

CHARITABLE ANNUITIES
**Guidelines for organizations that are not incorporated in New York and
are not regulated by other states.**

Organization must sign a letter (signed by an officer of the organization) stating that they agree:

- I. to submit its gift annuity activities to periodic examination by the New York State Department of Financial Services pursuant to the provisions of Section 309 and 310 of the New York Insurance Law, with such examination to be conducted at the office located in New York;
- II. that the reserves for all gift annuities it issues, subsequent to 1/1/2000 but prior to 2/31/14, in the State of New York and elsewhere will meet the minimums required by the Annuity 2000 table.
- III. that reserves for all gift annuities it issues subsequent to 2/31/14 will meet the minimums required by the 2012 IAR table.

Charitable Permit Under Section 1110 of the New York Insurance Law

Following is a list of materials that must be filed in original form with **both** the **Life Bureau** and the **Office of General Counsel** of the New York Insurance Department.

- 1) Application (4 pages) – Attached hereto
 - Application must be fully completed including the Summary of Financial Report and the Certificate of Valuation.
 - The Application and Certificate of Valuation must contain original signatures and be properly notarized. The Application should also be stamped with the corporate seal.
- 2) **(FOR FOREIGN CHARITABLES)**. Obtain signed commitment if home state does not regulate charitable annuities.
- 3) Copies of all policy forms intended for use.
- 4) Copies of the by-laws, charter, constitution, certificate of incorporation and/or articles of incorporation of the applicant.
- 5) Statement from the Internal Revenue Service indicating the tax exempt status.
- 6) Certified Board Resolution (see enclosed Sample Resolution attached hereto)
 - The Board adopted resolution must contain original signatures and be properly certified with the corporate seal.
 - Resolution must contain the full and complete name of the segregated trust.
- 7) A detailed listing of investments.
 - The name and address of the institution where the investments are held.
 - The account must be in the name of the charitable annuity.
 - A statement indicating whether the institution is a bank or trust company.
- 8) Annuity rates to be used (see reference materials provided for the calculation of Annuity Reserves).
- 9) Reserve information.

Submit a listing of contracts that includes the following information:

 - Name and/or Contract number
 - Sex
 - Date of birth
 - Issue date
 - Gift amount
 - Annual income paid
 - Mode of payment
 - For deferred annuities: annuity commencement date

- For joint and survivor contracts: all information listed above on both lives.
 - Contracts must be identifiable as to which valuation basis and interest rate was used to value each contract.
- 10) Once your Society receives a permit, you are required to file an **Annual Statement**, relating to the financial condition of the segregated gift annuity fund, with this Department by March 1 of each year.
- Furnish the name, title, address and phone number of the person responsible for filings.
 - Refer to the Department's website, www.dfs.ny.gov, for a copy of the Annual Statement Blank.
 - In accordance with Department Circular Letter No. 4 (1993), failure to comply with the statutory filing requirements of Sections 307 and 308 of the New York Insurance Law can result in the imposition of penalties **of up to \$250 per day**.
- 11) If the reserves on outstanding annuity agreements do not exceed \$1,000,000, the Society has the option of:
- (a) applying for a permit; or
 - (b) requesting an exemption from obtaining a permit.

If the Society elects option (a) and is granted a permit, it shall be required to file an Annual Statement, relating to the financial condition of the segregated gift annuity fund, with this Department by March 1 of each year and may be subject to an on-site examination by this Department. The Society shall also be required to maintain assets at least equal to the **greater of** (i) \$100,000, **or** (ii) 115% of the minimum reserve required to be held by the Society on its outstanding annuities computed as follows: 115% of the reserve calculated using the method required by Section 4217 of the Insurance Law and 11 NYCRR 99 (Regulation 151) per Section 95.11(b) of Regulation 126 (visit the Department's website at www.dfs.ny.gov for the calculation of reserves).

If the Society elects option (b) and is granted an exemption from obtaining a permit, it shall not be required to file an Annual Statement, relating to the financial condition of the segregated gift annuity fund, with this Department by March 1 of each year nor be subject to a possible on-site examination by this Department. The Society shall, however, be required to maintain assets at least equal to the **greater of** (i) \$100,000, **or** (ii) 125% of the minimum reserve required to be held by the Society on its outstanding annuities computed as follows: 115% of the reserve calculated using the method required by Section 4217 of the Insurance Law and 11 NYCRR 99 (Regulation 151) per Section 95.11(b) of Regulation 126 (visit the Department's website at www.dfs.ny.gov for the calculation of reserves). At such time when the statutory reserves reach \$1,000,000, the Society shall be required to apply for and secure a permit.

State, in your cover letter, whether the Society is applying for a permit or requesting an exemption from obtaining a permit.

**APPLICATION FOR SPECIAL ANNUITY PERMIT BY CHARITABLE,
RELIGIOUS, MISSIONARY, EDUCATIONAL OR PHILANTHROPIC
CORPORATIONS OR ASSOCIATIONS
(SECTION 1110 NYS INSURANCE LAW)**

To the Superintendent of Financial Services of the State of New York:

The undersigned, the of
..... State of....., located at
(insert address).....,
being desirous of receiving gifts of cash and other property in the State of New York conditioned upon or
in return for its agreement to pay an annuity to the donor or his/her nominee, hereby makes application
for a permit as specified in Section 1110 of the New York Insurance Law and in order that the New York
State Insurance Department may be fully advised as to the qualifications of said corporation or
association to exercise such privileges in the State of New York, the following facts are submitted:

1. The, a corporation or
association, that was duly organized under the laws of the State of.....on
theday of 19....., for the purpose of
.....
.....
.....
.....
.....

(Indicate whether a corporation or an association and quote powers from certificate of
incorporation or articles of association.)

2. Is the corporation or association conducted without profit and engaged solely in bona fide
charitable, religious, missionary, educational, or philanthropic activities?

Answer.....

3. Has the corporation or association (including its predecessor corporation or association) been
in active operation for at least ten years prior to the date of this application?

Answer

4. Will the annuity rates to be charged on new contracts issued on and after the date of this application be sufficient at all ages, on the basis of the actuarial standard prescribed by Section 4217 of the New York Insurance Law for the valuation of future annuity obligations (or on the basis of any higher standard adopted by the corporation or association for the calculation of its reserves), to return a residuum to the corporation of at least 50% of the original gift or consideration upon death of the annuitant or survivor of annuitants?

Answer

5. We have attached hereto a complete schedule of the present maximum annuity rates of the corporation or association.

Answer

6. We have attached hereto copies of each present form of agreement currently issued to annuitants.

Answer

7. Does the financial report submitted herewith show the admitted assets of the corporation or association that on the date of such report had been segregated as separate and distinct funds for the purpose of annuity benefits and that may not, without exception, be applied towards the payment of other debts or obligations of the corporation or association?

Answer

8. We have attached hereto a certified copy of that portion of the charter, by-laws or the entire resolution requiring segregation of assets for annuity benefits in accordance with Section 1110 of the New York Insurance Law.

Answer

Note: See specimen form of resolution recommended by the Insurance Department and attached hereto.

9. Are such segregated assets held for the protection of all such annuitants of the corporation or association?

Answer

10. Are the required admitted assets invested in accordance with the requirements as specified in Section 1110 of the New York Insurance Law?

Answer

If not, explain:.....

11. The following is a Summary of the Financial Report submitted herewith relating to the segregated funds referred to in Interrogatory 7 above:

Total Admitted Assets	\$.....	Reserve on Annuities per Actuary's Report	\$
		Amounts past due and unpaid to Annuitants
		Other Liabilities
		Unassigned Funds (Surplus)
Total*	\$.....	Total*	\$.....

* Total admitted asset column must equal total reserves, liabilities and surplus column.

Dated _____
(Name of corporation or association)

SEAL By _____ President

By _____ Treasurer

State of _____ }ss
County of _____

_____ and _____ being
duly severally sworn, each for himself deposes and says that the said _____ is
the President and the said _____ is the Treasurer of the
_____; that he/she signed the
foregoing application by order of the board of directors; that he/she has read the application and
knows the contents thereof and the statements contained therein and that such application and the
data submitted to the Actuary or Accountant as the basis of his/her certification of valuation are
true and complete to the best of his/her knowledge, information and belief.

President
Treasurer

Subscribed and sworn to before me this
_____ day of _____ 20____

SEAL

**Certification of the Valuation of the
Annuity Liabilities**

of the

as of

State of

} ss.:

County of

..... Actuary/Accountant, for the

..... deposes and says: That the amount of the annuity reserve of \$ shown in the financial report herewith submitted, has been correctly computed based upon the schedules and other valuation data submitted to him; that the bases used in the valuation are shown below and that such bases satisfy the minimum requirements of Section 4217 of the Insurance Law of the State of New York:

<u>Annuity Table of Mortality</u>	<u>Assumed Rate of Interest</u>	<u>Years of Issue of Annuity Contracts</u>	<u>Amount of Reserve</u>	<u>Deduct Reinsurance Annuity Reserve</u>	<u>Net Annuity Reserve</u>
.....
.....
.....
.....
				Total	\$ <u>.....</u>

.....
Actuary/Accountant

Subscribed and sworn to before me
thisday of 20____

SEAL

.....
Notary Public

Note: The following proposed resolution would be satisfactory to the New York State Department of Financial Services.

**PROPOSED FORM OF RESOLUTION TO BE PASSED BY
CHARITABLE ANNUITY SOCIETIES RELATING TO
THE APPLICATION FOR A SPECIAL PERMIT AND
THE SEGREGATION OF ANNUITY RESERVE FUNDS**

WHEREAS, Article 11, Section 1110 of the Insurance Law of New York State passed July, 1984 and known as Chapter 367 of the Laws of 1984 provides, among other things in respect to the exemption of Charitable Annuity Societies from certain provisions of the Insurance Law of the State of New York, that every duly organized domestic or foreign non-stock corporation (or association) conducted without profit engaged solely in bona fide charitable, religious, missionary, educational or philanthropic activities and which has been in active operation for at least ten years prior to the application for a permit hereinafter mentioned, and which issues gift annuity agreements, shall segregate from its assets as separate and distinct funds, independent from all other funds of such corporation (or association), an amount at least equal to the reserves and surplus as required therein on all gift annuity agreements, and shall not apply said assets for the payment of the debts and obligations of the corporation (or association) or for any purpose other than the annuity benefits therein specified, and,

WHEREAS this Section provides for the issuance of a special permit by the Superintendent of Financial Services of the State of New York for the purposes therein mentioned.

NOW, THEREFORE, be it RESOLVED that in order to meet the aforesaid requirements of the law and for the purpose of obtaining a special permit from the Superintendent of Financial Services of the State of New York to issue gift annuity agreements in New York there shall be

set aside and maintained assets of the corporation (or association) as a separate and distinct fund independent of all other funds of the corporation (or association) in an amount at least equal to the reserves and surplus of ten percent of such reserves on all the corporation's (or association's) outstanding gift annuity agreements required by subsection (b) of Section 1110 of the New York Insurance Law, which shall be invested in accordance with the provisions of subsection (b)* of Section 1110 of the New York Insurance Law and which segregated funds shall not be applied for the payment of debts and obligations of the corporation (or association) or for any purpose other than the annuity benefits herein referred to and which fund shall be known as (use a name that will clearly designate it as the reserve account contemplated by this subsection).

Any assets heretofore segregated and held as separate funds on account of annuity benefits shall be merged with the aforesaid segregated assets to the extent required in order to comply with the provisions of Section 1110.

* In the case of a foreign society make to read (b) and (c).