



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
CATHOLIC MEDICAL MISSION BOARD, INC.

CONDITION:

DECEMBER 31, 2011

DATE OF REPORT:

OCTOBER 31, 2012

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EXAMINER:

CHRISTINE D. MAVOUR

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Shirin Emami
Acting Superintendent

November 3, 2015

Honorable Shirin Emami
Acting Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 30779, dated May 18, 2012 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Catholic Medical Mission Board, Inc., hereinafter referred to as “the Fund,” at its home office located at 10 West 17 Street, New York, NY 10011.

Wherever “Department” appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The examiner recommends that the Board of Directors, or a committee thereof, review the purchases and sales of investments at least quarterly to ensure that the quarterly asset allocation is in the tolerable range of the Fund's strategic allocation and note such reviews in the minutes. (See item 4 of this report)

The examiner's review of a sample of transactions did not reveal any differences which materially affected the Fund's financial condition as presented in its financial statements contained in the December 31, 2011 filed annual statement. (See item 5 of this report)

The examiner's review of the Fund's treatment of annuitants did not reveal significant instances which deviated from the New York Insurance Law, Department regulations and circular letters and the operating rules of the Fund. (See item 6 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2006. This examination covers the period from January 1, 2007 through December 31, 2011. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2011 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2011 to determine whether the Fund's filed 2011 annual statement fairly presents its financial condition. The examiner reviewed the Fund's income and disbursements necessary to accomplish such verification. The examiner reviewed the prior report on examination which did not contain any violations, recommendations or comments.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations, or rules or which require explanation or description.

3. DESCRIPTION OF FUND

The Catholic Medical Mission Board, Inc. (“CMMB”) is organized for the purpose of: promoting health care interests and activities unilaterally and in cooperation with the Catholic church, affiliated and non-sectarian humanitarian organizations; making available pharmaceuticals and medical equipment and supplies to health care facilities; coordinating the placement of professional and para-professional health care workers and students in mission settings; and promoting scholarships for the education of health care professionals and para-professionals in their native countries. Under the provisions of its by-laws, CMMB is permitted to issue gift annuity agreements and it has done so since 1980. A special permit was granted to CMMB by the Department on February 5, 1997, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

The Fund performs all services associated with the promotion and sale of its annuity contracts. CMMB has an agreement with State Street Bank and Trust Company (“State Street”), effective July 26, 1994, whereby CMMB appointed State Street as agent to perform investment and accounting services for the Fund, including preparation of the annual statements, processing periodic annuity payments, and calculating the required annuity reserves. State Street is also the custodian of the Fund’s investments.

The management of CMMB and the Fund and all of its affairs and property are entrusted to a board of directors. The number of directors is specified at a minimum of fourteen elective directors. As of December 31, 2011, the board consisted of 14 elective directors. Each director is required to attend a minimum of two meetings during the fiscal year to retain their status as a voting director. (The fiscal year runs from October to September.) The directors elect a Chairman, Vice-Chairman, President, Treasurer, Secretary, an Assistant Treasurer, and an Assistant Secretary. The nomination and election procedures of the directors and their term of office are set by the by-laws.

4. CORPORATE GOVERNANCE

The examiner reviewed the minutes of the Board of Directors and the Finance Committee for the examination period to determine if the sales and purchases of the investments of the Fund were noted in the minutes. The examiner did not find any reference to the sales and purchases of investments in the minutes. The Fund's Investment Policy states that the portfolios should be reviewed at least quarterly to confirm that the current asset allocation is in the tolerance range of its strategic allocation. State Street Bank is responsible for the sales and purchases of the Fund's investments. However, the review of the minutes did not indicate that the portfolios were being reviewed at least quarterly to ensure that the quarterly asset allocation was in the tolerable range of the Fund's strategic allocation.

The examiner recommends that the Board of Directors, or a committee thereof, review the purchases and sales of investments at least quarterly to ensure that the quarterly asset allocation is in the tolerable range of the Fund's strategic allocation and note such reviews in the minutes.

5. SIGNIFICANT FINANCIAL INFORMATION

The following table indicates the Fund's financial decline during the period under review:

	December 31, <u>2006</u>	December 31, <u>2011</u>	<u>(Decrease)</u>
Admitted assets	\$ <u>2,883,996</u>	\$ <u>2,662,095</u>	\$(<u>221,901</u>)
Liabilities	\$ <u>2,383,099</u>	\$ <u>2,216,421</u>	\$(<u>166,678</u>)
Minimum required surplus	\$ 238,310	\$ 221,642	\$ (16,668)
Unassigned funds (surplus)	<u>262,587</u>	<u>224,031</u>	<u>(38,556)</u>
Total surplus	\$ <u>500,897</u>	\$ <u>445,673</u>	\$ (<u>55,223</u>)
Total liabilities and surplus	\$ <u>2,883,996</u>	\$ <u>2,662,095</u>	\$(<u>221,901</u>)

The decreases in assets, liabilities and surplus were due to prevailing conditions in the stock market, although the total amount of annuities in force increased. Annuities increased from 282 with annual payment amounts of \$336,409 as of December 31, 2006 to a total of 288 with annual payment amounts of \$349,514 as of December 31, 2011.

The Fund's admitted assets, as of December 31, 2011, were mainly invested in bonds (59.88%), common stock mutual funds (21.17%), and money market mutual funds (17.40%). All bonds held were investment grade.

6. TREATMENT OF ANNUITANTS

The examiner reviewed a sample of annuity files to determine whether the annuitants were treated fairly and in accordance with the provisions of the annuity agreements. The examination also consisted of a review of the various controls involved, a check of the accuracy of the computations and the tracing of accounting data to the books of account. Based upon the sample reviewed, no significant findings were noted.

7. SUMMARY AND CONCLUSIONS

Following is the recommendation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the Board of Directors, or a committee thereof, review the purchases and sales of investments at least quarterly to ensure that the quarterly asset allocation is in the tolerable range of the Fund's strategic allocation and note such reviews in the minutes.	5

Respectfully submitted,

_____/s/
Christine D. Mavour
Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

CHRISTINE D. MAVOUR, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

_____/s/
Christine D. Mavour

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 30779

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, BENJAMIN M. LAWSKY, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

CHRISTINE MAVOUR

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE
CATHOLIC MEDICAL MISSION BOARD, INC.**

and to make a report to me in writing of the condition of said

FUND

with such other information as she shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York

this 18th day of May, 2012

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:



MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU

