

**RULES
OF
TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE
DIVISION OF INSURANCE**

**CHAPTER 0780-01-70
TENNESSEE CHARITABLE GIFT ANNUITY REGULATIONS**

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0780-01-70-.01 PURPOSE.

The purpose of this Chapter is to set standards to assist the commissioner of the Tennessee Department of Commerce and Insurance in administering the laws relating to the Tennessee Charitable Gift Annuity Act of 2008.

Authority: T.C.A. §§ 56-52-101 through 56-52-111 and 2008 Public Acts, Chapter 831. **Administrative History:** Public necessity rule filed February 2, 2009; effective through July 17, 2009. Public necessity rule filed February 2, 2009, and effective through July 17, 2009, expired effective July 18, 2009; rule reverted to its previous status. Original rule filed May 5, 2009; effective July 19, 2009.

0780-01-70-.02 SCOPE.

This Chapter applies to all charitable organizations issuing charitable gift annuities in this State unless specifically exempted by the commissioner pursuant to T.C.A. § 56-52-104.

Authority: T.C.A. §§ 56-52-101 through 56-52-111 and 2008 Public Acts, Chapter 831. **Administrative History:** Public necessity rule filed February 2, 2009; effective through July 17, 2009. Public necessity rule filed February 2, 2009, and effective through July 17, 2009, expired effective July 18, 2009; rule reverted to its previous status. Original rule filed May 5, 2009; effective July 19, 2009.

0780-01-70-.03 AUTHORITY.

This Chapter is issued pursuant to the authority vested in the commissioner pursuant to T.C.A. §§ 56-52-101 through 56-52-111.

Authority: T.C.A. §§ 56-52-101 through 56-52-111 and 2008 Public Acts, Chapter 831. **Administrative History:** Public necessity rule filed February 2, 2009; effective through July 17, 2009. Public necessity rule filed February 2, 2009, and effective through July 17, 2009, expired effective July 18, 2009; rule reverted to its previous status. Original rule filed May 5, 2009; effective July 19, 2009.

0780-01-70-.04 DEFINITIONS.

- (1) "Annuity" means a contract or agreement, both with and without a life or mortality element, to make periodic payments, whether in fixed or variable dollar amounts, or both, at specified intervals;

(Rule 0780-01-70-.04, continued)

- (2) (a) "Charitable gift annuity" means a transfer of cash, securities, annuities or other property by a donor to a charitable organization in return for an annuity issued by a charitable organization;
- (b) "Charitable gift annuity" does not include a charitable remainder trust or a charitable lead trust or other similar arrangement where the charitable organization does not issue an annuity and incur a financial obligation to guarantee annuity payments. "Charitable gift annuity" also does not mean any transfer of cash, securities, annuities or other property by a donor to a charitable organization in return for an annuity where a commission is paid to any person as a result of such transfer;
- (3) "Charitable gift annuity separate account" means any segregated account established by a charitable organization to which such organization allocates cash, securities, annuities or other property transferred by a donor to such organization that are to be applied to the terms of a charitable gift annuity issued in connection with such transfer to fund benefits under such charitable gift annuity;
- (4) "Charitable organization" means an entity described by:
 - (a) Section 501(c)(3) Internal Revenue Code of 1986 (26 U.S.C. Section 501(c)(3)); or
 - (b) Section 170(c), Internal Revenue Code of 1986 (26 U.S.C. Section 170(c));
- (5) "Commissioner" means the commissioner of the Tennessee Department of Commerce and Insurance;
- (6) "Department" means the Tennessee Department of Commerce and Insurance;
- (7) "NAIC" means the National Association of Insurance Commissioners;
- (8) "Person" means any natural or artificial person including, but not limited to, an individual, partnership, association, trust or corporation; and
- (9) "Uniform Administrative Procedures Act" means the act compiled in T.C.A. §§ 4-5-101, et seq.

Authority: T.C.A. §§ 4-5-101, et seq., 56-52-101 through 56-52-111 and 2008 Public Acts, Chapter 831.

Administrative History: Public necessity rule filed February 2, 2009; effective through July 17, 2009. Public necessity rule filed February 2, 2009, and effective through July 17, 2009, expired effective July 18, 2009; rule reverted to its previous status. Original rule filed May 5, 2009; effective July 19, 2009.

0780-01-70-.05 LICENSING REQUIREMENTS.

- (1) The following items are required to be submitted for the initial registration of any person wishing to apply for a certificate of authority to issue charitable gift annuities:
 - (a) A completed application form adopted for use by the commissioner verified by two (2) of the charitable organization's principal officers;
 - (b) A statement that the charitable organization maintains a charitable gift annuity separate account, invested in accordance with the prudent investor standard as set forth in the Tennessee Uniform Prudent Investor Act, that equals either the total amount of donations for outstanding charitable gift annuities to which the account applies or one hundred ten percent (110%) of the reserves calculated in a manner consistent with T.C.A. § 56-52-104(b). In meeting the charitable gift annuity separate account reserve requirement, either by holding the total amount of donations or one hundred ten

(Rule 0780-01-70-.05, continued)

percent (110%) of the reserves, a charitable organization shall maintain a segregated account for the payment of charitable gift annuities issued in this State on or after January 1, 2009. If the charitable organization maintains a charitable gift annuity separate account that equals one hundred ten percent (110%) of the reserves, the charitable organization must also submit an actuarial opinion;

- (c) A statement certifying that the charitable organization does not use persons that receive commissions for the sale, solicitation or negotiation of charitable gift annuities;
 - (d) A certificate from the Internal Revenue Service stating that the charity qualifies as an organization described in sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code of 1986;
 - (e) Financial statement as of the end of the charitable organization's previous fiscal year that includes contact information for the charitable organization and has been attested to by two (2) principal officers or has been audited by an independent qualified certified public accountant; and
 - (f) A fee in the amount of six hundred and seventy-five dollars (\$675) or in an amount otherwise specified in T.C.A. § 56-4-101(a)(1).
- (2) The commissioner may, after receiving an application under this Paragraph, request from a charitable organization additional information as deemed necessary or appropriate in reviewing such application.
 - (3) If the commissioner finds that the applicant is in sound financial condition and is otherwise qualified, the commissioner shall issue to the applicant a certificate of authority. If the commissioner does not so find, the commissioner shall deny issuance of the certificate of authority and notify the applicant in writing stating the reasons.
 - (4) For matters pertaining to the issuance of charitable gift annuities, the charitable organization must appoint the commissioner as attorney to receive service of lawful process in any action, suit, or proceeding in any court. This appointment is irrevocable, and binds the charitable organization and any successor in interest, and shall remain in effect so long as there is in force in Tennessee any contract made or issued by the charitable organization, or any obligation arising therefrom.
 - (5) Unless directed otherwise by the Commissioner, an applicant shall file the information required under this Rule with the commissioner by personal delivery or mail addressed to: Tennessee Department of Commerce and Insurance, 500 James Robertson Parkway, Davy Crockett Tower, Fourth Floor, Nashville, Tennessee 37243, Attention: Charitable Gift Annuity Specialist.

Authority: T.C.A. §§ 56-4-101, 56-52-101 through 56-52-111 and 2008 Public Acts, Chapter 831.

Administrative History: Public necessity rule filed February 2, 2009; effective through July 17, 2009. Public necessity rule filed February 2, 2009, and effective through July 17, 2009, expired effective July 18, 2009; rule reverted to its previous status. Original rule filed May 5, 2009; effective July 19, 2009.

0780-01-70-.06 ANNUAL REPORTING REQUIREMENTS.

- (1) A charitable organization authorized under this Chapter shall annually file a report verified by at least two (2) principal officers with the commissioner covering the preceding fiscal year. The report is due ninety (90) days after the close of the charitable organization's fiscal year or at a later date approved by the commissioner. In lieu of a verified report, a charitable organization may submit a report that has been audited by an independent qualified certified

(Rule 0780-01-70-.06, continued)

- public accountant within one hundred and fifty (150) days after the close of the charity's fiscal year.
- (2) All charitable organizations maintaining a charitable gift annuity separate account that equals one hundred ten percent (110%) of the reserves must annually submit an actuarial opinion prepared by a qualified actuary concurrently with either the verified report or the audited report.
 - (3) All charitable organizations licensed pursuant to this Chapter must use either the annual report form adopted by the commissioner or the state of domicile of the charitable organization if that report contains substantially the same information as the report required by Title 56, Chapter 52. The annual report form adopted by the commissioner shall be made available to each charitable organization upon request.
 - (4) In addition to the form required by this Rule, all charitable organizations licensed pursuant to this Chapter must submit an annual continuance fee in the amount of one hundred dollars (\$100.00) by March 1.

Authority: T.C.A. §§ 56-52-101 through 56-52-111 and 2008 Public Acts, Chapter 831. **Administrative History:** Public necessity rule filed February 2, 2009; effective through July 17, 2009. Public necessity rule filed February 2, 2009, and effective through July 17, 2009, expired effective July 18, 2009; rule reverted to its previous status. Original rule filed May 5, 2009; effective July 19, 2009.

0780-01-70-.07 APPROVAL OF RATES AND FORMS.

- (1) No form of a charitable gift annuity shall be issued in this state without the approval of the commissioner.
- (2) Each annuity agreement form shall include the following information:
 - (a) The value of the property to be transferred;
 - (b) The amount of the annuity, calculated pursuant to the suggested charitable gift annuity rates approved by the American Counsel on Gift Annuities or such other methodology approved by the Commissioner, to be paid to the donor or other annuitant;
 - (c) The manner in which and the intervals at which payment is to be made;
 - (d) The age and sex of the person or persons during whose life payment is to be made (use of the date of birth and gender specific pronouns are acceptable);
 - (e) The reasonable value as of the date of the agreement of the benefits created as calculated using methodology approved by the Internal Revenue Service (the annuity agreement need not state the methodology being used, simply the figure derived by the methodology); and
 - (f) The date the payments are to begin.
- (3) All requests for approval under this Paragraph shall be filed with the commissioner no later than thirty (30) days prior to the proposed date of offering of the charitable gift annuity by a charitable organization.
- (4) The commissioner may, after receiving a request for approval, request from a charitable organization additional information as deemed necessary or appropriate in reviewing such request.

(Rule 0780-01-70-.07, continued)

- (5) Upon receiving a request for approval containing all of the information required by Rule 0780-01-70-.07(2), and receiving all information requested pursuant to Rule 0780-01-70-.07(3), the commissioner shall issue the requesting party in writing a notice of approval or denial of the request.
- (6) A charitable organization shall not offer in this State a charitable gift annuity without approval of the commissioner. Notwithstanding the foregoing, if the commissioner does not deny a request for approval within thirty (30) days of having received all requested information under this rule, the request for approval shall be deemed to have been approved by the commissioner.

Authority: T.C.A. §§ 56-52-101 through 56-52-111 and 2008 Public Acts, Chapter 831. **Administrative History:** Public necessity rule filed February 2, 2009; effective through July 17, 2009. Public necessity rule filed February 2, 2009, and effective through July 17, 2009, expired effective July 18, 2009; rule reverted to its previous status. Original rule filed May 5, 2009; effective July 19, 2009.

0780-01-70-.08 EXAMINATION AUTHORITY AND RECORD KEEPING REQUIREMENTS.

- (1) The commissioner has the authority to examine such charitable organizations' assets, liabilities and other affairs as they pertain to charitable gift annuity agreements entered into pursuant to Title 56, Chapter 52 and this Chapter in determining whether such charitable organizations are in compliance with the laws or regulations applicable to them. Reasonable expenses of such examinations shall be assessed against the charitable organization.
- (2) The commissioner has the authority to investigate the affairs of any person acting as a charitable organization in this State in order to determine whether such person is in violation of this Title 56, Chapter 52 and this Chapter.
- (3) Each charitable organization shall maintain its accounts, books and records in a form and manner approved by the commissioner for a period of not less than five (5) years.
- (4) All charitable organizations licensed under this Chapter 56, Title 52 and this Chapter must maintain a copy of the signed statement as required by T.C.A. § 56-52-109 for the life of the charitable gift annuity.
- (5) All examinations shall be conducted pursuant to T.C.A. § 56-1-411. Once the examination report is completed and the rebuttal period has expired, the commissioner shall fully consider and review the report, together with any written submissions or rebuttals and any relevant portions of the examiner's work papers and enter an order:
 - (a) Adopting the examination report as filed or with modification or corrections. If the examination report reveals that the company is operating in violation of any law, regulation or prior order of the commissioner, the commissioner may order the company to take any action the commissioner considers necessary and appropriate to cure such violation;
 - (b) Rejecting the examination report with directions to the examiners to reopen the examination for purposes of obtaining additional data, documentation or information, and refiling pursuant to T.C.A. § 56-1-411(c)(2); or
 - (c) Calling for an investigatory hearing with no less than twenty (20) days' notice to the company for purposes of obtaining additional documentation, data, information and testimony.
- (6) If the examination reveals that the company is operating in violation of any law, regulation or prior order, the commissioner in such written order may require the company to take any

(Rule 0780-01-70-.08, continued)

action the commissioner considers necessary or appropriate in accordance with the report of examination or the hearing, if any, on such. That order shall be subject to judicial review in accordance with the provisions of title 27, chapter 9.

- (7) Nothing contained in this Title 56, Chapter 52 and this Chapter shall prevent or be construed as prohibiting the commissioner from disclosing the examination report after an order adopting an examination report has been entered. The confidentiality and privileges provisions found in T.C.A. §§ 56-1-411 and 56-8-107 shall also apply.

Authority: T.C.A. §§ 56-1-411, 56-8-107, 56-52-101 through 56-52-111 and 2008 Public Acts, Chapter 831. **Administrative History:** Public necessity rule filed February 2, 2009; effective through July 17, 2009. Public necessity rule filed February 2, 2009, and effective through July 17, 2009, expired effective July 18, 2009; rule reverted to its previous status. Original rule filed May 5, 2009; effective July 19, 2009.

0780-01-70-.09 PROCEDURES FOR PUBLIC COMPLAINTS.

- (1) Complaints concerning charitable organizations regulated under Title 56, Chapter 52 and this Chapter or other applicable insurance law shall be handled by the Consumer Insurance Services Section (or successor organizational unit) of the Department's Insurance Division.
- (2) The Consumer Insurance Services Section (or successor organizational unit) shall record and review all complaints received under this Rule, and the process for such review and disposition shall be the same as that for all other complaints submitted to the Consumer Insurance Services Section.
- (3) Upon receiving notice of a complaint from the Consumer Insurance Services Section, a charitable organization licensed under this Chapter shall send a written response to the Consumer Insurance Services Section within thirty (30) days thereafter.

Authority: T.C.A. §§ 56-8-107, 56-52-101 through 56-52-111 and 2008 Public Acts, Chapter 831. **Administrative History:** Public necessity rule filed February 2, 2009; effective through July 17, 2009. Public necessity rule filed February 2, 2009, and effective through July 17, 2009, expired effective July 18, 2009; rule reverted to its previous status. Original rule filed May 5, 2009; effective July 19, 2009.

0780-01-70-.10 PENALTIES.

- (1) In addition to any other reason set forth in statute, the commissioner may deny, suspend or revoke the certificate of authority of any charitable organization upon finding that:
 - (a) The charitable organization has failed to provide any information required for a certificate of authority under this Chapter;
 - (b) The charitable organization is violating any of the provisions of Title 56, Chapter 52 and this Chapter or any other law or regulation applicable to it;
 - (c) The charitable organization is not fulfilling its contractual obligations under the charitable gift annuity;
 - (d) The charitable organization is in unsound financial condition and is now or would become reasonably unable to make the payments that it contracts for in the charitable gift annuities issued in this state or another state;
 - (e) The charitable gift organization fails to maintain separate assets for its charitable gift annuities in conformity with the prudent investor standard as set forth in the Tennessee Uniform Prudent Investor Act of 2002, compiled in T.C.A. §§ 35-14-101, et seq.; or

(Rule 0780-01-70-.10, continued)

- (f) The charitable organization is conducting business in a deceptive, untrustworthy or fraudulent manner, which includes using persons who receive commissions for the sale, solicitation or negotiation of charitable gift annuities on behalf of the charitable organization.
- (2) All hearings to revoke or suspend a certificate of authority under this Rule shall be held in conformity with the Uniform Administrative Procedures Act and the Rules of Procedure for Contested Cases of the Rules of the Secretary of State as compiled at Chapter 1360-04-01.

Authority: T.C.A. §§ 35-14-101 through 114, 56-52-101 through 56-52-111 and 2008 Public Acts, Chapter 831. **Administrative History:** Public necessity rule filed February 2, 2009; effective through July 17, 2009. Public necessity rule filed February 2, 2009, and effective through July 17, 2009, expired effective July 18, 2009; rule reverted to its previous status. Original rule filed May 5, 2009; effective July 19, 2009.

0780-01-70-.11 SEVERABILITY PROVISION.

If any Rule or portion of a Rule of this Chapter or its applicability to any person or circumstance is held invalid by a court, the remainder of the Chapter or the applicability of the provision to other persons or circumstances shall not be affected. To this end, the provisions of this chapter are declared severable.

Authority: T.C.A. §§ 56-52-101 through 56-52-111 and 2008 Public Acts, Chapter 83. **Administrative History:** Public necessity rule filed February 2, 2009; effective through July 17, 2009. Public necessity rule filed February 2, 2009, and effective through July 17, 2009, expired effective July 18, 2009; rule reverted to its previous status. Original rule filed May 5, 2009; effective July 19, 2009.