



**REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
AMERICAN HEART ASSOCIATION, INC.**

AS OF December 31, 2022

EXAMINER: Manish Gera

DATE OF REPORT: August 28, 2024

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Executive summary	2
2.	Scope of examination	3
3.	Description of Fund	4
	A. History	4
	B. Structure	4
	C. Assets under the board of directors	4
	D. Third-Party service providers	4
4.	Assets and liabilities summary	5
5.	Treatment of annuitants	6
6.	Prior report summary and conclusions	7
7.	Summary and conclusions	8

KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

October 10, 2024

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

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 32495, dated May 25, 2023 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the American Heart Association, Inc. The Fund's home office is located at 122 East 42nd Street 18th Floor, New York, NY 10168.

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, 2022 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 6 of this report)

2. SCOPE OF EXAMINATION

This Scope of Examination summarizes the nature of the Superintendent of the Department of Financial Services' examination and assessment of the American Heart Association, Inc. Segregated Gift Annuity Fund (the "Fund") through which American Heart Association, Inc. (the "Corporation") provides annuity benefits.

The prior examination was conducted as of December 31, 2017. This examination covers the period from January 1, 2018 through December 31, 2022. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2022 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 Foundation 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, 2022 to determine whether the Fund's filed 2022 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 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 American Heart Association, Inc. was organized in 1924 and is organized for the purpose of improving the lives of Americans suffering from cardiovascular disease. The Corporation established the Fund to issue gift annuity agreements in return for gifts from donors in 1991. The Superintendent of Insurance granted to the Corporation a Charitable Annuity Society special permit on November 3, 1998.

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 and maintenance of annuity agreements are handled by the Fund.

C. Assets under the Board of Directors

As of the June 30, 2022 audited financial statement, the Corporation's Board of Directors oversaw an endowment comprising \$76,169,000 in total assets. The Corporation also maintains \$902,637,000 in investments. The Fund, as of December 31, 2022, held total admitted assets of \$14,401,573.

D. Third-party Service Providers

State Street Global Advisors ("State Street") is the custodian and investment manager of the Fund's assets. State Street is authorized to invest the assets and collect the income from the investments in accordance with the Fund's investment policy statement. State Street also prepares and distributes payments to annuitants, sends Form 1099-R or such other tax notices to annuitants, and maintains the books and records of the accounts.

4. ASSETS & LIABILITIES SUMMARY

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

	December 31, <u>2017</u>	December 31, <u>2022</u>	<u>Decrease</u>
Admitted assets	<u>\$17,597,060</u>	<u>\$14,401,573</u>	<u>\$(3,195,487)</u>
Liabilities	<u>\$11,353,896</u>	<u>\$ 9,639,392</u>	<u>\$(1,714,504)</u>
Minimum required fund balance	\$ 1,135,390	\$ 960,154	\$ (175,236)
Excess fund balance (surplus)	<u>5,107,774</u>	<u>3,802,026</u>	<u>(1,305,748)</u>
Total annuity fund balance	<u>\$ 6,243,164</u>	<u>\$ 4,762,180</u>	<u>\$(1,480,984)</u>
Total liabilities and annuity fund balance	<u>\$17,597,060</u>	<u>\$14,401,573</u>	<u>\$(3,195,487)</u>

The decrease in assets, liabilities and annuity fund balance reflects as decrease in the total number of annuities in force. Annuities decreased from 531 with annual payment amounts of \$1,376,669 as of December 31, 2017 to a total of 396 with annual payment amounts of \$999,427 as of December 31, 2022.

The Fund's admitted assets, as of December 31, 2022, were invested mainly in equity securities (94.68%).

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's review of a sample of 5 newly issued gift annuities by the Fund during the examination period. In the sample selected, the examiner noted that 3 out of the 5 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 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 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 board of trustees, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes.</p> <p>The Corporation's board of directors, or a committee thereof, reviewed the purchases and sales of the Fund's investments annually and noted the same in the minutes.</p>
B	<p>The examiner recommends that the Fund adopt an Investment Strategy Statement that references the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law, governs the manner in which the required admitted assets of a segregated gift annuity fund shall be invested. The Fund should exercise reasonable care, skill and caution to make and implement investment and management decisions as a prudent investor would for the entire portfolio. In doing so, the Fund should take into account present and future distributions to or for the beneficiaries and create a plan to meet the needs of those distributions to establish the ISS's risk, return, and time horizon objectives.</p> <p>The examiner noted that the Fund adopted an Investment Policy Statement that references the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law.</p>
C	<p>The examiner recommends that the Fund strengthen the diversification of its investment holdings. If the trustee has determined that it is in the interests of the beneficiaries not to diversify, then it should memorialize the reasons for that determination in terms of the ISS's risk, return and time horizon parameters.</p> <p>The Department no longer provides specific guidance for diversification.</p>
D	<p>The examiner recommends that upon the death of an annuitant, the Fund obtain and maintain a copy of a death certificate or other reliable documentary evidence that supports terminating such information.</p> <p>The Fund has complied with the recommendation.</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/

Manish Gera
Senior Insurance Examiner

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

MANISH GERA, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/

Manish Gera

Subscribed and sworn to before me

this _____ day of _____

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:*

MANISH GERA

as a proper person to examine the affairs of the

***SEGREGATED GIFT ANNUITY FUND OF THE
AMERICAN HEART ASSOCIATION, INC.***

and to make a report to me in writing of the condition of said

FUND

with such other information as he 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 25th day of May, 2023

ADRIENNE A. HARRIS
Superintendent of Financial Services

By:



MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

