



**REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
CHOSEN PEOPLE MINISTRIES, INC.**

AS OF December 31, 2021

EXAMINER: Hasan Ahmed

DATE OF REPORT: October 12, 2022

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

CHOSEN PEOPLE MINISTRIES, INC.

AS OF

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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. 32367, dated April 5th, 2022 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Chosen People Ministries, Inc. The Fund's home office is located at 241 E. 51st Street, New York, NY 10022.

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

1. EXECUTIVE SUMMARY

The examiner recommends that the Fund use the name, as agreed upon by resolution of the Board of Trustees, for its custodian account. (See item 3E of this report)

The examiner recommends that the Investment Policy Statement be approved by the Board of Trustees. (See item 4A of this report)

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 delegates 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 recommends that the Board of Trustees, or a committee thereof, be provided, at least annually, with a report concerning the Fund's investment of required admitted assets and note such in the minutes. (See item 4B 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' (the "Department" or "DFS") examination and assessment of the Chosen People Ministries Gift Annuity Fund (the "Fund") through which Chosen People Ministries (the "Organization") provides annuity benefits.

This is the first examination of the Fund since it received its special permit to issue gift annuity agreements in 2017. This examination covers the period from October 12, 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 Organization 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.

3. DESCRIPTION OF FUND

A. History

The Chosen People Ministries, Inc is organized for the purpose of evangelize, disciple, and serve Jewish people everywhere in the world. The Organization has been issuing gift annuity agreements since 1986. The Superintendent of Financial Services granted to the Organization a Charitable Annuity Society special permit on October 12, 2017.

B. Structure

All operations related to the issuance of annuity agreements are handled by the Fund. The Fund maintains a checking account with Wells Fargo.

C. Assets under the Board of Trustees

As of the June 30, 2021 audited financial statement, the Organization's Board of Trustees oversaw an endowment comprising \$593,735 in total assets. The Organization held \$8,432,323 in investments as of June 30, 2021. The Fund, as of December 31, 2021, held total admitted assets of \$1,353,977.

D. Third-Party Payment Service Provider

Charles Schwab & Co. Inc. is the custodian of the Fund's assets. The Fund has an annuity investment account with Charles Schwab & Co. Inc. The Fund has an agreement with Cornerstone Management to provide segregated annuity administration and investment advisory services. Cornerstone Management is responsible for contract payments, accounting, tax and regulatory report filings.

E. Oversight Structure

The examiner's review of the custodian statement provided by the custodian during the examination period revealed that only the name of the Organization (Chosen People Ministries), not the Fund's name, appeared on the statement.

The examiner recommends that the Fund use the name, as agreed upon by resolution of the Board of Trustees, for its custodian account.

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 examiner’s review of the Fund’s Investment Policy Statement (“IPS”) revealed that the board did not approve the IPS.

The examiner recommends that the Investment Policy Statement be approved by the Board of Trustees.

The Organization prepared and provided a custom-tailored investment policy statement (“IPS”) for the Fund. The Fund adopted that statement as its IPS. The examiner’s review of the board minutes revealed that the Foundation failed to review the Fund’s IPS after adoption.

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 delegates to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials.

B. Monitoring

The examiner reviewed the Board of Trustees minutes to determine whether the board had been provided with a report concerning the Fund’s investment of required admitted assets. The minutes did not contain any indication that the board was provided with a report concerning the Fund’s investment of required admitted assets.

The examiner recommends that the Board of Trustees, or a committee thereof, be provided, at least annually, with a report concerning the Fund’s investment of required admitted assets and note such in the minutes.

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:

	December 31, <u>2017</u>	December 31, <u>2021</u>	<u>Increase</u>
Admitted assets	\$ <u>1,191,290</u>	\$ <u>1,353,977</u>	\$ <u>162,687</u>
Liabilities	\$ <u>654,028</u>	\$ <u>586,511</u>	\$ <u>(67,517)</u>
Minimum required fund balance	\$ 65,403	\$ 58,651	\$ (6,752)
Excess fund balance (surplus)	<u>471,859</u>	<u>708,815</u>	<u>236,956</u>
Total annuity fund balance	\$ <u>537,262</u>	\$ <u>767,466</u>	\$ <u>230,204</u>
Total liabilities and annuity fund balance	\$ <u>1,191,290</u>	\$ <u>1,353,977</u>	\$ <u>162,687</u>

The increase in assets and annuity fund balance is due to investment gains that occurred during the examination period. The decrease in liabilities stems from annuities decreasing from 62 with annual payment amounts of \$87,989 as of December 31, 2017 to a total of 60 with annual payment amounts of \$78,798 as of December 31, 2021.

The Fund's admitted assets, as of December 31, 2021, were invested in equity securities (95.39%).

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. SUMMARY AND CONCLUSIONS

Following are the recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
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D	The examiner recommends that the Board of Trustees, or a committee thereof, be provided, at least annually, with a report concerning the Fund's investment of required admitted assets and note such in the minutes.	5

Respectfully submitted,

/s/

Hasan Ahmed
Senior Insurance Examiner

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

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

/s/

Hasan Ahmed

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 32367

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:

HASAN AHMED

as a proper person to examine the affairs of the

***SEGREGATED GIFT ANNUITY FUND OF THE
CHOSEN PEOPLE MINISTRIES, 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 5th day of April, 2022

*ADRIENNE A. HARRIS
Superintendent of Financial Services*

By:



***MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU***

