



**REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
DOMINICAN FRIARS' GUILDS
AS OF December 31, 2021**

EXAMINER: Adelia Gbadamosi

DATE OF REPORT: January 9, 2023

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

March 23, 2023

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

Madam:

In accordance with instructions contained in Appointment No. 32373, dated May 27, 2022 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Dominican Friars' Guilds. The Fund's home office is located at 141 East 65th Street, New York, New York 10065.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The examiner recommends that the Fund review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials. (See item 4A 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 6 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 Dominican Friars Guilds Annuity Fund (the "Fund") through which the Dominican Friars Guilds (the "Association") 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 Association 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 7 of this report.

3. DESCRIPTION OF FUND

A. History

The Dominican Friars Guilds is organized for the purpose of promoting the missionary charitable and religious activities of the Province of Saint Joseph of the Dominican Order, also known as the Order of Preachers, within the U.S. and throughout the world to publicize the aforementioned works, etc. The Association established the Fund to issue gift annuity agreements in return for gifts from donors in 1984. The Superintendent of Insurance granted to the Association a Charitable Annuity Society special permit on October 18, 2007.

B. Structure

The management of the Association and the Fund and all of its affairs and property are entrusted to a Board of Directors. All operations related to the issuance and settlement of annuity agreements are handled by the Fund itself.

C. Assets under the Board of Directors

As of the June 30, 2021 audited financial statement, the Organization's Board of Directors oversaw investments of \$1,068,560 at fair value. The Fund, as of December 31, 2021, held total admitted assets of \$1,262,594.

D. Third-Party Payment Service Provider

Fidelity Investments is the custodian of the Fund's assets. Neuberger Berman is the Fund's asset management company. Neuberger Berman oversees the Fund's investment portfolio. Capital One Bank issues the payments to the donors.

4. INVESTMENT REVIEW

A. Investment Policy Statement

New York Estate Powers and Trust Law § 11-2.3(b)(3)(A) requires trustees to “pursue an overall investment strategy to enable the trustee[s] to make appropriate present and future distributions to or for the benefit of the beneficiaries under the governing instrument, in accordance with risk and return objectives reasonably suited to the entire portfolio.”

New York Not-for-Profit Corporation Law § 552(e)(2) requires institutions to adopt “an overall investment strategy having risk and return objectives reasonably suited to the fund and to the institution.” New York Not-for-Profit Corporation Law § 552(f) provides that each “institution shall adopt a written investment policy setting forth guidelines on investments ... and delegation of management and investment functions in accord with the standards of this article.”

The Association prepared and provided an investment policy statement (“IPS”) for the Fund. The Fund adopted that form as its IPS.

The examiner recommends that the Fund review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials.

5. ASSETS AND LIABILITIES SUMMARY

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>2016</u>	<u>December 31,</u> <u>2021</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$775,340</u>	<u>\$1,262,594</u>	<u>\$ 487,254</u>
Liabilities	<u>\$697,860</u>	<u>\$ 401,371</u>	<u>\$(296,489)</u>
Minimum required fund balance	\$ 69,786	\$ 40,137	\$ (29,649)
Excess fund balance (surplus)	<u>7,694</u>	<u>821,086</u>	<u>813,392</u>
Total annuity fund balance	<u>\$ 77,480</u>	<u>\$ 861,223</u>	<u>\$ 783,743</u>
Total liabilities and annuity fund balance	<u>\$775,340</u>	<u>\$1,262,594</u>	<u>\$ 487,254</u>

The increase in assets and annuity fund balance is attributed to the realized and unrealized gains and the Fund not taking out the residual value of terminated contracts until May 2022. The decrease in liabilities is due to the value of the terminated contracts being greater than the size of new contracts. Nevertheless, annuity contracts actually increased from 31 with annual payment amounts of \$71,049 as of December 31, 2016 to 32 with annual payment amounts of \$59,334 as of December 31, 2021.

The Fund's admitted assets, as of December 31, 2021, were invested mainly in equity securities (70.27%) and bonds (17.91%).

6. 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.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violation 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 examiner recommends that the Fund's board of directors review the activities of the Fund at least annually and note the same in the minutes.</p> <p>The Fund's board of directors reviewed the activities of the Fund at least annually and noted the same in the minutes.</p>
B	<p>The examiner recommends that the board of directors, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes.</p> <p>The examiner was unable to ascertain any approval of purchases and sales of investments in the minutes. However, the Fund provided the SOC1 report from Fidelity Investments which contain an unqualified opinion.</p>
C	<p>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 filed with the Superintendent.</p> <p>During the examination period the Fund used gift annuity agreement forms that were in compliance with forms filed with the Superintendent.</p>
D	<p>The examiner recommends that the Fund file with the Superintendent all gift annuity agreement forms not previously filed with the Superintendent.</p> <p>The Fund's annuity agreement forms are on file with the Superintendent.</p>
E	<p>The examiner recommends that the Fund use on all annuity benefit payment checks the name it agreed to by board resolution as part of its permit application to the Department for a special permit to issue charitable gift annuities in New York.</p> <p>The Fund used on all annuity benefit payment checks the name it agreed to by board resolution as part of its permit application to the Department for a special permit to issue charitable gift annuities in New York.</p>

<u>Item</u>	<u>Description</u>
F	<p>The examiner recommends that the Fund contract with a licensed bank or trust company to serve as the Fund's custodian for the Fund's securities.</p> <p>The Fund has contracted with a licensed bank to serve as its custodian.</p>
G	<p>The examiner recommends that the Fund prepare its annual statements in accordance with the instructions for completing the New York State Segregated Gift Annuity Annual Statement.</p> <p>The examiner noted no new discrepancies during her review.</p>

8. 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 review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials.	5

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. 32373

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
DOMINICAN FRIARS' GUILDS.***

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

