



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
AMERICAN BIBLE SOCIETY

CONDITION:

DECEMBER 31, 2016

DATE OF REPORT:

AUGUST 31, 2017

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

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EXAMINER:

ANN MARIE THOMPSON

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Maria T. Vullo  
Superintendent

January 11, 2018

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

Madam:

In accordance with instructions contained in Appointment No. 31588, dated April 20, 2017 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the American Bible Society, hereinafter referred to as “the Fund.” The Fund’s home office is located at 101 North Independence Mall East, Philadelphia, PA 19106-2155.

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 Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that differed from the gift annuity agreement forms that were filed with the Superintendent. The examiner recommends that the Fund file with the Superintendent all gift annuity agreement forms that were used and not previously filed with the Superintendent. (See item 5 of this report)

The examiner recommends that upon the death of an annuitant, the Fund obtain and maintain a death certificate or other reliable documentary evidence that supports such information terminating an annuity contract, and document such proof in the annuitant file. (See item 5 of this report)

The examiner recommends that the Fund prepare and maintain a trial balance, general ledger, and transaction registers that reconcile to its filed annual statements, or else maintain and provide supporting workpapers that reconcile the annual statement to existing books and records. (See item 6 of this report)

## 2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2011. This examination covers the period from January 1, 2012 through December 31, 2016. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2016 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, 2016 to determine whether the Fund's filed 2016 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 American Bible Society (the Society) is organized for the purpose of publishing and promoting the general circulation of the Holy Scriptures without doctrinal note or comment and without profit. The Society has been issuing gift annuity agreements since 1843. A special permit was granted to the Society by the Department on May 9, 1940, 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.

BNY Mellon Bank (“Mellon”) is the Fund’s custodian and investment manager. Since 2004, Mellon has performed accounting functions on behalf of the Fund, administering annuity benefit payments to annuitants, and is also responsible for the production of various tax forms for the Fund, including Form 1099-R.

The management of the Society and the Fund and all of its affairs and property are entrusted to a board of trustees. The number of trustees shall be limited to no fewer than 15 and no more than 24 regular voting trustees. As of December 31, 2016, the board consisted of 19 trustees. The trustees elect a chairman, a vice chairman, a recording secretary, and such other officers as the board may designate. The trustees also elect the President/Chief Executive officer of the Society. The nomination and election procedures of the trustees and their terms of office are set by the by-laws.

#### 4. SIGNIFICANT FINANCIAL INFORMATION

The following summary table indicates the growth (decline) in various categories of the Fund's assets, liabilities, and fund balance during the period under review:

	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2016</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$34,914,769</u>	<u>\$30,258,892</u>	<u>\$(4,655,877)</u>
Liabilities	<u>\$31,193,050</u>	<u>\$24,253,461</u>	<u>\$(6,939,588)</u>
Minimum required surplus	\$ 3,119,305	\$ 2,425,346	\$ (693,959)
Unassigned funds (surplus)	<u>602,415</u>	<u>3,580,085</u>	<u>2,977,670</u>
Total surplus	<u>\$ 3,721,720</u>	<u>\$ 6,005,431</u>	<u>\$ 2,283,711</u>
Total liabilities and surplus	<u>\$34,914,769</u>	<u>\$30,258,892</u>	<u>\$(4,655,877)</u>

The decrease in assets and liabilities reflects a decrease in the total number of annuities in force. Annuities decreased from 10,688 with annual payment amounts of \$3,976,489 as of December 31, 2011 to a total of 7,206 with annual payment amounts of \$2,913,920 as of December 31, 2016. The growth in surplus was driven by contributions received of over \$5 million during the examination period, and total investment income and realized capital gains of \$9.6 million. Decreases of \$6.9 million in actuarial reserves had the greatest effect in increasing fund balance during the exam period, compared to other categories.

The Fund's admitted assets, as of December 31, 2016, were invested mainly in bonds (72.65%) and common stocks (27.35%). All bonds held were investment grade.

## 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.

Section 1110 (a) of New York Insurance Law states, in part:

“...Every such corporation or association shall, before making such agreement, file with the superintendent copies of its forms of agreements with annuitants...”

The examiner’s review of a sample of 11 gift annuity agreement forms used by the fund for gift annuities issued in New York during the examination period noted that in 7 instances, the Fund used gift annuity agreement forms that differed from the gift annuity agreements filed with the Superintendent.

The Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that differed from the gift annuity agreement forms that were filed with the Superintendent. The examiner recommends that the Fund file with the Superintendent all gift annuity agreement forms that were used and not previously filed with the Superintendent.

The examiner’s review of a sample of 25 annuity contracts terminated revealed that in 11 of the 25 cases (44%) reviewed, the Fund did not obtain a copy of the death certificate to confirm termination of the annuity contract. The review did reveal however that Mellon verifies annuitant deaths, though no evidence of this verification is maintained.

The examiner recommends that upon the death of an annuitant, the Fund obtain and maintain a death certificate or other reliable documentary evidence that supports such information terminating an annuity contract, and document such proof in the annuitant file.

## 6. ANNUAL STATEMENT WORKPAPERS

The examiner requested a copy of the Fund's trial balance, general ledger, and transaction registers, and any workpapers supporting the 2016 annual statement. The Fund was unable to produce a copy of any trial balance, general ledger, and transaction registers that traced back to the annual statement.

The examiner recommends that the Fund prepare and maintain a trial balance, general ledger, and transaction registers that reconcile to its filed annual statements, or else maintain and provide supporting workpapers that reconcile the annual statement to existing books and records.

## 7. SUMMARY AND CONCLUSIONS

Following are the violation and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that differed from the gift annuity agreement forms that were filed with the Superintendent.	6
B	The examiner recommends that the Fund file with the Superintendent all gift annuity agreement forms that were used and not previously filed with the Superintendent.	6
C	The examiner recommends that upon the death of an annuitant, the Fund obtain and maintain a death certificate or other reliable documentary evidence that supports such information terminating an annuity contract, and document such proof in the annuitant file.	6
D	The examiner recommends that the Fund prepare and maintain a trial balance, general ledger, and transaction registers that reconcile to its filed annual statements, or else maintain and provide supporting workpapers that reconcile the annual statement to existing books and records.	7

Respectfully submitted,

\_\_\_\_\_/s/  
Ann Marie Thompson  
Senior Insurance Examiner

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

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

\_\_\_\_\_/s/  
Ann Marie Thompson

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_

APPOINTMENT NO. 31588

NEW YORK STATE

**DEPARTMENT OF FINANCIAL SERVICES**

I, MARIA T. VULLO, 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:

**ANN MARIE THOMPSON**

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE  
AMERICAN BIBLE SOCIETY**

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 20th day of April, 2017

MARIA T. VULLO  
Superintendent of Financial Services

By:

*Mark McLeod*

MARK MCLEOD  
DEPUTY CHIEF - LIFE BUREAU

