



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
WILDLIFE CONSERVATION SOCIETY

CONDITION:

DECEMBER 31, 2012

DATE OF REPORT:

NOVEMBER 4, 2013

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

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OF THE

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EXAMINER:

SAUHUNG YOU

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

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Andrew M. Cuomo  
Governor

Shirin Emami  
Acting Superintendent

November 25, 2015

Honorable Shirin Emami  
Acting Superintendent of Financial Services  
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 30943, dated March 18, 2013 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Wildlife Conservation Society, hereinafter referred to as “the Fund,” at its home office located at 2300 Southern Blvd, Bronx, NY 10460.

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'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, 2012 filed annual statement. (See item 4 of this report)

The examiner's review of the Fund's treatment of annuitants did not reveal significant instances which deviated from the New York Insurance Law, Department regulations and circular letters and the operating rules of the Fund. (See item 5 of this report)

The examiner recommends that the Fund prepare and maintain a general ledger, trial balances and transaction registers that reconcile to its annual statements. (See item 6 of this report)

## 2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2007. This examination covers the period from January 1, 2008 through December 31, 2012. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2012 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, 2012 to determine whether the Fund's filed 2012 annual statement fairly presents its financial condition. The examiner reviewed the Fund's income and disbursements necessary to accomplish such verification. The examiner also reviewed the corrective actions taken by the Fund with respect to the violation and recommendation contained in the prior report on examination. The results of such review are contained in item 7 of this report.

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 New York Zoological Society, doing business as the Wildlife Conservation Society (the “Society”) is organized for the purpose of establishing a zoo, advancing education in wild animal life, promoting conservation of wildlife and engaging in scientific research. Under the provisions of its by-laws, the Society is permitted to issue gift annuity agreements and it has done so since July 1996. A special permit was granted to the Society by the Department on December 17, 1998, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law. Most operations related to the issuance, maintenance and settlement of annuity agreements are outsourced.

Wells Fargo Private Bank (the “Bank”) is the custodian for the assets of the Fund. Prior to March 2009, the Fund engaged State Street as its administrator for its annuity program. The Bank, pursuant to an agreement with the Fund, performs day-to-day operations and oversight of the individual annuities. On the donor side, the Bank’s duties include issuing distribution payments via check or direct deposit to annuitants as per the annuitant’s instructions as well as providing annuitants with Form 1099-R’s for income tax purposes at year-end. On the administrative side, the Bank assists the Fund with the review and setup of new annuities, manages the investment portfolio supporting the annuity program under the guidelines of the investment policy approved by the Fund, makes sure the portfolio has liquidity for the monthly and quarterly distribution payments, and provides the Fund statements and other data for monthly, quarterly, and annual reporting.

The management of the Society and the Fund and all of its affairs and property are entrusted to a board of trustees. The number of trustees is 46 regular trustees with voting rights, which number shall include 38 elected trustees. In addition to the elected Trustees, the Board of Trustees will include the President and Chief Executive Officer of the Fund and the officials of the City of New York, all of whom shall be Trustees ex officio with voting rights. The trustees elect the Chair of the Board, one or more Vice Chairs, the President and Chief Executive Officer, the Secretary, the Treasurer, and such other officers as the Board may from time to time appoint or elect. The nomination and election procedures of the trustees and their terms of office are set by the by-laws.

#### 4. SIGNIFICANT FINANCIAL INFORMATION

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

	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2012</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$3,669,886</u>	<u>\$3,688,719</u>	<u>\$ 18,833</u>
Liabilities	<u>\$2,665,828</u>	<u>\$3,049,102</u>	<u>\$ 383,274</u>
Minimum required surplus	\$ 266,583	\$ 304,910	\$ 38,327
Unassigned funds (surplus)	<u>737,475</u>	<u>334,707</u>	<u>(402,768)</u>
Total surplus	<u>\$1,004,058</u>	<u>\$ 639,617</u>	<u>\$(364,441)</u>
Total liabilities and surplus	<u>\$3,669,886</u>	<u>\$3,688,719</u>	<u>\$ 18,833</u>

The increase in assets and liabilities reflects an increase in the total number of annuities in force. Annuities increased from 124 with annual payment amounts of \$287,005 as of December 31, 2007 to a total of 158 with annual payment amounts of \$310,096 as of December 31, 2012.

The increase in liabilities and decrease in surplus are primarily due to the increase of the additional reserve required by Regulation 126 from 5% (\$132,834) in 2008 to 15% (\$397,709) in 2012.

The Fund's admitted assets, as of December 31, 2012, were invested in common stocks (97.01%).

## 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. Based upon the sample reviewed, no significant findings were noted.

## 6. ANNUAL STATEMENT WORKPAPERS

During the on-site examination, the examiner requested access to the Fund's general ledger, trial balance and the transaction registers that reconcile to the Fund's annual statements. The Fund indicated that Wells Fargo (the "Bank") manages and maintains all of the accounting records for the entire annuity program.

The examiner recommends that the Fund prepare and maintain a general ledger, trial balances and transaction registers that reconcile to its annual statements.

## 7. PRIOR SUMMARY AND CONCLUSIONS

Following is the violation and recommendation contained in the prior report on examination and the subsequent action taken by the Fund in response to each citation:

<u>Item</u>	<u>Description</u>
A	<p>The Fund violated Section 1110(a) of the New York Insurance Law by using various annuity agreement forms that were not filed with the Department.</p> <p>The Fund filed the annuity agreement forms with the Department in March 2009.</p>
B	<p>The examiner recommends that the board of trustees or a committee thereof, approve investment transactions and note such approvals in the board minutes.</p> <p>The investment transactions were reviewed and approved by the investment subcommittee.</p>

## 8. SUMMARY AND CONCLUSIONS

Following is the recommendation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the Fund prepare and maintain a general ledger, trial balances and transaction registers that reconcile to its annual statements.	6

Respectfully submitted,

\_\_\_\_\_/s/  
Sauhung You  
Insurance Examiner

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

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

\_\_\_\_\_/s/  
Sauhung You

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

APPOINTMENT NO. 30943

NEW YORK STATE

**DEPARTMENT OF FINANCIAL SERVICES**

I, BENJAMIN M. LAWSKY, 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:

**SAUHUNG YOU**

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE  
WILDLIFE CONSERVATION SOCIETY**

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 18th day of March, 2013

BENJAMIN M. LAWSKY  
Superintendent of Financial Services

By:

  
MICHAEL MAFFEI

ASSISTANT DEPUTY SUPERINTENDENT  
AND CHIEF OF THE LIFE BUREAU

