



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

AMERICAN COMMITTEE FOR THE WEIZMANN INSTITUTE OF SCIENCE,

INC.

CONDITION:

DECEMBER 31, 2015

DATE OF REPORT:

JULY 29, 2016

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EXAMINER:

ANN MARIE THOMPSON

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

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Andrew M. Cuomo  
Governor

Maria T. Vullo  
Superintendent

June 13, 2017

Honorable Maria T. Vullo  
Superintendent of Financial Services  
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31447, dated April 25, 2016 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the American Committee for the Weizmann Institute of Science, Inc., hereinafter referred to as the “Fund,” at its home office located at 633 Third Avenue, New York, New York 10017.

Wherever “Department” appears in this report, it refers to the New York State Department of Financial Services.

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

## 1. EXECUTIVE SUMMARY

The examiner recommends that the Fund obtain broker's advices or other supporting documentation for its investment transactions and that this documentation be reviewed on a timely basis and reconciled to the applicable custodial statements for that period. (See item 4 of this report)

The Fund was involved in securities lending in all years during the examination period. The Fund reported investment income from securities lending of \$936 in 2011, \$1,251 in 2012, \$1,007 in 2013, \$1,015 in 2014 and \$830 in 2015. (See item 5 of this report)

The examiner recommends that the Fund strengthen the diversification of its investment holdings. If the trustee has determined that it is in the interests of the beneficiaries to deviate from such a recommendation, then it should memorialize the reasons for that determination in terms of the Investment Strategy Statement's ("ISS") risk, return, and time horizon parameters. (See item 5 of this report)

The Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that differed from the gift annuity agreement forms that were filed with the Superintendent. The examiner recommends that the Fund file with the Superintendent all gift annuity agreement forms that were used and not previously filed with the Superintendent. (See item 6 of this report)

The examiner recommends that the Fund at all times maintain in the annuity policy files, all correspondence or records as to the date the Fund receives notification of the date of death of the annuitant. (See item 6 of this report)

The examiner recommends that the Fund obtain and maintain a copy of each deceased annuitant's death certificate. (See item 6 of this report)

## 2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2010. This examination covers the period from January 1, 2011 through December 31, 2015. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2015 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, 2015 to determine whether the Fund's filed 2015 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

The American Committee for the Weizmann Institute of Science, Inc. (the “Corporation”) is organized for the purpose of soliciting, raising, receiving and maintaining funds to aid in the establishment, development, maintenance and advancement of the Weizmann Institute of Science, a scientific and educational institution located in Israel, which includes the Feinberg Graduate School of the Weizmann Institute of Science, an education corporation chartered by the Regents of the State of New York with its principal operations located at the Weizmann Institute of Science. Under the provisions of its by-laws, the Corporation is permitted to issue gift annuity agreements and it has done so since 1994. A special permit was granted to the Corporation by the Department on December 6, 1996, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

State Street Bank and Trust Company (“State Street”) is custodian of the Fund’s assets. State Street also sends annual tax form 1099Rs and annuity benefit payment checks to annuitants, in accordance with the terms of the gift annuity contracts. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Fund.

The management of the Corporation and the Fund and all of its affairs and property are entrusted to a board of directors. Beginning in 2017, the number of directors so appointed shall be between twenty and forty. As of December 31, 2015, the board consisted of 57 directors. The directors elect a president, a chair of the board, one or more vice-chairs, a secretary, treasurer, general counsel, and other officers as deemed necessary. The nomination and election procedures of the directors and their terms of office are set by the by-laws.

#### 4. CORPORATE GOVERNANCE

The examiner selected a sample of investment transactions for the period under examination and requested broker's advices or other supporting documentation. The Fund failed to provide broker's advices or other supporting documentation for its investment transactions to reconcile such advices to the monthly statements furnished by the custodian.

The examiner recommends that the Fund obtain broker's advices or other supporting documentation for its investment transactions and that this documentation be reviewed on a timely basis and reconciled to the applicable custodial statements for that period.

## 5. SIGNIFICANT FINANCIAL INFORMATION

The following summary table indicates the growth (decline) in various categories of the Fund's assets, liabilities, and fund balance during the period under review:

	December 31, <u>2010</u>	December 31, <u>2015</u>	Increase (Decrease)
Admitted assets	\$ <u>12,744,886</u>	\$ <u>11,744,236</u>	\$( <u>1,000,650</u> )
Liabilities	\$ <u>9,221,479</u>	\$ <u>8,162,116</u>	\$( <u>1,059,363</u> )
Minimum required fund balance	\$ 922,148	\$ 816,212	\$ (105,936)
Excess fund balance (surplus)	<u>2,601,259</u>	<u>2,765,908</u>	<u>164,649</u>
Total annuity fund balance	\$ <u>3,523,407</u>	\$ <u>3,582,120</u>	\$ <u>58,713</u>
Total liabilities and annuity fund balance	\$ <u>12,744,886</u>	\$ <u>11,744,236</u>	\$( <u>1,000,650</u> )

Note: Any differences are due to rounding.

The decrease in assets and liabilities reflects a decrease in the total number of annuities in force. Annuities decreased from 379 with annual payment amounts of \$1,320,216 as of December 31, 2010 to a total of 362 with annual payment amounts of \$1,266,073 as of December 31, 2015.

The decrease in assets is also attributable to changes in the market value of common stocks.

The Fund was involved in securities lending in all years during the examination period. The Fund reported investment income from securities lending of \$936 in 2011, \$1,251 in 2012, \$1,007 in 2013, \$1,015 in 2014 and \$830 in 2015.

The Fund's admitted assets, as of December 31, 2015, were invested mainly in common stocks (96.93%).

Section 1409(a) of the New York Insurance Law states:

“(a) Except as more specifically provided in this chapter, no domestic insurer shall have more than ten percent of its admitted assets as shown by its last statement on file with the superintendent invested in, or loaned upon, the securities (including for this purpose certificates of deposit, partnership interests and other equity interests) of any one institution.”

According to the 2015 annual statement, the Fund reported: 20.76% of its admitted assets invested in the securities of S&P 500 Common Trust Fund (“CTF”); 18.35% invested in the securities of Passive Bond Market SL-CTF; and 16.85% invested in the securities of International Alpha Select-CTF. The Fund’s current concentration in the three CTFs could make it less likely that the Fund’s other assets could provide a variability to offset the risks inherent in the CTFs.

The examiner recommends that the Fund strengthen the diversification of its investment holdings. If the trustee has determined that it is in the interests of the beneficiaries to deviate from such a recommendation, then it should memorialize the reasons for that determination in terms of the Investment Strategy Statement’s risk, return, and time horizon parameters. A trustee using reasonable care, skill and caution should diversify the Fund’s assets. A diversification is proper when it disperses the investments’ risks consistent with the ISS’s risk, return, and time horizon objectives, and the various risks in the portfolio offset each other. Section 1409 of the New York Insurance Law is instructive. Limiting exposure to any assets of any one institution to ten percent of admitted assets would reasonably assure that the risks in the investment in that institution are offset by the rest of the portfolio.

## 6. 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...”

The examiner’s review of the 18 gift annuity agreement forms used by the fund for gift annuities issued in New York during the examination period noted that in 2 instances, the Fund used gift annuity agreement forms that differed from the gift annuity agreements filed with the Superintendent.

The Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that differed from the gift annuity agreement forms that were filed with the Superintendent. The examiner recommends that the Fund file with the Superintendent all gift annuity agreement forms that were used and not previously filed with the Superintendent.

The examiner reviewed a sample of 13 annuity agreements that were terminated during the examination period. In all 13 annuity agreement termination files the examiner was unable to determine the date the Fund received initial notification of the date of death of the annuitant as the policy files reviewed did not contain a record or correspondence regarding a notice of death.

The examiner recommends that the Fund at all times maintain in the annuity policy files, all correspondence or records as to the date the Fund receives notification of the date of death of the annuitant.

In 3 out of 13 annuity terminations selected for review, the Fund failed to obtain and maintain a copy of the death certificate or the social security death master index search result to confirm termination of the annuity. Instead, the policy files contained copies of the obituaries.

The examiner recommends that the Fund obtain and maintain a copy of each deceased annuitant’s death certificate.

## 7. SUMMARY AND CONCLUSIONS

Following are the violation, recommendations and comment contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the Fund obtain broker's advices or other supporting documentation for its investment transactions and that this documentation be reviewed on a timely basis and reconciled to the applicable custodial statements for that period.	5
B	The Fund was involved in securities lending in all years during the examination period. The Fund reported investment income from securities lending of \$936 in 2011, \$1,251 in 2012, \$1,007 in 2013, \$1,015 in 2014 and \$830 in 2015.	6
C	The examiner recommends that the Fund strengthen the diversification of its investment holdings. If the trustee has determined that it is in the interests of the beneficiaries to deviate from such a recommendation, then it should memorialize the reasons for that determination in terms of the Investment Strategy Statement's risk, return, and time horizon parameters.	7
D	The Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that differed from the gift annuity agreement forms that were filed with the Superintendent.	8
E	The examiner recommends that the Fund file with the Superintendent all gift annuity agreement forms that were used and not previously filed with the Superintendent	8
F	The examiner recommends that the Fund at all times maintain in the annuity policy files, all correspondence or records as to the date the Fund receives notification of the date of death of the annuitant	8
G	The examiner recommends that the Fund obtain and maintain a copy of each deceased annuitant's death certificate.	8

Respectfully submitted,

\_\_\_\_\_/s/  
Ann Marie Thompson  
Insurance Examiner

STATE OF NEW YORK     )  
  )SS:  
COUNTY OF NEW YORK    )

Ann Marie Thompson, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

\_\_\_\_\_/s/  
Ann Marie Thompson

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_

**APPOINTMENT NO. 31447**

**NEW YORK STATE**

**DEPARTMENT OF FINANCIAL SERVICES**

I, MARIA T. VULLO, Acting Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

**ANN MARIE THOMPSON**

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE  
AMERICAN COMMITTEE FOR THE WEIZMANN INSTITUTE OF SCIENCE, INC.**

and to make a report to me in writing of the condition of said

**FUND**

with such other information as she shall deem requisite.

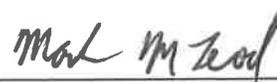
In Witness Whereof, I have hereunto subscribed my name  
and affixed the official Seal of the Department  
at the City of New York

this 25th day of April, 2016

**MARIA T. VULLO**

Acting Superintendent of Financial Services

By:



**MARK MCLEOD**

**DEPUTY CHIEF - LIFE BUREAU**

