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BULLETIN 22-16

DATE: November 2, 2022

TO: All Charitable Gift Annuity Special Permit Holders

RE: Charitable Gift Annuity (CGA) Reserve Attestation Language Requirements

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The administration has noticed that many charitable gift annuity special permit holders are submitting attestation statements that lack certain details regarding the adequacy of their reserves. The purpose of this bulletin is to provide additional guidance related to the required information to be reported by the charitable gift annuity and the requirements of Ins. Art. § 16-114(d)(1) and COMAR 31.09.07.03 and COMAR 31.09.07.04.

Pursuant to Ins. Art. § 16-114(d)(1), each special permit holder shall have and maintain assets at least equal to adequate reserves on its outstanding agreements for annuity payment with donors as indicated by its audited fiscal year-end financial statements. COMAR 31.09.07.04A requires that such reserve assets be held in a segregated account. COMAR 31.09.07.03D states that as part of the annual audit report, the special permit holder shall submit a statement by a certified public accountant ("CPA") or qualified actuary verifying the existence of adequate reserves among the organization's assets.

This Bulletin addresses the provisions in COMAR 31.09.07.03 and COMAR 31.09.07.04 in order to clarify what specific information must be documented by the CPA or qualified actuary who has reviewed and certified the special permit holder's reserves. The statement from the CPA or qualified actuary should at a minimum:

(1) verify the existence of adequate reserve assets that are at least equal to the sum of the reserves on the organization's outstanding annuity agreements. *See* COMAR 31.09.07.03A;

(2) verify the existence of adequate reserve that have been calculated consistent with the assumptions underlying the rates adopted by the American Council on Gift Annuities which are in effect at the time of issuance of the gift annuity. *See* COMAR 31.09.07.03B; and

(3) confirm that the reserve assets are held in a segregated account. *See* COMAR 31.09.07.04A.

The purpose of this Bulletin is to assist charitable gift annuity special permit holders by proposing best practices for consideration in preparing and submitting statements from CPAs or qualified actuaries concerning their reserves. The statement from the CPA or qualified actuary may be incorporated into the annual audit report or the CPA may file a separate attestation letter. The following example meets the Maryland Insurance Administration's requirements, will expedite the review process, and should be followed closely by charitable gift annuity special permit holders and their CPAs or qualified actuaries:

> *As of [FY end], ABC Charitable Gift Annuity Organization maintained reserves on its outstanding annuity agreements in the amount of [$].*
>
> *As of [FY end], ABC Charitable Gift Annuity Organization maintained reserve assets in the amount of [$]. These reserve assets* are [equal to, exceed, or are less than] the sum of the reserves on ABC *Charitable Gift Annuity* Organization's outstanding annuity agreements.
> *As of [FY end] ABC Charitable Gift Annuity Organization maintained the reserve assets described above in a segregated account.*
> It is my professional opinion that the reserves are: _[_]_ADEQUATE [ ] INADEQUATE.

Please contact the Associate Commissioner for Financial Regulation Division, Lynn Beckner (Lynn.Beckner@maryland.gov / 410.468.2126) or the Director of Company Licensing, Victoria Claros (Victoria.Claros@maryland.gov / 410.468.2134) with any questions.

KATHLEEN A. BIRRANE.
Commissioner

By: SIGNATURE ON ORIGINAL
_____
Lynn Beckner
Associate Commissioner
Financial Regulation Division