

## ESTABLISHMENT OF NEW COVENANT ANNUITY INSURANCE COMPANY AND RELATED MATTERS

[Approved by the 211th General Assembly (1999)]

Section 1.(a). Company established.—There shall be established on or after June 30, 1999, a company, which shall be incorporated under the laws of the Commonwealth of Pennsylvania and shall be known as the New Covenant Annuity Insurance Company. As required by the Commonwealth of Pennsylvania Insurance Department, the Insurance Company Subsidiary shall be a stock company. The Insurance Company Subsidiary shall be wholly-owned by the Foundation and will seek tax-exempt status.

(b). Form of Articles.—The Articles of Incorporation of the Insurance Company Subsidiary shall be in substantially the form submitted to and approved by the 211th General Assembly (1999).

Section 2.(a). Foundation Articles of Incorporation.—The Articles of Incorporation of the Foundation provide for Insurance Company Subsidiary accountability and subordination to the General Assembly through the Foundation substantially as follows:

- (i) The Foundation, as sole shareholder of the Insurance Company Subsidiary, shall not initiate or permit:
  - (a) the Insurance Company Subsidiary to engage in any fundamental transactions, including merger, division, consolidation, transfer or sale of all or substantially all the assets of the Insurance Company Subsidiary or dissolution of the Insurance Company Subsidiary unless the same has received the prior approval of the General Assembly;
  - (b) any transfer of any Insurance Company Subsidiary shares of stock, or any interest therein, to any party other than the Foundation, unless such issuance or transfer has received the prior approval of the General Assembly;
  - (c) the Insurance Company Subsidiary to issue stock or any options or warrants to any party other than the Foundation unless such issuance has received the prior approval of the General Assembly; or
  - (d) any material change to the Articles of Incorporation without the prior approval of the General Assembly.

(ii) The Foundation, as sole shareholder, shall elect directors of the Insurance Company Subsidiary board. The Foundation shall ensure that the majority of the board is composed of individuals who, at the time of their election, are active trustees of the Foundation board. To meet Pennsylvania regulatory requirements and directives, certain officers of the Insurance Company Subsidiary and past trustees of the Foundation board shall be elected directors of the Insurance Company Subsidiary board. Board composition shall reflect full participation consistent with Section G-4.0403 of the Form of Government of the Presbyterian Church (U.S.A.). Such election shall be reported to the General Assembly through the Foundation, and the elected directors are subject to General Assembly confirmation. If a director is not confirmed by the General Assembly, such director shall continue to serve until such time as the Foundation, as shareholder, is able to act in response to the stated concerns of the General Assembly, consistent with applicable law.

(b). Governance.—The Foundation, as sole shareholder, shall ensure that all the business and affairs of the Insurance Company Subsidiary will be conducted by its directors under and subject to the direction of the General Assembly, the Foundation, or any officer or agency duly authorized by the General Assembly, so far as such directions shall be lawful, consistent with the exercise of the directors' fiduciary duties, and in accordance with the Constitution of the Presbyterian Church (U.S.A.) and the laws of the United States of America, other applicable law and the regulatory requirements of any and all state insurance or other regulatory bodies having regulatory oversight over the Insurance Company Subsidiary. Pursuant to Presbyterian Church (U.S.A.) polity and governance, in case of inconsistent directions, the directives of the General Assembly are superior to those of the Foundation.

Section 3. Functions.—Subject to any inconsistent provision of the Form of Government of the Presbyterian Church (U.S.A.) and subject to the lawful directions from time to time of the General Assembly or of any officer or agency thereof duly authorized, or of the Foundation, the Insurance Company Subsidiary shall issue charitable gift annuities and provide any and all services incidental to the foregoing.

The Foundation, as sole shareholder, shall ensure that these services will be made available primarily to benefit governing bodies and subsidiary organizations of the Presbyterian Church (U.S.A.) and Presbyterian Church (U.S.A.)-related organizations. Such services may also be provided to validated mission programs of the Presbyterian Church (U.S.A.) as defined in the Organization for Mission (Appendix A, II.F.), denominations with which the Presbyterian Church (U.S.A.) is in full communion, denominations with which the Presbyterian Church (U.S.A.) General Assembly is in correspondence under Section G-15.0201 of the Form of Government and ecumenical or interfaith bodies in which a Presbyterian Church (U.S.A.) governing body is a member. Services

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provided to benefit any entity other than a Presbyterian Church (U.S.A.) governing body or subsidiary organization or Presbyterian Church (U.S.A.)-related organization shall be performed only when such service does not compromise service to Presbyterian Church (U.S.A.) governing bodies and subsidiaries and Presbyterian Church (U.S.A.)-related organizations.

Section 4. Reporting responsibility.—The Insurance Company Subsidiary shall report at least annually to the General Assembly through the Foundation.