



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
AMERICAN LEPROSY MISSIONS, INC.

CONDITION:

DECEMBER 31, 2014

DATE OF REPORT:

JANUARY 4, 2016

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

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AS OF

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EXAMINER:

DONNA TAYLOR

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

July 21, 2016

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

Madam:

In accordance with instructions contained in Appointment No. 31301, dated November 18, 2015 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the American Leprosy Missions, Inc., hereinafter referred to as the "Fund." The Fund's home office is located at 1 Alm Way, Greenville, South Carolina 29601.

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, 2014 filed annual statement. (See item 4 of this report)

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)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2009. This examination covers the period from January 1, 2010 through December 31, 2014. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2014 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, 2014 to determine whether the Fund's filed 2014 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 action 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 American Leprosy Missions, Inc. (the “Corporation”) is organized for the purpose of “freeing the world of leprosy, by serving as a channel of the love of Christ to people affected by leprosy, helping them to be healed in body and spirit and to be restored to lives of dignity and usefulness within their community.” Under the provisions of its by-laws, the Corporation is permitted to issue gift annuity agreements and it has done so since 1924. A special permit was granted to the Corporation by the Department on May 24, 1943 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, with the exception of annuity check writing, reserve calculations and the preparation of annuitant tax statements, which are performed by Hemmenway and Reinhardt, Inc. The Fund maintains a checking account with BB&T Bank. UBS Financial Services, Inc. is the custodian of the Fund’s assets and also serves as its investment manager.

The management of the Corporation and the Fund and all of its affairs and property are entrusted to a board of directors. The number of directors is limited to not less than 9 and not more than 15 members. As of December 31, 2014, the board consisted of 12 directors. The directors elect a chairman, a vice chairman, a secretary, a treasurer and may appoint additional officers as deemed necessary. The by-laws also provide for two standing committees, namely the Auditing, and the Nominating (Governance) committees. The nomination and election procedures of the directors and their term of office are set by the by-laws.

4. SIGNIFICANT FINANCIAL INFORMATION

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

	<u>December 31,</u> <u>2009</u>	<u>December 31,</u> <u>2014</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	\$ <u>936,934</u>	\$ <u>856,827</u>	\$ <u>(80,107)</u>
Liabilities	\$ <u>677,613</u> *	\$ <u>269,545</u>	\$ <u>(408,068)</u>
Minimum required fund balance	\$ 67,761*	\$ 26,955	\$ (40,806)
Excess fund balance (surplus)	<u>191,560</u> *	<u>560,327</u>	<u>368,767</u>
Total annuity fund balance	\$ <u>259,321</u> *	\$ <u>587,282</u>	\$ <u>327,961</u>
Total liabilities and annuity fund balance	\$ <u>936,934</u>	\$ <u>856,827</u>	\$ <u>(80,107)</u>

Note: The amounts denoted with an asterisk were determined in the prior report on examination. Any differences are due to rounding.

The decrease in assets and liabilities reflects a decrease in the total number of annuities in force. Annuities decreased from 144 with annual payment amounts of \$92,302 as of December 31, 2009 to a total of 93 with annual payment amounts of \$30,878 as of December 31, 2014.

The increase in annuity fund balance is due in part to realized capital gain and a decrease in actuarial reserve in 2014.

The Fund's admitted assets as of December 31, 2014, were invested mainly in bonds (49.86%) and common stocks (41.03%).

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 the 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 reviewed the gift annuity agreement forms that the Fund used in New York during the examination period. The examiner determined that the gift annuity agreement forms used were not 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.

6. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

<u>Item</u>	<u>Description</u>
A	<p>The examiner recommends that the Fund prepare its annual statements in accordance with the Department's instructions for completing annual statements.</p> <p>The examiner's review of the filed annual statements showed that the Fund prepared its annual statements in accordance with the Department's instructions for completing annual statements.</p>

7. SUMMARY AND CONCLUSIONS

Following are the violation and recommendation 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.	5
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.	5

Respectfully submitted,

_____/s/
Donna Taylor
Insurance Examiner

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

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

_____/s/
Donna Taylor

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 31301

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ANTHONY J. ALBANESE, 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:

DONNA TAYLOR

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE
AMERICAN LEPROSY MISSIONS, 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 November, 2015

ANTHONY J. ALBANESE
Acting Superintendent of Financial Services

By:

Mark McLeod

MARK MCLEOD
ASSISTANT CHIEF - LIFE BUREAU

