



**REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
MEDECINS SANS FRONTIERES/
DOCTORS WITHOUT BORDERS USA, INC.
AS OF DECEMBER 31, 2021**

EXAMINER: Adelia Gbadamosi

DATE OF REPORT: OCTOBER 17, 2022

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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KATHY HOCHUL
Governor

ADRIENNE A. HARRIS
Superintendent

December 14, 2022

Honorable Adrienne A. Harris
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 32793, dated May 27, 2022 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of Medecins Sans Frontieres/Doctors Without Borders USA, Inc. The Fund's home office is located at 40 Rector Street, 16th Floor, New York, New York 10006.

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, 2021 filed annual statement. (See item 4 of this report)

The examiner recommends that the Fund ensure that all gift annuity agreement forms have the appropriate form number as approved by the Superintendent printed on each form issued. (See item 5 of this report)

2. SCOPE OF EXAMINATION

This Scope of Examination summarizes the nature of the Superintendent of the Department of Financial Services' ("Department" or "DFS") examination and assessment of the Segregated Gift Annuity Fund of Medecins Sans Frontieres/Doctors Without Borders USA, Inc., Gift Annuity Fund (the "Fund") through which the Medecins Sans Frontieres/Doctors Without Borders USA, Inc., (the "Corporation") provides annuity benefits.

The prior examination was conducted as of December 31, 2016. This examination covers the period from January 1, 2017 through December 31, 2021. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2021 but prior to the date of this report (i.e., the completion date of the examination).

This report outlines DFS's supervisory expectations or priorities and articulates DFS's general views regarding the exceptional circumstances where the Corporation or Fund, in relation to their annuity activities, could have better satisfied statutory standards or to adhered to practices or methods of dealing that are regularly observed among similar circumstances.

The Fund is subject to the solvency and examination requirements of New York Insurance Law § 1110 and of New York. Insurance Law articles 1, 2, 3, 25, and 74.

The investment of the Fund's required admitted assets is subject to N.Y. Estates, Powers and Trust Law § 11-2.3. The investment of the remainder of the Fund's admitted assets is subject to N.Y. Not-for-Profit Corporation Law Article 5-a. Both establish that the trustees are to invest the assets consistent with prudent person standards.

The examination comprised a verification of assets and liabilities as of December 31, 2021 to determine whether the Fund's filed 2021 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 violation and recommendations contained in the prior report on examination. The results of such review are contained in item 6 of this report.

3. DESCRIPTION OF FUND

A. History

The Medecins Sans Frontieres/Doctors Without Borders USA, Inc. is a private, international association, which is made up mainly of doctors and health sector workers and is also open to all other professions which might help in achieving its aims. The Corporation established the Fund to issue gift annuity agreements in return for gifts since 2006. The Superintendent of Insurance granted to the Corporation a Charitable Annuity Society special permit on December 4, 2007.

B. Structure

The management of the Corporation and the Fund and all of its affairs and property are entrusted to a board of directors. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Fund itself.

C. Assets under the Board of Directors

As of the December 31, 2021 audited financial statement, the Corporation's Board of Directors oversaw an endowment comprising \$3,922,874 in total assets. The Corporation, as of December 31, 2021, held \$241,946,477 in investments. The Fund, as of December 31, 2021, held total admitted assets of \$38,493,287.

D. Third-Party Payment Service Provider

Wells Fargo Bank, N.A. is the Fund's custodian and investment manager. Wells Fargo is also responsible for payments to annuitants. The Fund uses the New York State method in PGCalc's Giftwrap software to calculate the net reserves.

4. ASSETS AND LIABILITIES SUMMARY

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

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2021</u>	<u>Increase</u>
Admitted assets	<u>\$18,907,150</u>	<u>\$38,493,287</u>	<u>\$19,586,137</u>
Liabilities	<u>\$11,799,998</u>	<u>\$21,091,007</u>	<u>\$ 9,291,009</u>
Minimum required fund balance	\$ 1,179,999	\$ 2,109,101	\$ 929,102
Excess fund balance (surplus)	<u>5,927,152</u>	<u>15,293,179</u>	<u>9,366,027</u>
Total annuity fund balance	<u>\$ 7,107,152</u>	<u>\$17,402,280</u>	<u>\$10,295,129</u>
Total liabilities and annuity fund balance	<u>\$18,907,150</u>	<u>\$38,493,287</u>	<u>\$19,586,138</u>

The Fund attributed the increase in assets, liabilities, and annuity fund balance to the improved stock market and the increase in new gifts added during the examination period. Annuities increased from 682 with annual payment amounts of \$1,242,049 as of December 31, 2016 to 941 with annual payment amounts of \$2,078,510 as of December 31, 2021.

The Fund's admitted assets, as of December 31, 2021, were invested mainly in equity securities (81.30%) and bonds (14.71%).

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.

The examiner reviewed a sample of new gift annuities issued by the Fund during the examination period. In the sample selected, the examiner noted that 2 out of the 25 newly issued gift annuities reviewed had contracts which did not have the appropriate form number as approved by the Superintendent printed on the forms. The examiner noted that one deferred annuity was written on form NY-1L-I, a form used to issue an immediate annuity, instead of form NY-1L-D, which is used to issue a deferred annuity. Further, another deferred annuity was written on form NY-1L-I-18, a form used to issue an immediate annuity, instead of form NY-1L-D-18, which is used to issue a deferred annuity.

The examiner recommends that the Fund ensure that all gift annuity agreement forms have the appropriate form number as approved by the Superintendent printed on each form issued.

6. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in the prior report on examination and the subsequent actions taken by the Fund in response to each citation:

<u>Item</u>	<u>Description</u>
A	<p>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.</p> <p>The Fund maintained signed statements from the board members indicating that they received and read the prior report on examination.</p>
B	<p>The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining signed statements of each board member indicating that they received and read the prior report on examination.</p> <p>The Fund obtained and maintained signed statements from each board member indicating that they received and read the prior report on examination.</p>
C	<p>The examiner recommends that the board of trustees, or a committee thereof, approve the purchases and sales of all investments and note such approval in the minutes.</p> <p>During the examination period, the Administrative Committee approved the purchases and sales of all investments and noted such approval in the minutes.</p>
D	<p>The Fund violated Section 1110(a) of the New York Insurance Law by using a gift annuity agreement form that differed from the gift annuity agreement form that was on file with the Superintendent.</p> <p>During the examination period, the Fund used two immediate gift annuity agreement forms to issue deferred gift annuities.</p>
E	<p>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.</p> <p>During the examination period, the Fund used gift annuity agreement forms which were filed with the Superintendent.</p>

<u>Item</u>	<u>Description</u>
F	<p>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.</p> <p>During the examination period, the Fund maintained a death certificate or other reliable documentary evidence that supported such information terminating an annuity contract.</p>
G	<p>The examiner recommends that the Fund prepare its annual statements according to the Department's instructions.</p> <p>The examiner found no new discrepancies during her review.</p>

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 Fund ensure that all gift annuity agreement forms have the appropriate form number as approved by the Superintendent printed on each form issued.	6

Respectfully submitted,

/s/

Adelia Gbadamosi
Senior Insurance Examiner

STATE OF NEW YORK)

)SS:

COUNTY OF NEW YORK)

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

/s/

Adelia Gbadamosi

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 32379

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, **ADRIENNE A. HARRIS**, 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:

ADELIA GBADAMOSI

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE
MEDECINS SANS FRONTIERES/DOCTORS WITHOUT BORDERS U.S.A., 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 27th day of May, 2022

ADRIENNE A. HARRIS
Superintendent of Financial Services

By:



MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

