



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
SOCIETY FOR THE PROPAGATION OF THE FAITH

CONDITION:

DECEMBER 31, 2014

DATE OF REPORT:

AUGUST 6, 2015

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

SOCIETY FOR THE PROPAGATION OF THE FAITH

AS OF

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EXAMINER:

DENISE SAUNDERS

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Maria T. Vullo  
Superintendent

November 3, 2016

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

Madam:

In accordance with instructions contained in Appointment No. 31326, dated July 29, 2015, and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Society for the Propagation of the Faith, hereinafter referred to as the "Fund," at its home office located at 70 West 36<sup>th</sup> Street 8<sup>th</sup> Floor, New York, New York 10018.

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 312(b) of the New York Insurance Law by failing to maintain signed statements from the board members indicating that they received and read the prior report on examination. The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the signature of each board member indicating that they received and read the prior report on examination. (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, 2014 filed annual statement. (See item 5 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 6 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 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 7 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 Society for the Propagation of the Faith (the “Society”) is organized for the purpose of propagating, and assisting in the propagation of, the faith and doctrines of the holy Roman Catholic Church throughout the world. Under the provisions of its by-laws, the Society is permitted to issue gift annuity agreements and it has done so since 1917. A special permit was granted to the Society by the Department on March 25, 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.

The Fund maintains a business checking account with JP Morgan Chase Bank. Brown Brothers Harriman is the custodian of the Fund’s investments.

The management of the Society and the Fund and all of its affairs and property are entrusted to a board of directors. The number of directors is limited to a minimum requirement of the National Director of the Society in the United States, and eight or more elective directors. As of December 31, 2014, the board consisted of eight directors. The directors elect a president, vice president, secretary, treasurer, and such additional officers as deemed necessary. The nomination and election procedures of the directors and their terms of office are set by the by-laws.

#### 4. CORPORATE GOVERNANCE

Section 312 of the New York Insurance Law states, in part:

“(a) The superintendent shall forward to every insurer or other person examined a copy of the report on examination . . . (b) A copy of the report shall be furnished by such insurer or other person to each member of its board of directors and each such member shall sign a statement which shall be retained in the insurer’s files confirming that such member has received and read such report . . .”

The Fund failed to maintain statements signed by each board member indicating that they received and read the prior report on examination.

The Fund violated Section 312(b) of the New York Insurance Law by failing to maintain signed statements from the board members indicating that they received and read the prior report on examination. The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the signature of each board member indicating that they received and read the prior report on examination.



## 5. 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>\$24,090,706</u>	<u>\$21,741,281</u>	<u>\$(2,349,425)</u>
Liabilities	<u>\$16,447,742</u>	<u>\$16,678,161</u>	<u>\$ 230,419</u>
Minimum required fund balance	\$ 1,643,400	\$ 1,662,419	\$ 19,019
Excess fund balance (surplus)	<u>5,999,564</u>	<u>3,400,701</u>	<u>(2,598,863)</u>
Total annuity fund balance	<u>\$ 7,642,964</u>	<u>\$ 5,063,120</u>	<u>\$(2,579,844)</u>
Total liabilities and annuity fund balance	<u>\$24,090,706</u>	<u>\$21,741,281</u>	<u>\$(2,349,425)</u>

The decrease in assets and annuity fund balance reflects gross amounts transferred to general funds of the corporation of: \$765,926 in 2010; \$1,210,632 in 2011; \$1,607,876 in 2012; \$1,776,928 in 2013; and \$579,760 in 2014. The impact of gross amounts transferred to general funds of the corporation was offset by investment income and realized capital gains in the Fund's portfolio.

The increase in liabilities reflects an increase in annual payments despite a decrease in the total number of annuities in force. Annual payments increased from \$2,369,391 as of December 31, 2009 to \$3,829,236 as of December 31, 2014; in contrast, annuities in force decreased from 2,404 as of December 31, 2009 to a total of 1,608 as of December 31, 2014.

The Fund's admitted assets, as of December 31, 2014, were mainly invested in bonds (97.96%). All bonds held were investment grade.

## 6. TREATMENT OF ANNUITANTS

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’s review of the 15 gift annuity agreement forms used by the fund for gift annuities issued in New York during the examination period noted that in all 15 instances, the Fund used gift agreement forms that differed from the gift annuity agreement 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.

## 7. 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 the future annual statements, filed with the Department, in accordance with the instructions for completing the annual statements.</p> <p>The examiner's review of the Fund's filed annual statements during the examination period did not reveal material discrepancies related to adherence to the Department's annual statement instructions.</p>

## 8. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Fund violated Section 312(b) of the New York Insurance Law by failing to maintain signed statements from the board members indicating that they received and read the prior report on examination.	5
B	The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the signature of each board member indicating that they received and read the prior report on examination.	5
C	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.	7
D	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.	7

Respectfully submitted,

\_\_\_\_\_/s/  
Denise Saunders  
Insurance Examiner

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

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

\_\_\_\_\_/s/  
Denise Saunders

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

APPOINTMENT NO. 31326

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:

**DENISE SAUNDERS**

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE**

**SOCIETY FOR THE PROPAGATION OF THE FAITH**

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 29th day of July, 2015

ANTHONY J. ALBANESE  
Acting Superintendent of Financial Services

By:

*Mark McLeod*

MARK MCLEOD  
ASSISTANT CHIEF - LIFE BUREAU

