



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
PROVINCE OF ST. MARY OF THE CAPUCHIN ORDER

CONDITION:

DECEMBER 31, 2013

DATE OF REPORT:

MARCH 1, 2016

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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EXAMINER:

PETER AGUH

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Acting Superintendent

June 1, 2016

Honorable Maria T. Vullo
Acting Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31435, dated February 19, 2016 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Province of St. Mary of the Capuchin Order, hereinafter referred to as “the Fund.” The Fund’s home office is located at 30 Gedney Park Drive, White Plains, NY 10605-3599.

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'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, 2013 filed annual statement. (See item 4 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 5 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2008. This examination covers the period from January 1, 2009 through December 31, 2013. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2013 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, 2013 to determine whether the Fund's filed 2013 annual statement fairly presents its financial condition. The examiner reviewed the Fund's income and disbursements necessary to accomplish such verification. The examiner also reviewed the corrective actions taken by the Fund with respect to the recommendation contained in the prior report on examination. The results of such review are contained in item 6 of this report.

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 Province of St. Mary of the Capuchin Order (“the Order”) is part of the Capuchin Franciscan Order, a global Roman Catholic religious order. The primary objective of the Order is to live a life of prayer, self-discipline and humility, convert people to God through preaching, purity and obedience, and to provide support for the poor. The Fund raises money for the purpose of providing support for the Capuchin Franciscan Friars and their ministries. Under the provisions of its by-laws, the Fund is permitted to issue gift annuity agreements and it has done so since March 17, 1995. A special permit was granted to the organization by the Department on February 11, 1999, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Fund.

Mission Management & Trust Co. located in Tucson, Arizona, is the custodian of the Fund’s investments securities. The Fund’s investment portfolio is supervised by Marathon Asset Management Company, Inc.

All annuity payments except those made by direct deposit are issued from a checking account at JPMorgan Chase, which is integrated with a money market account held with Religious Communities Trust. J.H. Cohn, LLP is the Fund’s external auditor.

The management of the Fund and all of its affairs and property are entrusted to a board of trustees. The number of directors is limited to individuals who hold the offices of Provincial Minister, Provincial Vicar and Provincial Definitor in the New York/New England Province of the Order of Friars Minor Capuchin. As of December 31, 2013, the board consisted of five directors. The officers of the Fund include the President (Provincial Minister), Vice President (Provincial Vicar), Secretary, Treasurer and such other officers as the board may appoint. The nomination and election procedures of the trustees and their terms of office are set by the by-laws.

On May 22, 2014, a new election was held and the following two new members were added to take the place of the outgoing members, namely: Lake Herman replacing Joseph Yakimovich, and Thomas Franks replacing James Peterson.

4. SIGNIFICANT FINANCIAL INFORMATION

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

	<u>December 31,</u> <u>2008</u>	<u>December 31,</u> <u>2013</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	\$ <u>1,535,565</u>	\$ <u>1,635,077</u>	\$ <u>99,512</u>
Liabilities	\$ <u>992,359*</u>	\$ <u>818,501</u>	\$(<u>173,858</u>)
Minimum required fund balance	\$ 99,236*	\$ 81,850	\$ (17,386)
Excess fund balance (surplus)	<u>443,970*</u>	<u>734,726</u>	<u>290,756</u>
Total annuity fund balance	\$ <u>543,206*</u>	\$ <u>816,576</u>	\$ <u>273,370</u>
Total liabilities and annuity fund balance	\$ <u>1,535,565</u>	\$ <u>1,635,077</u>	\$ <u>99,512</u>

Note: Items denoted with an asterisk were the figures reported for liabilities, minimum required fund balance, excess fund balance (surplus) and total annuity fund balance, as determined during the prior examination.

The increase in assets and annuity fund balance is attributable to gross amounts transferred from the general funds of the corporation to the Fund's general account during the examination period: \$68,756 in 2009; \$110,074 in 2010; \$74,998 in 2011; \$53,343 in 2012; and \$67,963 in 2013.

The decrease in liabilities reflects a decrease in the total number of annuities in force. Annuities decreased from 120 with annual payment amounts of \$112,944 as of December 31, 2008 to a total of 68 with annual payment amounts of \$91,587 as of December 31, 2013.

The Fund's admitted assets, as of December 31, 2013, were invested mainly in certificates of deposit (55.86%) and money market mutual funds (40.05%).

5. 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.

6. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the recommendation contained in the prior report on examination and the subsequent actions taken by the Fund in response to the recommendation:

<u>Item</u>	<u>Description</u>
A	<p>The examiner recommends that the Fund correctly prepare all future annual statements, filed with the Department, in accordance with the Department's instructions for completing annual statements.</p> <p>The Fund prepared its 2013 Annual Statement in accordance with the Department's instructions.</p>

Respectfully submitted,

_____/s/
Peter Aguh
Senior Insurance Examiner

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

PETER AGUH, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_____/s/
Peter Aguh

Subscribed and sworn to before me
this _____ day of _____

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, SHIRIN EMAMI, Acting 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:

PETER AGUH

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE
PROVINCE OF ST. MARY OF THE CAPUCHIN ORDER**

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

FUND

with such other information as he 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 19th day of February, 2016

SHIRIN EMAMI

Acting Superintendent of Financial Services

By:



MARK MCLEOD

ASSISTANT CHIEF - LIFE BUREAU

