mortgage is otherwise disposed. There were no mortgage loans with interest more than 180 days past due at December 31, 2011 or 2010.

During 2011 and 2010, the Company did not reduce the interest rate of any outstanding loans.

The Company did not have any taxes, assessments or amounts advanced that were not included in the mortgage loan totals for the years ended December 31, 2011 and 2010.

The Company has no reverse mortgages as of December 31, 2011 and 2010.

The Company has no mortgage loans denominated in foreign currency as of December 31, 2011 and 2010.

The Company does not underwrite nor does it hold sub-prime mortgages in the commercial mortgage loan portfolio and does not have any material indirect exposure from sub-prime lenders who are tenants in buildings that are secured by commercial mortgages.

Note 5 - Subsidiaries and Affiliates

The Company is a direct wholly-owned insurance subsidiary of TIAA, an insurance company domiciled in the State of New York. TIAA-CREF Life Insurance Agency ("Agency") is the sole operating subsidiary of TIAA-CREF Life. The Company has no investments in subsidiary, controlled and affiliated entities that exceed 10% of its admitted assets. Agency's carrying value of \$1,108 thousand and \$1,097 thousand at December 31, 2011 and 2010, respectively, and is included in other long-term investments on the statutory-basis statements of admitted assets, liabilities and capital and surplus. The carrying value of Agency was not audited or other-than-temporarily impaired for the years ended December 31, 2011 or 2010.

At December 31, 2011 and 2010, respectively, the Company reported \$19,935 thousand and \$16,670 thousand as amounts due to parent, subsidiaries and affiliates.

Note 6 - Commitments

At December 31, 2011, the Company had no outstanding commitments to fund future investments.

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 7 - Investment Income and Capital Gains and Losses

Net Investment Income: The components of net investment income for the years ended December 31, were as follows (in thousands):

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|--------------------------|--------------------------|--------------------------|
| Bonds..... | \$ 131,395 | \$ 127,521 | \$ 127,789 |
| Stocks..... | 491 | 458 | 252 |
| Mortgage loans..... | 1,006 | 1,533 | 1,806 |
| Cash, cash equivalents and short-term investments..... | 514 | 705 | 2,672 |
| Other long-term investments..... | <u>457</u> | <u>142</u> | <u>17</u> |
| Total gross investment income..... | \$ 133,863 | \$ 130,359 | \$ 132,536 |
| Less investment expenses..... | <u>(2,224)</u> | <u>(1,666)</u> | <u>(2,215)</u> |
| Net investment income before amortization of IMR..... | 131,639 | 128,693 | 130,321 |
| Amortization of IMR..... | <u>1,046</u> | <u>586</u> | <u>794</u> |
| Net investment income..... | <u>\$ 132,685</u> | <u>\$ 129,279</u> | <u>\$ 131,115</u> |

The Company had no due and accrued income excluded from net income for the years ended December 31, 2011, 2010 and 2009.

Realized Capital Gains and Losses: The net realized capital gains (losses) on sales, redemptions of investments and write-downs due to OTTI for the years ended December 31 were as follows (in thousands):

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|------------------------|------------------------|---------------------------|
| Bonds..... | \$ (5,022) | \$ 1,225 | \$ (17,575) |
| Stocks..... | --- | (127) | 1,480 |
| Mortgage loans..... | --- | (342) | --- |
| Derivative instruments..... | --- | 171 | --- |
| Cash, cash equivalent and short-term investments..... | <u>51</u> | <u>1</u> | <u>259</u> |
| Total before capital gains taxes and transfers to IMR..... | (4,971) | 928 | (15,836) |
| Transfers to IMR..... | (1,299) | (1,777) | (3,616) |
| Capital gains tax benefit..... | <u>15,460</u> | <u>---</u> | <u>---</u> |
| Net realized capital gains (losses) less capital gains taxes, after transfers to IMR..... | <u>\$ 9,190</u> | <u>\$ (849)</u> | <u>\$ (19,452)</u> |

Write-downs of investments resulting from OTTI, included in the preceding table, were as follows for the years ended December 31 (in thousands):

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|-----------------------------------|------------------------|------------------------|-------------------------|
| Other-than-temporary impairments: | | | |
| Bonds..... | \$ 8,243 | \$ 4,189 | \$ 21,280 |
| Preferred stocks..... | --- | 127 | --- |
| Mortgage loans..... | <u>---</u> | <u>2,379</u> | <u>---</u> |
| Total..... | <u>\$ 8,243</u> | <u>\$ 6,695</u> | <u>\$ 21,280</u> |

The Company generally holds its investments until maturity. The Company performs periodic reviews of its portfolio to identify investments which may have deteriorated in credit quality to determine if any are candidates for sale in order to maintain a quality portfolio of investments. Investments which are deemed candidates for sale are continually monitored until sold and carried at the lower of amortized cost or fair value. In accordance with the Company's valuation and impairment process the investment will be monitored quarterly for further declines in fair value at which point an OTTI will be recorded until actual disposal of the investment.

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 7 - Investment Income and Capital Gains and Losses (concluded)

Proceeds from sales of long-term bond investments during 2011, 2010 and 2009 were \$104,382 thousand, \$62,289 thousand and \$64,398 thousand, respectively. Gross gains of \$5,143 thousand, \$7,041 thousand and \$7,497 thousand, and gross losses, excluding impairments considered to be other-than-temporary, of \$1,922 thousand, \$1,627 thousand and \$3,792 thousand were realized during 2011, 2010 and 2009, respectively.

Wash Sales: The Company does not engage in the practice of wash sales. There were no NAIC 3 - 6 securities sold and reacquired within 30 days of the sale date during the years ended December 31, 2011, 2010 and 2009.

Unrealized Capital Gains and Losses: For the years ended December 31, 2011, 2010 and 2009, the net change in unrealized capital gains (losses) in investments, resulting in a net increase (decrease) in carrying value of investments was \$2,723 thousand, \$(672) thousand and \$(1,706) thousand, respectively.

Note 8 - Disclosures About Fair Value of Financial Instruments

Fair Value of Financial Instruments

Included in the Company's financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or, for certain bonds and preferred stock when carried at the lower of cost or fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values of financial instruments are based on quoted market prices when available. When market prices are not available, fair values are primarily provided by a third party-pricing service for identical or comparable assets, or through the use of valuation methodologies using observable market inputs. These fair values are generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality. In instances where there is little or no market activity for the same or similar instruments, the Company estimates fair value using methods, models and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve management estimation and judgment for many factors including market bid/ask spreads, and such estimations may become significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used.

The following table represents the carrying value and estimated fair value of the Company's financial instruments at December 31 (in thousands):

| | 2011 | | 2010 | |
|---|----------------|----------------------|----------------|----------------------|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Assets | | | | |
| Bonds | \$ 3,182,147 | \$ 3,381,226 | \$ 2,518,764 | \$ 2,620,653 |
| Preferred stocks | \$ 7,343 | \$ 8,513 | \$ 7,343 | \$ 7,984 |
| Common stocks | \$ 163 | \$ 163 | \$ --- | \$ --- |
| Mortgage loans | \$ 13,726 | \$ 14,181 | \$ 52,651 | \$ 52,566 |
| Cash, cash equivalents and short-term investments | \$ 106,502 | \$ 106,502 | \$ 88,008 | \$ 88,008 |
| Contract loans | \$ 4,227 | \$ 4,227 | \$ 4,025 | \$ 4,025 |
| Separate account assets..... | \$ 867,988 | \$ 867,988 | \$ 848,443 | \$ 848,443 |
| Liabilities | | | | |
| Liability for deposit-type contracts... | \$ 1,515,775 | \$ 1,515,775 | \$ 973,202 | \$ 973,202 |
| Separate account liabilities | \$ 841,741 | \$ 841,741 | \$ 823,307 | \$ 823,307 |

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 8 - Disclosures About Fair Value of Financial Instruments (continued)

The estimated fair values of the financial instruments presented above were determined by the Company using market information available as of December 31, 2011 and 2010. Considerable judgment is required to interpret market data in developing the estimates of fair value for financial instruments for which there are no available market value quotations. The estimates presented are not necessarily indicative of the amounts the Company could have realized in a market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Assets and Liabilities Measured and Reported at Fair Value

The Company's financial assets and liabilities measured and reported at fair value have been classified, for disclosure purposes, based on a hierarchy defined by SSAP No. 100, *Fair Value Measurements*. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date.

Level 2: Other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets,
- Quoted prices for identical or similar assets or liabilities in markets that are not active,
- Inputs other than quoted prices that are observable for the asset or liability,
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs are unobservable for the asset or liability supported by little or no market activity. Unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The Company's data used to develop unobservable inputs is adjusted if information is reasonably available without undue cost and effort that indicates that market participants would use different assumptions.

The following table provides information about the Company's financial assets and liabilities measured and reported at fair value at December 31 (in thousands):

| <u>Description</u> | 2011 | | | |
|--|--------------------------|-------------------------|----------------------|--------------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Assets at fair value: | | | | |
| Common Stock | | | | |
| Industrial and miscellaneous | \$ 163 | \$ --- | \$ --- | \$ 163 |
| Separate accounts | <u>777,056</u> | <u>90,932</u> | <u>---</u> | <u>867,988</u> |
| Total assets at fair value | <u>\$ 777,219</u> | <u>\$ 90,932</u> | <u>\$ ---</u> | <u>\$ 868,151</u> |
| Total liabilities at fair value | <u>\$ ---</u> | <u>\$ ---</u> | <u>\$ ---</u> | <u>\$ ---</u> |

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 8 - Disclosures About Fair Value of Financial Instruments (continued)

| <u>Description</u> | <u>2010</u> | | | |
|--|-------------------|------------------|-----------------|-------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Assets at fair value: | | | | |
| Bonds | | | | |
| Industrial and miscellaneous | \$ --- | \$ --- | \$ 4,458 | \$ 4,458 |
| Separate accounts | 751,091 | 97,352 | --- | 848,443 |
| Total assets at fair value | \$ 751,091 | \$ 97,352 | \$ 4,458 | \$ 852,901 |
| Total liabilities at fair value | \$ --- | \$ --- | \$ --- | \$ --- |

For assets and liabilities held at December 31, 2011 and 2010, the Company had no transfers between Level 1 and Level 2 of the fair value hierarchy. The Company's policy is to recognize transfers between levels at the actual date of the event or change in circumstances that caused the transfer.

Level 1 financial instruments

Unadjusted quoted prices for these securities are provided to the Company by independent pricing services. Common stock and separate account assets in Level 1 primarily include mutual fund investments valued by the respective mutual fund companies and exchange traded equities. Valuation of these securities is based on unadjusted quoted prices in active markets that are readily available.

Level 2 financial instruments

Separate account assets in Level 2 consist principally of corporate bonds, short term government agency notes and commercial paper.

Level 3 financial instruments

There are no securities measured and reported at fair value in Level 3 at December 31, 2011.

In 2010, this level included fixed maturity securities priced principally by independent pricing services or valuation methodologies using inputs that are not market observable or cannot be derived principally from or corroborated by observable market data.

Typical inputs to models used by independent pricing services include but are not limited to benchmark yields, reported trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers, reference data, and industry and economic events. Because most bonds and preferred stocks do not trade daily, independent pricing services regularly derive fair values using recent trades of securities with similar features. When recent trades are not available, pricing models are used to estimate the fair values of securities by discounting future cash flows at estimated market interest rates.

If an independent pricing service is unable to provide the fair value for a security due to insufficient market information, such as for a private placement transaction, the Company will determine the fair value internally using a matrix pricing model. This model estimates fair value using discounted cash flows at a market yield considering the appropriate treasury rate plus a spread. The spread is derived by reference to similar securities, and may be adjusted based on specific characteristics of the security, including inputs that are not readily observable in the market. The Company assesses the significance of unobservable inputs for each security priced internally and classifies that security in Level 3 as a result of the significance of unobservable inputs.

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 8 - Disclosures About Fair Value of Financial Instruments (concluded)

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value using Level 3 inputs at December 31, 2011 (in thousands):

| | <u>Balance at 01/01/2011</u> | <u>Transfers into Level 3</u> | <u>Transfers out of Level 3</u> | <u>Total gains and (losses) included in Net Income</u> | <u>Total gains and (losses) included in Surplus</u> | <u>Purchases, issuances, sales and settlements</u> | <u>Balance at 12/31/2011</u> |
|--------------------|----------------------------------|---------------------------------------|---|--|---|--|----------------------------------|
| Bonds | \$ 4,458 | \$ --- | \$ (4,308) (a) | \$ (3) | \$ (147) | \$ --- | \$ --- |
| Total | \$ 4,458 | \$ --- | \$ (4,308) | \$ (3) | \$ (147) | \$ --- | \$ --- |

(a) The Company transferred bonds out of Level 3 that are not measured and reported at fair value as of December 31, 2011.

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value using Level 3 inputs at December 31, 2010 (in thousands):

| | <u>Balance at 01/01/2010</u> | <u>Transfers into Level 3</u> | <u>Transfers out of Level 3</u> | <u>Total gains and (losses) included in Net Income</u> | <u>Total gains and (losses) included in Surplus</u> | <u>Purchases, issuances, sales and settlements</u> | <u>Balance at 12/31/2010</u> |
|--------------------|----------------------------------|---------------------------------------|---|--|---|--|----------------------------------|
| Bonds.... | \$ 1,318 | \$ 4,457 (b) | \$ (1,317) (a) | \$ --- | \$ --- | \$ --- | \$ 4,458 |
| Total | \$ 1,318 | \$ 4,457 | \$ (1,317) | \$ --- | \$ --- | \$ --- | \$ 4,458 |

(a) Transferred out of Level 3, because the bonds are no longer reported at fair value as of December 31, 2010.

(b) Transferred into Level 3 as these bonds qualified to be reported at fair value as a result of the SVO valuation process related to Loan-Backed and Structured Securities. A lack of observable market information is used in the valuation of these securities.

As of December 31, 2010, the reported fair value of bonds in Level 3 was \$4,458 thousand representing 3 individual bonds. The bonds are carried at fair value due to being rated NAIC 6 or qualifying to be reported at fair value as a result of the SVO valuation process related to loan-backed and structured securities. Of the loan-backed and structured securities reported at fair value, 2 bonds with a fair value of \$4,457 thousand are collateralized by commercial mortgage loans and 1 bond with a fair value of \$1 thousand is collateralized by subprime home equity loans. The loan-backed and structured securities reported at fair value have a weighted average coupon of 5.15%.

Note 9 - Eurozone Exposure

TC Life's investment portfolio includes direct investment exposure to the Eurozone region. The Eurozone region consists of 17 member countries from within the European Union that have adopted the euro as their common currency and sole legal tender. The Eurozone countries are Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain. The Company has direct investment exposure to a group of peripheral countries within the Eurozone facing significant economic and fiscal strains, which includes Greece, Italy, Ireland, Portugal and Spain (collectively "GIIPS"). Specific country exposure is determined based on the issuer's country of incorporation.

The Company does not have any direct sovereign debt exposure to the GIIPS countries, attributable to the general account, as of December 31, 2011.

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 9 – Eurozone Exposure (concluded)

The following table sets forth the composition of the Company's direct non-sovereign exposure to the GIIPS countries, by country of incorporation, attributable to TC Life's general account, as of December 31, 2011 (in thousands):

| | Non-Sovereign Exposure | |
|-------------------------|-------------------------------|-------------------|
| | Statement Value | Fair Value |
| Ireland | | |
| Bonds..... | \$ 4,246 | \$ 4,243 |
| Total | \$ 4,246 | \$ 4,243 |
| Spain | | |
| Bonds..... | \$ 24,250 | \$ 23,605 |
| Total | \$ 24,250 | \$ 23,605 |
| Grand Total..... | \$ 28,496 | \$ 27,848 |

The Company has no direct non-sovereign exposure to Greece, Portugal, and Italy as of December 31, 2011. The Company has no direct non-sovereign exposure to financial institutions within the GIIPS countries as of December 31, 2011.

The Company has no gross unfunded commitments for investments in the GIIPS countries as of December 31, 2011.

100% of the GIIPS countries' investments shown in the table above are rated investment grade (NAIC 1 and 2). The Company's investments in the GIIPS countries are subjected to the Company's OTTI evaluation process.

The Company is not liable for any credit default protection underwritten for sovereign debt issued by the GIIPS countries as of December 31, 2011.

Note 10 - Derivative Financial Instruments

The Company uses derivative instruments for hedging and income generation. The Company does not engage in derivative financial instrument transactions for speculative purposes. As of December 31, 2011, the Company did not hold any derivative instruments, and no collateral was held or posted.

Foreign Currency Swap Contracts: The Company enters into foreign currency swap contracts to exchange fixed and variable amounts of foreign currency at specified future dates and at specified rates (in U.S. dollars) as a cashflow hedge to manage currency risks on investments denominated in foreign currencies. As of December 31, 2011, there were no unrealized gains or losses on foreign currency swap contracts. There were no realized gains or (losses) from foreign currency swap contracts for the years ended December 31, 2011 and 2010.

Interest Rate Swap Contracts: The Company enters into interest rate swap contracts to hedge against the effect of interest rate fluctuations on certain variable interest rate bonds. These contracts are designated as economic cash flow hedges and allow the Company to lock in a fixed interest rate and to transfer the risk of rate changes. This type of derivative instrument is traded over-the-counter, and the Company is exposed to both market and counterparty risk. The Company also enters into interest rate swap contracts to exchange the cash flows on certain fixed interest rate bonds into variable interest rate cash flows. These contracts are designated as economic fair value hedges in connection with certain interest sensitive products, and are carried at fair value as hedge accounting is not applied. For the year ended December 31, 2011 and 2010, there were no realized gains or losses from interest rate swap contracts.

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 10 - Derivative Financial Instruments (concluded)

Credit Default Swaps: The Company purchases credit default swaps (“CDS”) as protection against unexpected adverse credit events in selective investments in the Company’s portfolio. This type of derivative is traded over-the-counter, and the Company is exposed to market, credit, and counterparty risk. When these swap contracts are designated as hedges, the premium payment to the counterparty is expensed as incurred. Derivative instruments used in hedging transactions that do not qualify for hedge accounting treatment are accounted for at fair value. The realized gain from credit default swaps were \$ 0 and \$171 thousand for the years ended December 31, 2011 and 2010, respectively.

Note 11 – Separate Accounts

A. Separate Account Activity

The Company utilizes separate accounts to record and account for assets and liabilities for particular lines of business and/or transactions. As of December 31, 2011, the Company reported separate account assets and liabilities for the following products: Variable Life; Variable Annuities and Modified Guaranteed Annuity.

In accordance with the domiciliary state procedures for approving items within the separate account, the separate accounts classifications of the following items are supported by a specific state statute:

| <u>Product Identification</u> | <u>Product Classification</u> | <u>State Statute Reference</u> |
|---------------------------------|-------------------------------|--|
| TC Life Separate Account VLI -1 | Variable Life | Section 4240 of the New York Insurance Law |
| TC Life Separate Account VA - 1 | Variable Annuity | Section 4240 of the New York Insurance Law |
| TC Life MVA -1 | Modified Guaranteed Annuity | Section 4240 of the New York Insurance Law |

In accordance with the products recorded within the separate account, some assets are considered legally insulated where others are not legally insulated from the general account. The legal insulation of the separate account assets prevents such assets from being generally available to satisfy claims resulting from the general account.

As of December 31, 2011 and 2010, the Company’s separate account statement included legally insulated assets of \$777,056 thousand and \$751,090 thousand, respectively. The assets legally insulated from the general account as of December 31, 2011 are attributed to the following products (in thousands):

| <u>Product</u> | <u>Legally Insulated Assets</u> | <u>Separate Account Assets (Not Legally Insulated)</u> |
|---------------------------------------|---------------------------------|--|
| TC Life Separate Account VLI -1 | \$ 45,996 | \$ --- |
| TC Life Separate Account VA-1 | 731,060 | --- |
| TC Life MVA -1..... | --- | 90,932 |
| Total | \$ 777,056 | \$ 90,932 |

In accordance with the products recorded within the separate account, some separate account liabilities are guaranteed by the general account.

As of December 31, 2011, the general account of the Company had a maximum guarantee for separate account liabilities of \$10,745 thousand. The amount paid for risk charges is not explicit, but rather embedded within the mortality and expense charges. The separate accounts had no reserves for asset default risk that were recorded in lieu of contributions to AVR.

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 11 – Separate Accounts (continued)

As of December 31, 2011, the general account of the Company had paid \$197 thousand towards separate account guarantees. The total separate account guarantees paid by the general account for the preceding four years ending at December 31, are as following (in thousands):

| | | |
|------|----|-----|
| 2010 | \$ | 111 |
| 2009 | \$ | 341 |
| 2008 | \$ | 460 |
| 2007 | \$ | 197 |

The Company does not engage in securities lending transactions within the separate account.

B. General Nature and Characteristics of Separate Accounts Business

The Company's Separate Account VA-1 ("VA-1") was established on July 27, 1998 to fund individual non-qualified variable annuities. VA-1 is registered with the Securities and Exchange Commission as a unit investment trust under the Investment Company Act of 1940. All of its assets are invested in an underlying portfolio of mutual funds. Most of the contracts offered through VA-1 include a nominal guaranteed minimum death benefit.

The Company's Separate Account VLI-1 ("VLI-1") is a unit investment trust and was organized on May 23, 2001. It was established under New York Law for the purpose of issuing and funding flexible premium variable universal life insurance policies.

The Company's Separate Account MVA-1 ("MVA-1" or "IHA") was established on July 23, 2008, as a non-unitized Separate Account that will support flexible premium deferred fixed annuity contracts subject to withdrawal charges and a market value adjustment feature. The assets of this account are carried at market value.

The Company provides mortality and expense guarantees to VA-1 and VLI-1, for which it is compensated. The Company also guarantees that expense charges to VLI-1 participants will never rise above the maximum amount stipulated in the contract.

Although the Company owns the assets of these separate accounts, the separate account's income, investment gains and investment losses are credited to or charged against the assets of the separate accounts' without regard to the Company's other income, gains or losses.

Information regarding separate accounts of the Company is as follows (in thousands):

| | December 31, 2011 | | | |
|---|--|--|--|-------------------|
| | Non-indexed Guarantee less than or equal to 4% | Non-indexed Guarantee more than 4% | Non-guaranteed Separate Accounts | Total |
| Premiums, considerations or deposits | \$ 3,979 | \$ --- | \$ 118,256 | \$ 122,235 |
| Reserves at 12/31/2011 for accounts with assets at: | | | | |
| Fair value | \$ 41,352 | \$ 23,235 | \$ 777,106 | \$ 841,693 |
| Amortized cost | --- | --- | --- | --- |
| Total reserves | <u>\$ 41,352</u> | <u>\$ 23,235</u> | <u>\$ 777,106</u> | <u>\$ 841,693</u> |
| By withdrawal characteristics: | | | | |
| Subject to discretionary withdrawal: | | | | |
| With fair value adjustment | \$ 32,839 | \$ 23,216 | \$ --- | \$ 56,055 |
| At fair value | --- | --- | 777,106 | 777,106 |
| At book value without fair value adjustment and with current surrender charge less than 5% | <u>8,513</u> | <u>19</u> | <u>---</u> | <u>8,532</u> |
| Total reserves | <u>\$ 41,352</u> | <u>\$ 23,235</u> | <u>\$ 777,106</u> | <u>\$ 841,693</u> |

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 11 – Separate Accounts (concluded)

| December 31, 2010 | | | | |
|---|--|--|--|-------------------|
| | Non-indexed Guarantee less than or equal to 4% | Non-indexed Guarantee more than 4% | Non-guaranteed Separate Accounts | Total |
| Premiums, considerations or deposits | \$ 12,740 | \$ --- | \$ 108,301 | \$ 121,041 |
| Reserves at 12/31/2010 for accounts with assets at: | | | | |
| Fair value | \$ 48,364 | \$ 22,170 | \$ 751,131 | \$ 821,665 |
| Amortized cost | --- | --- | --- | --- |
| Total reserves | \$ 48,364 | \$ 22,170 | \$ 751,131 | \$ 821,665 |
| By withdrawal characteristics: | | | | |
| Subject to discretionary withdrawal: | | | | |
| With fair value adjustment | \$ 31,354 | \$ 22,170 | \$ --- | \$ 53,524 |
| At fair value | --- | --- | 751,131 | 751,131 |
| At book value without fair value adjustment and with current surrender charge less than 5% | 17,010 | --- | --- | 17,010 |
| Total reserves | \$ 48,364 | \$ 22,170 | \$ 751,131 | \$ 821,665 |

| December 31, 2009 | | | | |
|---|--|--|--|-------------------|
| | Non-indexed Guarantee less than or equal to 4% | Non-indexed Guarantee more than 4% | Non-guaranteed Separate Accounts | Total |
| Premiums, considerations or deposits | \$ 36,458 | \$ 18,892 | \$ 100,858 | \$ 156,208 |
| Reserves at 12/31/09 for accounts with assets at: | | | | |
| Fair value | \$ 42,166 | \$ 21,734 | \$ 615,875 | \$ 679,775 |
| Amortized cost | --- | --- | --- | --- |
| Total reserves | \$ 42,166 | \$ 21,734 | \$ 615,875 | \$ 679,775 |
| By withdrawal characteristics: | | | | |
| Subject to discretionary withdrawal: | | | | |
| With fair value adjustment | \$ 28,651 | \$ 21,734 | \$ --- | \$ 50,385 |
| At fair value | --- | --- | 615,875 | 615,875 |
| At book value without fair value adjustment and with current surrender charge less than 5% | 13,515 | --- | --- | 13,515 |
| Total reserves | \$ 42,166 | \$ 21,734 | \$ 615,875 | \$ 679,775 |

The following is a reconciliation of transfers to or (from) the Company to the Separate Accounts (in thousands):

| | 2011 | 2010 | 2009 |
|--|------------------|------------------|------------------|
| Transfers as reported in the Summary of Operations of the Separate Accounts Statement: | | | |
| Transfers to Separate Accounts | \$ 133,624 | \$ 134,991 | \$ 382,423 |
| Transfers from Separate Accounts | (96,582) | (86,507) | (306,745) |
| Net transfers to Separate Accounts | 37,042 | 48,484 | 75,678 |
| Reconciling Adjustments: | | | |
| Fund transfer exchange gain (loss) | 896 | (124) | (426) |
| Transfers as reported in the Statements of Operations of the Life, Accident & Health Annual Statement | \$ 37,938 | \$ 48,360 | \$ 75,252 |

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2011

Note 12 – Related Party Transactions

The majority of services for the operation of the Company are provided at cost by TIAA pursuant to a Service Agreement. Expense reimbursement payments under the Service Agreement are made quarterly by TIAA-CREF Life to TIAA based on TIAA's costs for providing such services. The Company also reimburses TIAA, at cost, on a quarterly basis for certain investment management services, according to the terms of an Investment Management Agreement. Reimbursements of \$47,383 thousand, \$35,365 thousand and \$30,139 thousand were made to TIAA for the years ended December 31, 2011, 2010 and 2009, respectively.

The Company has a financial support agreement with TIAA. Under this agreement, TIAA will provide support so that TIAA-CREF Life will have the greater of (a) capital and surplus of \$250 million, (b) the amount of capital and surplus necessary to maintain the Company's capital and surplus at a level not less than 150% of the NAIC Risk Based Capital model or (c) such other amount as necessary to maintain TIAA-CREF Life's financial strength rating at least the same as TIAA's rating at all times. This agreement is not an evidence of indebtedness or an obligation or liability of TIAA and does not provide any creditor of TIAA-CREF Life with recourse to TIAA.

The Company maintains a \$100 million unsecured 364-day revolving line of credit with TIAA. As of December 31, 2011, \$30 million of this facility was maintained on a committed basis for which the Company paid a commitment fee of 10 basis points ("bps") on the undrawn committed amount. The commitment fee started at 15 bps at the beginning of 2011 and was reduced to 10 bps in July when the line was renewed. During 2011, there were 4 draw downs totaling \$17 million that were repaid by December 31, 2011. During 2011, there were 18 draw downs totaling \$34 million that were repaid by December 31, 2011.

The Company subcontracts administrative services for VA-1 and VLI-1 to TIAA pursuant to a Service Agreement. Teachers Personal Investor Services, a subsidiary of TIAA-CREF Asset Management, Inc. and TIAA-CREF Individual & Institutional Services, LLC ("Services"), a subsidiary of TIAA, are authorized to distribute contracts for VA-1, VLI-1 and IHA. Expenses associated with the administrative services agreement were \$6,069 thousand, \$6,827 thousand and \$9,155 thousand for the years ended December 31, 2011, 2010 and 2009, respectively. Expenses associated with the distribution services agreement were \$483 thousand, \$920 thousand and \$1,189 thousand for the years ended December 31, 2011, 2010 and 2009, respectively.

Services for certain funding agreements for qualified state tuition programs for which TIAA-CREF Tuition Financing, Inc. ("TFI"), a wholly-owned subsidiary of TIAA-CREF Asset Management, Inc., is the program manager, are provided to TIAA-CREF Life by TFI pursuant to a Service Agreement between the Company and TFI. Payments associated with this service agreement were \$4,621 thousand, \$4,985 thousand and \$4,104 thousand for the years ended December 31, 2011, 2010 and 2009, respectively.

Note 13 – Federal Income Taxes

The application of SSAP No. 10R requires a company to evaluate the recoverability of deferred tax assets and to establish a valuation allowance if necessary to reduce the deferred tax asset to an amount which is more likely than not to be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. The Company has not recorded a valuation allowance as of December 31, 2011 or 2010.

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 13 – Federal Income Taxes (continued)

Components of Net Deferred Tax Assets (“DTA”) and Deferred Tax Liabilities (“DTL”) consisted of the following (in thousands):

| | 12/31/2011 | | | 12/31/2010 | | | Change | | |
|---|-----------------|----------------|---------------------------|-----------------|----------------|---------------------------|------------------------------|-----------------------------|---------------------------|
| | (1) Ordinary | (2) Capital | (3) (Col 1+2) Total | (4) Ordinary | (5) Capital | (6) (Col 4+5) Total | (7) (Col 1–4) Ordinary | (8) (Col 2–5) Capital | (9) (Col 7+8) Total |
| a) Gross Deferred Tax Assets | \$ 14,502 | \$ 19,185 | \$ 33,687 | \$ 13,658 | \$ 33,767 | \$ 47,425 | \$ 844 | \$ (14,582) | \$ (13,738) |
| b) Statutory Valuation Allowance Adjustment | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| c) Adjusted Gross Deferred Tax Assets (a – b) | 14,502 | 19,185 | 33,687 | 13,658 | 33,767 | 47,425 | 844 | (14,582) | (13,738) |
| d) Deferred Tax Liabilities | 3,955 | 57 | 4,012 | 3,710 | --- | 3,710 | 245 | 57 | 302 |
| e) Subtotal (Net Deferred Tax Assets) (c – d) | 10,547 | 19,128 | 29,675 | 9,948 | 33,767 | 43,715 | 599 | (14,639) | (14,040) |
| f) Deferred Tax Assets Nonadmitted | 5,455 | 18,779 | 24,234 | 4,403 | 33,163 | 37,566 | 1,052 | (14,384) | (13,332) |
| g) Net Admitted Deferred Tax Assets (e – f) .. | \$ 5,092 | \$ 349 | \$ 5,441 | \$ 5,545 | \$ 604 | \$ 6,149 | \$ (453) | \$ (255) | \$ (708) |

For 2011, the Company has admitted DTA pursuant to paragraph 10e of SSAP 10R. The Company recorded an increase in admitted DTA as the result of its election to employ the provisions of paragraph 10e.

The change in deferred tax assets and liabilities are as follows (in thousands):

| Description | Changes during 2011 | | |
|---|---------------------|-------------|-------------|
| | Ordinary | Capital | Total |
| Gross deferred tax assets | \$ 844 | \$ (14,582) | \$ (13,738) |
| Statutory valuation allowance | --- | --- | --- |
| Adjusted gross deferred tax assets | 844 | (14,582) | (13,738) |
| Gross deferred tax liabilities | 245 | 57 | 302 |
| Net deferred tax asset before admissibility test | \$ 599 | \$ (14,639) | \$ (14,040) |
| 10.a Federal Income Taxes recoverable through loss carryback | \$ (171) | \$ --- | \$ (171) |
| 10.b.i Adj. Gross DTA expected to be realized in one year | --- | (96) | (96) |
| 10.b.ii 10% adj. statutory capital and surplus limit | N/A | N/A | N/A |
| Admitted pursuant to par. 10.b. (lesser of i. or ii.) | --- | (96) | (96) |
| 10.c Admitted pursuant to par. 10.c. | 245 | 57 | 302 |
| 10.e.i Additional admitted pursuant to par. 10.e.i. | (282) | --- | (282) |
| 10.e.ii.a Adj. Gross DTA expected to be realized in three years | --- | (159) | (159) |
| 10.e.ii.b 15% adj. statutory capital and surplus limit | N/A | N/A | N/A |
| Additional admitted pursuant to par. 10.e.ii. (lesser of a. or b.)... | --- | (159) | (159) |
| 10.e.iii Additional admitted pursuant to par. 10.e.iii. | --- | --- | --- |
| Admitted deferred tax asset | (208) | (198) | (406) |
| Deferred tax liability | 245 | 57 | 302 |
| Change in net admitted DTA or DTL | \$ (453) | \$ (255) | \$ (708) |
| Change in nonadmitted DTA | \$ 1,052 | \$ (14,384) | \$ (13,332) |

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2011

Note 13 – Federal Income Taxes (continued)

| 12/31/2011 | | | 12/31/2010 | | | Change | | |
|------------|---------|--------------------|------------|---------|--------------------|-----------------------|----------------------|--------------------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Ordinary | Capital | (Col 1+2) Total | Ordinary | Capital | (Col 4+5) Total | (Col 1-4) Ordinary | (Col 2-5) Capital | (Col 7+8) Total |

Admission Calculation Components SSAP No. 10R, Paragraphs 10.a., 10.b., and 10.c.:

| | | | | | | | | | |
|---|-----------------|--------------|-----------------|-----------------|--------------|-----------------|--------------|----------------|--------------|
| a) SSAP No. 10R, Paragraph 10.a..... | \$ 2,104 | \$ --- | \$ 2,104 | \$ 2,275 | \$ --- | \$ 2,275 | \$ (171) | \$ --- | \$ (171) |
| b) SSAP No. 10R, Paragraph 10.b. (the lesser of paragraph 10.b.i. and 10.b.ii. below..) | --- | --- | --- | --- | 96 | 96 | --- | (96) | (96) |
| c) SSAP No. 10R Paragraph 10.b.i. ... | --- | --- | --- | --- | 96 | 96 | --- | (96) | (96) |
| d) SSAP No. 10R Paragraph 10.b.ii. . | XXX | XXX | --- | XXX | XXX | 35,336 | XXX | XXX | (35,336) |
| e) SSAP No. 10R Paragraph 10.c..... | 3,955 | 57 | 4,012 | 3,710 | --- | 3,710 | 245 | 57 | 302 |
| f) Total (a+b+e)..... | \$ 6,059 | \$ 57 | \$ 6,116 | \$ 5,985 | \$ 96 | \$ 6,081 | \$ 74 | \$ (39) | \$ 35 |

| 12/31/2011 | | | 12/31/2010 | | | Change | | |
|------------|---------|--------------------|------------|---------|--------------------|-----------------------|----------------------|--------------------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Ordinary | Capital | (Col 1+2) Total | Ordinary | Capital | (Col 4+5) Total | (Col 1-4) Ordinary | (Col 2-5) Capital | (Col 7+8) Total |

Admission Calculation Components SSAP No. 10R, Paragraph 10.e.:

| | | | | | | | | | |
|---|-----------------|---------------|-----------------|-----------------|---------------|-----------------|-----------------|-----------------|-----------------|
| g) SSAP No. 10R Paragraph 10.e.i. ... | \$ 2,988 | \$ --- | \$ 2,988 | \$ 3,270 | \$ --- | \$ 3,270 | \$ (282) | \$ --- | \$ (282) |
| h) SSAP No. 10R, Paragraph 10.e.ii. (the lesser of paragraph 10.e.ii.a. and 10.e.ii.b. below.....) | --- | 349 | 349 | --- | 508 | 508 | --- | (159) | (159) |
| i) SSAP No. 10R Paragraph 10.e.i. ... | --- | 349 | 349 | --- | 508 | 508 | --- | (159) | (159) |
| j) SSAP No. 10R Paragraph 10.e.ii.b. | XXX | XXX | --- | XXX | XXX | 53,005 | XXX | XXX | (53,005) |
| k) SSAP No. 10R Paragraph 10.e.iii.. | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| l) Total (g+h+k) | \$ 2,988 | \$ 349 | \$ 3,337 | \$ 3,270 | \$ 508 | \$ 3,778 | \$ (282) | \$ (159) | \$ (441) |

Used in SSAP No. 10R, Paragraph 10.d.

| | | | | | | | | | |
|--------------------------------------|-----|-----|------------|-----|-----|------------|-----|-----|-----------|
| m) Total Adjusted Capital | XXX | XXX | \$ 408,979 | XXX | XXX | \$ 374,608 | XXX | XXX | \$ 34,371 |
| n) Authorized Control Level | XXX | XXX | \$ 22,331 | XXX | XXX | \$ 20,099 | XXX | XXX | \$ 2,232 |

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 13 – Federal Income Taxes (continued)

| 12/31/2011 | | | 12/31/2010 | | | Change | | |
|------------|---------|--------------------|------------|---------|--------------------|-----------------------|----------------------|--------------------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Ordinary | Capital | (Col 1+2) Total | Ordinary | Capital | (Col 4+5) Total | (Col 1-4) Ordinary | (Col 2-5) Capital | (Col 7+8) Total |

SSAP No. 10R, Paragraphs 10.a., 10.b., and 10.c.:

| | | | | | | | | | | |
|----|-----------------------|----------|--------|--------------|----------|-------|--------------|----------|---------|------------|
| a) | Admitted Deferred | | | | | | | | | |
| | Tax Assets | \$ 2,104 | \$ --- | \$ 2,104 | \$ 2,275 | \$ 96 | \$ 2,371 | \$ (171) | \$ (96) | \$ (267) |
| b) | Admitted Assets | XXX | XXX | \$ 4,246,756 | XXX | XXX | \$ 3,567,217 | XXX | XXX | \$ 679,539 |
| c) | Adjusted Statutory | | | | | | | | | |
| | Surplus * | XXX | XXX | \$ 388,040 | XXX | XXX | \$ 366,804 | XXX | XXX | \$ 21,236 |
| d) | Total Adjusted | | | | | | | | | |
| | Capital from DTA's | XXX | XXX | \$ 2,104 | XXX | XXX | \$ 2,371 | XXX | XXX | \$ (267) |

Increases due to SSAP No. 10R, Paragraphs 10.e.:

| | | | | | | | | | | |
|----|-----------------------|----------|--------|----------|----------|--------|----------|----------|----------|----------|
| e) | Admitted Deferred | | | | | | | | | |
| | Tax Assets | \$ 2,988 | \$ 349 | \$ 3,337 | \$ 3,270 | \$ 508 | \$ 3,778 | \$ (282) | \$ (159) | \$ (441) |
| f) | Admitted Assets | \$ 2,988 | \$ 349 | \$ 3,337 | \$ 3,270 | \$ 508 | \$ 3,778 | \$ (282) | \$ (159) | \$ (441) |
| g) | Adjusted Statutory | | | | | | | | | |
| | Surplus | \$ 2,988 | \$ 349 | \$ 3,337 | \$ 3,270 | \$ 508 | \$ 3,778 | \$ (282) | \$ (159) | \$ (441) |

* As reported on the statutory balance sheet for the most recently filed statement with the domiciliary state commissioner adjusted in accordance with SSAP No.10R, Paragraph 10bii.

Impact of Tax Planning Strategies – Not Applicable

Temporary differences for which a DTL was not established: Not Applicable

The changes in current income taxes consist of the following major components as of December 31 (in thousands):

| | 12/31/2011 | 12/31/2010 | Change |
|---|------------|------------|-------------|
| 1. Current Income Tax: | | | |
| Federal income taxes expense | \$ 10,377 | \$ 8,904 | \$ 1,473 |
| Foreign taxes | --- | --- | --- |
| Subtotal | \$ 10,377 | \$ 8,904 | \$ 1,473 |
| Federal income taxes on net capital gains | --- | --- | --- |
| Utilization of capital loss carry-forwards | --- | --- | --- |
| Other | 168 | (394) | 562 |
| Federal and foreign income taxes incurred | \$ 10,545 | \$ 8,510 | \$ 2,035 |
| 2. Deferred Tax Assets: | | | |
| Ordinary | | | |
| Policyholder reserves | \$ 4,610 | \$ 4,257 | \$ 353 |
| Investments | --- | --- | --- |
| Deferred acquisition costs | 9,632 | 9,262 | 370 |
| Other (including items < 5% of total ordinary tax assets) | 260 | 138 | 122 |
| Gross Ordinary DTAs | \$ 14,502 | \$ 13,657 | \$ 845 |
| Statutory valuation allowance adjustment | --- | --- | --- |
| Nonadmitted | \$ 5,455 | \$ 4,403 | \$ 1,052 |
| Admitted ordinary deferred tax assets | \$ 9,047 | \$ 9,255 | \$ (208) |
| Capital | | | |
| Investments | \$ 19,185 | \$ 17,712 | \$ 1,473 |
| Net capital loss carry-forward | --- | 16,056 | (16,056) |
| Subtotal | \$ 19,185 | \$ 33,767 | \$ (14,582) |

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 13 – Federal Income Taxes (continued)

| | <u>12/31/2011</u> | <u>12/31/2010</u> | <u>Change</u> |
|---|-------------------|-------------------|---------------|
| Statutory valuation allowance adjustment..... | \$ --- | \$ --- | \$ --- |
| Nonadmitted | \$ 18,779 | \$ 33,163 | \$ (14,384) |
| Admitted capital deferred tax assets | \$ 406 | \$ 604 | \$ (198) |
| Admitted deferred tax assets..... | \$ 9,453 | \$ 9,859 | \$ (406) |

3. Deferred Tax Liabilities:

| | | | |
|--------------------------------|-----------------|-----------------|---------------|
| Ordinary | | | |
| Investments | \$ 3,955 | \$ 3,710 | \$ 245 |
| Capital | 57 | --- | 57 |
| Deferred tax liabilities | <u>\$ 4,012</u> | <u>\$ 3,710</u> | <u>\$ 302</u> |

4. Net Deferred Tax:

| | | | |
|--------------------------|-----------------|-----------------|-----------------|
| Assets/Liabilities | <u>\$ 5,441</u> | <u>\$ 6,149</u> | <u>\$ (708)</u> |
|--------------------------|-----------------|-----------------|-----------------|

Reconciliation of Federal Income Tax Rate to Actual Effective Rate

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference are as follows (in thousands):

| <u>Description</u> | <u>Amount</u> | <u>Tax Effect</u> | <u>Effective Tax Rate</u> |
|--|------------------|-------------------|---------------------------|
| Income before federal income taxes..... | \$ 25,889 | \$ 9,061 | 35.00 % |
| Dividends received deduction | (1,081) | (378) | (1.46) % |
| Amortization of interest maintenance reserve | (1,047) | (366) | (1.41) % |
| Prior year true-up | (413) | (145) | (0.56) % |
| Total..... | <u>\$ 23,348</u> | <u>\$ 8,172</u> | <u>31.57 %</u> |
| | | | |
| Federal income tax incurred expense (benefit) | | \$ 10,545 | 40.74 % |
| Tax on capital gains incurred (benefit)..... | | (15,460) | (59.72) % |
| Change in net deferred income tax charge (benefit) | | 14,040 | 54.23 % |
| Tax effect of unrealized capital gain (loss)..... | | (953) | (3.68) % |
| Total statutory income taxes..... | | <u>\$ 8,172</u> | <u>31.57 %</u> |

The Company had no operating loss carry forwards or alternative minimum tax credit carry forwards at December 31, 2011.

The Company recorded a \$15,460 thousand tax benefit for capital loss carry-forwards in the amount of \$44,171 thousand that will be utilized in the 2011 consolidated tax return with its parent, TIAA. Of the \$15,460 thousand tax benefit, \$15,045 thousand was settled by TIAA during the third quarter of 2011, with the remainder to be settled in 2012.

The following is income tax expense that is available for recoupment in the event of future net losses (in thousands):

| <u>Year Incurred</u> | <u>Ordinary</u> | <u>Capital</u> | <u>Total</u> |
|----------------------|------------------|----------------|------------------|
| 2009 | \$ 11,603 | \$ --- | \$ 11,603 |
| 2010 | 9,072 | --- | 9,072 |
| 2011 | 10,377 | --- | 10,377 |
| Total | <u>\$ 31,052</u> | <u>\$ ---</u> | <u>\$ 31,052</u> |

The Company does not have any protective tax deposits on deposit with the Internal Revenue Service under IRC Sec. 6603.

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 13 – Federal Income Taxes (concluded)

Beginning January 1, 1998, the Company began filing a consolidated federal income tax return with its parent and its affiliates. The consolidating companies have a tax-sharing agreement. Under the agreement, current federal income tax expense (benefit) is computed on a separate return basis and provides that members shall make payments or receive reimbursements to the extent that their income (loss) contributes to or reduces consolidated federal tax expense. The consolidating companies are reimbursed for net operating losses or other tax attributes they have generated when utilized in the consolidated return. Amounts due from TIAA for federal income taxes were \$774 thousand and \$3,206 thousand at December 31, 2011 and 2010, respectively.

The affiliates that file a consolidated federal income tax return with TIAA-CREF Life and its parent are as follows:

- | | |
|---|---|
| 1) TIAA - CREF Life Insurance Company | 15) TIAA-CREF Trust Company, FSB |
| 2) TIAA - CREF Asset Management, Inc. | 16) 730 Texas Forest Holdings, Inc. |
| 3) Dan Properties, Inc. | 17) TIAA Global Markets, Inc. |
| 4) JV Georgia One, Inc. | 18) T-C Sports Co., Inc. |
| 5) JWL Properties, Inc. | 19) TIAA Board of Overseers |
| 6) ND Properties, Inc. | 20) TIAA Realty, Inc. |
| 7) Savannah Teachers Properties, Inc. | 21) TIAA Park Evanston, Inc. |
| 8) TCT Holdings, Inc. | 22) Port Northwest IV Corporation |
| 9) Teachers Advisors, Inc. | 23) Oleum Holding Company, Inc. |
| 10) Teachers Personal Investors Service, Inc. | 24) Covariance Capital Management, Inc. |
| 11) T-Investment Properties Corp. | 25) Westchester Group Investment Management, Inc. |
| 12) T-Land Corp. | 26) Westchester Group Investment Management |
| 13) WRC Properties, Inc. | Holding Company Inc. |
| 14) TIAA-CREF Tuition Financing, Inc. | |

FASB ASC 740 and Accounting Standards Update No. 2009-06 established a minimum threshold for financial statement recognition of the benefits of positions taken in tax returns, and requires certain expanded disclosures. FASB ASC 740 is effective for fiscal years beginning after December 15, 2006 and is to be applied to all open years as of the effective date. Management has evaluated the Company's tax position under the principles of FASB ASC 740, and has not recorded any uncertain tax benefits as of December 31, 2011 or 2010.

On January 1, 2012, SSAP No. 101 replaces SSAP No. 10R as the statutory accounting principle used to determine and record the Company's current and deferred income taxes. The Company has examined the potential effects that SSAP No. 101 would have on its current and deferred taxes were it enacted for December 31, 2011. The Company has determined that SSAP No. 101 would not have a material effect on the current and deferred taxes presented under SSAP No. 10R.

Note 14 – Pension Plan and Postretirement Benefits

The Company has no employees. The Company's parent, TIAA allocates employee benefit expenses based on salaries attributable to the Company. The Company's share of net expense for the qualified defined contribution plan was approximately \$1,334 thousand, \$1,357 thousand and \$1,780 thousand for the years ended December 31, 2011, 2010 and 2009, respectively and for other postretirement benefit plans was \$270 thousand, \$217 thousand and \$264 thousand for the years ended December 31, 2011, 2010 and 2009, respectively.

Note 15 – Policy and Contract Reserves

Policy and contract reserves are determined in accordance with standard valuation methods approved by the Department and are computed in accordance with standard actuarial formulae. The reserves are based on assumptions for interest, mortality and other risks insured and establish a sufficient provision for all benefits guaranteed under policy and contract provisions.

For annuities and supplementary contracts, policy and contract reserves are calculated using Commissioner's Annuity Reserve Valuation Method ("CARVM") in accordance with New York State Regulation 151, Actuarial Guideline 43 ("AG43") for variable annuity products and Actuarial Guideline 33 for all other products. For most

TIAA-CREF LIFE INSURANCE COMPANY

NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 15 – Policy and Contract Reserves (continued)

annuities which do not contain variable guarantees (payout annuities), the reserves are calculated as the present value of guaranteed benefits using the valuation interest and mortality table. Variable annuity reserves are calculated using AG43 which incorporates a deterministic floor plus a stochastic component for products which contain guaranteed benefits.

Withdrawal characteristics of annuity actuarial reserves and deposit-type contracts at December 31 are as follows (\$ in thousands):

| | 2011 | | | | |
|---|---------------------|----------------------------------|--------------------------------|---------------------|------------|
| | General Account | Separate Account with Guarantees | Separate Account Nonguaranteed | Total | % of Total |
| Subject to discretionary withdrawal: | | | | | |
| With fair value adjustment..... \$ | --- | \$ 56,055 | \$ --- | \$ 56,055 | 1.6% |
| At book value less current surrender charge of 5% or more | 1,152 | --- | --- | 1,152 | 0.0% |
| At fair value | --- | --- | 731,099 | 731,099 | 20.4% |
| Total with adjustment or at fair value..... \$ | 1,152 | \$ 56,055 | \$ 731,099 | \$ 788,306 | 22.0% |
| At book value without adjustment (minimal or no charge or adjustment) | 2,710,346 | 8,532 | --- | 2,718,878 | 75.8% |
| Not subject to discretionary withdrawal..... | 81,840 | --- | --- | 81,840 | 2.2% |
| Total (gross)..... \$ | 2,793,338 | \$ 64,587 | \$ 731,099 | \$ 3,589,024 | 100.0% |
| Reinsurance ceded..... | --- | --- | --- | --- | |
| Total (net) | \$ 2,793,338 | \$ 64,587 | \$ 731,099 | \$ 3,589,024 | |
| | 2010 | | | | |
| | General Account | Separate Account with Guarantees | Separate Account Nonguaranteed | Total | % of Total |
| Subject to discretionary withdrawal: | | | | | |
| With fair value adjustment..... \$ | --- | \$ 53,524 | \$ --- | \$ 53,524 | 1.8% |
| At book value less current surrender charge of 5% or more | 2,881 | --- | --- | 2,881 | 0.1% |
| At fair value | --- | --- | 709,806 | 709,806 | 23.7% |
| Total with adjustment or at fair value..... \$ | 2,881 | \$ 53,524 | \$ 709,806 | \$ 766,211 | 25.6% |
| At book value without adjustment (minimal or no charge or adjustment) | 2,155,087 | 17,010 | --- | 2,172,097 | 72.6% |
| Not subject to discretionary withdrawal..... | 55,119 | --- | --- | 55,119 | 1.8% |
| Total (gross)..... \$ | 2,213,087 | \$ 70,534 | \$ 709,806 | \$ 2,993,427 | 100.0% |
| Reinsurance ceded..... | --- | --- | --- | --- | |
| Total (net) | \$ 2,213,087 | \$ 70,534 | \$ 709,806 | \$ 2,993,427 | |

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

Note 15 – Policy and Contract Reserves (concluded)

Annuity reserves and deposit-type contract funds for the year ended December 31 are as follows (in thousands):

| | 2011 | 2010 |
|--|---------------------|---------------------|
| General Account: | | |
| Total annuities (excluding supplementary contracts with life contingencies and AG43 Excess Reserves) | \$ 1,276,145 | \$ 1,239,048 |
| Supplementary contracts with life contingencies | 1,418 | 837 |
| Deposit-type contracts | 1,515,775 | 973,202 |
| Subtotal | \$ 2,793,338 | \$ 2,213,087 |
| Separate Accounts: | | |
| Annuities..... | 791,726 | 777,463 |
| Supplementary contracts with life contingencies | 140 | 68 |
| Deposit-type contracts | 3,820 | 2,809 |
| Subtotal | \$ 795,686 | \$ 780,340 |
| Total | \$ 3,589,024 | \$ 2,993,427 |

For Ordinary Life Insurance (including term plans, universal life and variable universal life), reserves for all policies are calculated in accordance with New York State Insurance Regulation 147 using the 1980 CSO Table or 2001 CSO Table and interest rates of 4.5% and 4.0%. Term conversion reserves are based on the Company's term conversion mortality experience and interest at 4.0%. As a result of asset adequacy analysis the Company increased life insurance reserves by \$10 million. On this basis, it was determined that the Company's reserves were sufficient to meet its obligations.

Liabilities for incurred but not reported life insurance claims and disability waiver of premium claims are based on historical experience and are set equal to a percentage of reserves. Reserves for amounts not yet due for incurred but not reported disability waiver of premium claims are a percentage of the total Active Lives Disability Waiver of Premium Reserve.

The Company waives deduction of deferred fractional premiums upon death of the insured and returns any portion of the final premium beyond the date of death. The Company had no policies where the surrender values were in excess of the legally computed reserves at December 31, 2011 or December 31, 2010. The Company had \$24.3 billion and \$23.1 billion of insurance in force for which the gross premiums were less than the net premiums according to the standard of valuation set by the State of New York as of December 31, 2011 and 2010, respectively. Premium deficiency reserves related to the above insurance totaled \$6,367 thousand and \$4,447 thousand at December 31, 2011 and 2010, respectively.

For retained assets, an accumulation account issued from the proceeds of annuity and life insurance policies, reserves are held equal to the current account balances.

The Tabular Interest has been determined by formula as prescribed by the NAIC. The Tabular Less Actual Reserve Released has been determined by formula as prescribed by the NAIC. The Tabular Cost has been determined by formula as described in the instructions prescribed by the NAIC. For Immediate Annuities not involving life contingencies and Supplementary Contracts not involving life contingencies, for each valuation rate of interest, the tabular interest has been calculated as the product of the valuation rate times the mean liability for the year. For all other funds not involving life contingencies, tabular interest has been calculated as the total interest credited to such funds.

Note 16 – Reinsurance

In 2004, TIAA and TIAA-CREF Life entered into a series of agreements with Metropolitan Life Insurance Company ("MetLife") including an administrative agreement for MetLife to service the long-term care business of TIAA and TIAA-CREF Life, an indemnity reinsurance agreement where TIAA and TIAA-CREF Life ceded to MetLife 100% of the long-term care liability and an assumption reinsurance agreement where, after appropriate filings in each jurisdiction, MetLife has been offering the TIAA and TIAA-CREF Life policyholders the option of transferring the liability for policies from TIAA and TIAA-CREF Life to MetLife. At December 31, 2011, there were still premiums in force of \$6,172 thousand.

TIAA-CREF LIFE INSURANCE COMPANY
NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS – (concluded)

DECEMBER 31, 2011

Note 16 – Reinsurance (concluded)

In addition to the MetLife agreements, the Company enters into reinsurance agreements in the normal course of its insurance business to reduce overall risk. The Company remains liable for reinsurance ceded if the reinsurer fails to meet its obligation on the business assumed. All reinsurance is placed with unaffiliated reinsurers. The required liability for reserves ceded to unauthorized reinsurers is secured by letters of credit or trust agreements. The Company does not have reinsurance agreements in effect under which the reinsurer may unilaterally cancel the agreement. Amounts shown in the financial statements are reported net of the impact of reinsurance. The major lines in the accompanying financial statements that were reduced by the effect of these reinsurance agreements include (in thousands):

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|-------------|-------------|-------------|
| Insurance premiums..... | \$ 41,247 | \$ 39,273 | \$ 37,271 |
| Increase in policy and contract reserves..... | \$ 40,654 | \$ 28,497 | \$ 32,561 |
| Reserves for life and health..... | \$ 357,638 | \$ 316,984 | \$ 288,488 |

Note 17 – Capital and Surplus and Shareholders’ Dividends Restrictions

The portion of unassigned surplus increased or (reduced) by each item below as of December 31 are as follows (in thousands):

| | <u>2011</u> | <u>2010</u> |
|---|-------------|-------------|
| Net unrealized capital losses | \$ 2,723 | \$ (672) |
| Asset valuation reserve | \$ (2,789) | \$ (7,513) |
| Net deferred federal income tax..... | \$ (14,040) | \$ (2,676) |
| Change in non-admitted assets | \$ 12,487 | \$ 1,039 |
| Change in liability for reinsurance of unauthorized companies | \$ --- | \$ 1,692 |
| Change in surplus of separate accounts..... | \$ (82) | \$ 455 |

Capital: The Company has 2,500 shares of common stock authorized, issued and outstanding. All shares are Class A. The Company has no preferred stock outstanding.

Dividend Restrictions: Under the New York Insurance Law, the Company is permitted without prior insurance regulatory clearance to pay a stockholder dividend as long as the aggregated amount of all such dividends in any calendar year does not exceed the lesser of (i) 10% of its surplus to policyholders as of the immediately preceding calendar year and (ii) its net gain from operations for the immediately preceding calendar year (excluding realized investment gains). The Company generally has not paid dividends to its shareholder and has no plans to do so in the current year.

Note 18 – Contingencies

It is the opinion of management that any liabilities which might arise from litigation, state guaranty fund assessments, and other matters, over and above amounts already provided for in the financial statements, are not considered material in relation to the Company’s financial position or the results of its operations.

Note 19 – Subsequent Event

On October 25, 2011, the Company entered into a long-term strategic distribution relationship with M Financial Group, a financial services design and distribution company. The Company is developing a series of proprietary life insurance products to be sold exclusively by licensed agents affiliated with M Financial Group and its Member Firms.

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 11, 2012, the date the financial statements were issued. No such items were identified by the Company.