

STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

WOMEN'S AMERICAN ORT, INC.

AS OF

DECEMBER 31, 2006

DATE OF REPORT:

MAY 11, 2007

EXAMINER:

FLORA EGBUCHULAM

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STATE OF NEW YORK
INSURANCE DEPARTMENT
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NEW YORK, NEW YORK 10004

Eliot Spitzer
Governor

Eric R. Dinallo
Superintendent

May 11, 2007

Honorable Eric R. Dinallo
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22569, dated March 5, 2007 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Women's American ORT, Inc., hereinafter referred to as "the Fund," at its home office located at 75 Maiden Lane, New York, New York 10038.

Wherever "Department" appears in this report, it refers to the State of New York Insurance Department.

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

1. EXECUTIVE SUMMARY

The examiner's review of a sample of transactions did not reveal any differences which materially affected the Fund's financial condition as presented in its financial statements contained in the December 31, 2006 filed annual statement. (See item 4 of this report)

The Fund violated Section 1110(a) of the New York Insurance Law by using annuity agreement forms that were not filed with the Superintendent. (See item 5 of this report)

The Fund violated Section 325 of New York Insurance Law by failing to maintain all annual statements and all supporting documentation at its principle office in this state. (See item 6 of this report)

The examiner recommends that the board of directors, or a committee thereof, approve the purchase and sale of all investments, and note such approvals in the minutes. (See item 6 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2001. This examination covers the period from January 1, 2002 through December 31, 2006. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2006 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2006 to determine whether the Fund's filed 2006 annual statement fairly presents its financial condition. The examiner reviewed the Fund's income and disbursements necessary to accomplish such verification. The examiner reviewed the prior report on examination which did not contain any violations, recommendations or comments.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations, or rules or which require explanation or description.

3. DESCRIPTION OF FUND

Women's American ORT, Inc. (the "WAORT") is organized for the purpose of promoting vocational, technical and related education and training in countries worldwide where the need for such education and training exists, and where it may ameliorate the economic, social or educational status of Jewish people or other persons needing such education and training. It is the autonomous national organization constituting a member of the American ORT Federation, Inc. and is the sole national women's organization of ORT (Organization for Rehabilitation through Training) activities in the U.S.

Under the provisions of its by-laws, the WAORT is permitted to issue gift annuity agreements and it has done so since 1994. A special permit was granted to the WAORT by the Department on March 14, 1997, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Fund's custodian and investment manager, Mercantile-Safe Deposit and Trust Company ("Mercantile").

The management of the WAORT and the Fund and all of its affairs and property are entrusted to a board of directors. The number of directors is limited to not less than three and no more than 300. As of December 31, 2006, the board consisted of 35 directors. The directors elect officers in accordance with the by-laws. The nomination and election procedures of the directors and their terms of office are set by the by-laws.

4. SIGNIFICANT FINANCIAL INFORMATION

The following table indicates the Fund's financial growth during the period under review:

	December 31, <u>2001</u>	December 31, <u>2006</u>	<u>Increase</u>
Admitted assets	<u>\$1,270,493</u>	<u>\$2,792,744</u>	<u>\$1,522,251</u>
Liabilities	<u>\$1,038,275</u>	<u>\$1,796,271</u>	<u>\$ 757,996</u>
Minimum required surplus	\$ 103,711	\$ 179,514	\$ 75,803
Unassigned funds (surplus)	<u>128,507</u>	<u>816,959</u>	<u>688,452</u>
Total surplus	<u>\$ 232,218</u>	<u>\$ 996,473</u>	<u>\$ 764,255</u>
Total liabilities and surplus	<u>\$1,270,493</u>	<u>\$2,792,744</u>	<u>\$1,522,251</u>

The increase in assets, liabilities and surplus reflects an increase in the total number of annuities in force. Annuities increased from 134 with annual payment amounts of \$186,555 as of December 31, 2001 to a total of 175 with annual payment amounts of \$273,713 as of December 31, 2006.

The Fund's admitted assets, as of December 31, 2006, were mainly invested in bonds (25.2%) and stocks (74.6%). All bonds held were investment grade.

5. 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.

Section 1110(a) of New York Insurance Law states, in part:

“. . . Every such corporation or association shall, before making such agreement, file with the superintendent copies of its forms of agreements with annuitants . . .”

A review of a sample of annuity agreements issued in New York revealed that the Fund used gift annuity agreement forms (“One Life, Immediate Payment”, “Two Lives, Immediate Payment, Joint and Survivor Annuitants”, and “Two Lives, Immediate Payment, Successive Annuitants”) that varied from those filed with the Department.

The Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that were not filed with the Superintendent.

The examiner recommends that the Fund submit to the Superintendent all gift annuity agreement forms used during the examination period that have not been previously filed.

6. CORPORATE GORVERNANCE AND INTERNAL CONTROLS

Section 325(a) of the New York Insurance Law states, in part:

“Every domestic insurer . . . shall . . . keep and maintain at its principal office in this state . . . its books of account. . .”

A review of the accounting records maintained by the Fund at its principal office in this state for the period under examination revealed that the Fund did not maintain copies of all financial statements and supporting workpapers at it principle office in the state. The Fund did not maintain at its principle office a copy of the filed 2002 annual statement, and supporting workpapers for the 2002 and 2003 annual statements.

The Fund violated Section 325 of New York Insurance Law by failing to maintain all annual statements and all support worksheets at its principle office in this state.

The examiner requested the board of directors’ minutes and committee minutes for the examination period. The examiner reviewed the board and committee minutes that were provided by the Fund and concluded that there was no evidence that the board, or a committee thereof, approved the purchase and sale of investments during the examination period.

The examiner recommends that the board of directors, or a committee thereof, approve the purchase and sale of all investments, and note such approvals in the minutes.

The Fund stated that it does not obtain and compare broker’s advices to the monthly investment statements provided by its investment manager to verify the appropriateness and accuracy of the investment transactions.

The examiner recommends that broker’s advices or source documentation be obtained and maintained for all purchases and sales of investments. The Fund should establish a procedure whereby it compares the broker’s advices to the monthly investment statements provided by the investment manager, to verify the appropriateness and accuracy of the investment transactions.

The Fund provided a listing of directors and officers as of December 31, 2006, but could not provide or confirm their respective appointment, election or termination dates. In addition, the Fund indicated that significant changes occurred in the leadership of the organization during the examination period and subsequent to examination date of December 31, 2006. However,

except for the appointment of a new president in April of 2007, the Fund could not provide the specific changes.

The examiner recommends that the Fund maintain at its principle office a complete and up-to-date record of all directors and officers showing appointments and terminations date, as well as changes in their leadership roles.

7. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that were not filed with the Superintendent.	5
B	The examiner recommends that the Fund submit to the Superintendent all gift annuity agreement forms used during the examination period that have not been previously filed.	5
C	The Fund violated Section 325 of New York Insurance Law by failing to maintain all annual statements and all support worksheets at its principle office in this state.	6
D	The examiner recommends that the board of trustees, or a committee thereof, approve the purchase and sale of all investments, and note such approvals in the minutes.	6
E	The examiner recommends that broker's advices be obtained and maintained for all purchases and sales of investments, and reconcile such to the monthly investment report provided by its investment manager.	6
F	The examiner recommends that the Fund maintain at its principle office a complete and up-to-date record of all trustees, directors, and officers showing appointment and termination dates, as well as changes in their leadership roles.	7