GIANT, IMPORTANT DISCLAIMER: WE AREN'T GIVING LEGAL, TAX OR FINANCIAL ADVICE. PLEASE SEEK YOUR OWN COUNSEL FOR ANY DONATIONS. MANY OF THESE QUESTIONS ARE OPEN TO SOME INTERPRETATION, ARE GENERAL IN NATURE OR ARE UNIQUE TO A PARTICULAR JURISDICTION. ASSUME ALL ANSWERS ARE WRONG UNTIL YOU/YOUR DONOR CONFIRMS WITH HER/HIS ADVISOR.

Q & A from "Charitable Gift Annuity Reinsurance: What it is; What it isn't; When it Works and When it Doesn't" Webinar, March 2021

QUESTION	ANSWER
So the "re-insurance" advantage over a fixed-income tailored portfolio is an exact match to the liability, not just a good or close match?	Correct. It is a perfect ALM (asset-liability match) so long as the commercial annuity contract is designed to precisely match the payout/frequency, etc. of the CGA contract. The asset value of the commercial "reinsurance" annuity will always precisely match the liability even when using different assumptions (FASB, state reserve, etc.).
What does NGA do with the $$ over and above the premium when they reinsure - add it to your pool?	NGAF can either payout the net amount after reinsurance, and a fee, or can leave the amount in the pool and let it grow until life expectancy.
In California, I've heard that only one carrier is allowed to reinsure CGAs? Mutual of Omaha?	That is generally correct – there are extremely precise provisions in the CA insurance code about "qualifying" reinsurance and whether the charity can reduce the reserve liability by the reinsured contracts.
Does the ACGA have similar research on Gift Annuitant mortality that allows them to recommend rates?	Yes, the ACGA refreshes CGA mortality assumptions every few years as the Rate Recommendation Committee deems appropriate.
So, the contract with the insurance company becomes an asset owned by the CGA pool?	Correct. And the asset value matches the liability value.
We saw a situation last year where reinsurance cost more than the original gift. Did you also see that? Was that unusual?	Yes, it was a very, very odd year with a complete collapse of the 10-year yield. The ACGA takes a rough snapshot of rates in the spring to determine if there should be any changes. After that point, the yield dropped about 50-75%, so life insurance company's use current rates that were much lower than the ACGA rate assumptions. That meant that reinsurance rates were greater than the original donation – we saw the same issue with NY reserve requirements. Some

	charities were having to add additional capital for a newly issued CGA (e.g., a $50K CGA would be received and then the charity would have to add an extra $3-4K into reserves) since they were underwater immediately. The ACGA rates then were updated to recalibrate to the market conditions.
What is a proper concentration of risk in a CGA pool?	Usually, a CGA that is 7-10 times the average is too large. In larger pools, it might be closer to 4-6 times the average.
We reinsure our annuities, but I always struggle in explaining to the donor that the residuum may not be as high as if my organization retained full liability. Thoughts on that?	It always depends, of course. Our research shows that if they live to life expectancy AND the charity invests all equity (at least a 6% rate of return), you should have more under reinsurance. Usually, 2-3 years prior to life expectancy is the cross-over point. Any earlier death would show a better self-insurance outcome.
Do you know what reinsurance companies that New York accepts? We had a situation where New York did not accept reinsured agreements because it was reinsured with the wrong insurance company - not on New York's list.	There were only two that have specially designed contracts to meet NY requirements. Now we are down to one.

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What Characteristics Make Reinsurance Attractive or Unattractive?

The donor and gift characteristics that make reinsurance the most attractive:

1. Older donors (80-85 sweet spot)
2. Healthy donors
3. Immediate annuity payments
4. Female donors
5. Large gifts relative to the pool
6. Donors who wish to see the money work immediately
7. Restricted gifts (such as those governed by fund agreement)

The converse of any these characteristics make reinsurance generally less attractive.

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What Characteristics Make Reinsurance Attractive or Unattractive?

The charity's characteristics that make reinsurance the most attractive:

1. New or smaller pools
2. The charity's desire to use some money immediately
3. The charity desires the least amount of administration possible
4. The charity is organizationally risk averse
5. Financial modeling that projects higher ending balances under reinsurance vs. self-insurance
6. Charity wants to back out state reserve liabilities
7. There are no excess reserves or unrestricted money to draw upon if a CGA exhausts (*i.e.*, goes negative).

The converse of any these characteristics make reinsurance generally less attractive.

CGA Reinsurance/Risk Management Articles

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- **Clontz, B. and Atwood, G. (2006) – CGA Risk Management. Symposium speech at the ACGA conference.**
- **Clontz, B. (2007) , "Charitable Gift Annuity Reinsurance: The Top Ten Most Frequently Asked Questions." Planned Giving Design Center. www.pgdc.com/usa/item/?itemID=342616**
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- **Clontz, B. (2009), "Charitable Gift Annuity Reinsurance Part II: The Top 10 Unique Applications in a Turbulent Market." Planned Giving Design Center. http://www.pgdc.com/pgdc/charitable-gift-annuity-reinsurance-part-ii-the-top-10-creative-solutions-turbulent-times**

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