



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
AMNESTY INTERNATIONAL OF THE U.S.A., INC.

CONDITION:

DECEMBER 31, 2013

DATE OF REPORT:

AUGUST 29, 2014

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

AMNESTY INTERNATIONAL OF THE U.S.A., INC.

AS OF

DECEMBER 31, 2013

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EXAMINER:

CHRISTINE D. MAVOUR

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Maria T. Vullo  
Acting Superintendent

March 3, 2016

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

Madam:

In accordance with instructions contained in Appointment No. 31134, dated April 8, 2014 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Amnesty International of the U.S.A., Inc., hereinafter referred to as “the Fund,” at its home office located at 5 Penn Plaza, 16<sup>th</sup> Floor, New York, New York 10001.

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 Fund violated Section 312(b) of the New York Insurance Law by failing to maintain signed statements from the board members indicating that they received and read the prior report on examination. The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the signature of each board member indicating that they received and read the prior report on examination. (See item 4 of this report)

The examiner recommends that the board of trustees, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes. (See item 4 of this report)

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, 2013 filed annual statement. (See item 5 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 6 of this report)

The examiner recommends that the Fund prepare its annual statements according to the Department's instructions. (See item 7 of this report)

## 2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2008. This examination covers the period from January 1, 2009 through December 31, 2013. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2013 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, 2013 to determine whether the Fund's filed 2013 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 recommendation in the prior report on examination. The results of such review are contained in item 8 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

Amnesty International of the U.S.A., Inc. (“AIUSA”) is organized for the purpose of protecting human rights. Under the provisions of its by-laws, AIUSA is permitted to issue gift annuity agreements and it has done so since 1996. A special permit was granted to the AIUSA by the Department on February 9, 1999, 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.

Bank of New York Mellon (“BNY Mellon”) is the Fund’s custodian. BNY Mellon also provides administrative services for the Fund. BNY Mellon: remits benefit payments to annuitants; provides 1099R tax forms to annuitants; and submits monthly investment statements to the Fund. Trillium Asset Management is the Fund’s investment manager under the Fund’s agreement with BNY Mellon.

The management of the AIUSA and the Fund and all of its affairs and property are entrusted to a board of trustees. The number of trustees is limited to 18 regular voting trustees. As of December 31, 2013 the board consisted of 18 trustees. The trustees elect a chair, a vice chair, a general secretary, and a treasurer, each of which shall be a member of the board. The nomination and election procedures of the trustees and their terms of office are set by the by-laws.

#### 4. CORPORATE GOVERNANCE

Section 312(b) of the New York Insurance Law states, in part:

“(b) A copy of the report shall be furnished by such insurer or other person to each member of its board of directors and each such member shall sign a statement which shall be retained in the insurer’s files confirming that such member has received and read such report . . .”

The Fund failed to maintain statements signed by each board member indicating that they received and read the prior report on examination.

The Fund violated Section 312(b) of the New York Insurance Law by failing to maintain signed statements from the board members indicating that they received and read the prior report on examination. The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the signature of each board member indicating that they received and read the prior report on examination.

The examiner reviewed the Investment Committee and the Finance Committee minutes to determine if the Investment Committee or the Finance Committee approved the purchases and sales of investments during the examination period. The minutes did not on a consistent basis indicate that the committees approved the purchases and sales of investments during the examination period.

The examiner recommends that the board of trustees, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes.

## 5. SIGNIFICANT FINANCIAL INFORMATION

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

	<u>December 31,</u> <u>2008</u>	<u>December 31,</u> <u>2013</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	\$ <u>3,514,975</u>	\$ <u>3,490,490</u>	\$( <u>24,485</u> )
Liabilities	\$ <u>2,649,846</u>	\$ <u>2,697,790</u>	\$ <u>47,944</u>
Minimum required surplus	\$ 264,985	\$ 269,779	\$ 4,794
Unassigned funds (surplus)	<u>600,144</u>	<u>522,920</u>	<u>(77,224)</u>
Total surplus	\$ <u>865,129</u>	\$ <u>792,699</u>	\$( <u>72,430</u> )
Total liabilities and surplus	\$ <u>3,514,975</u>	\$ <u>3,490,490</u>	\$( <u>24,485</u> )

The decrease in assets and surplus reflects a decrease in the market value of investments in common stocks.

The increase in liabilities reflects an increase in the total number of annuities in force. Annuities increased from 162 with annual payment amounts of \$358,205 as of December 31, 2008 to a total of 167 with annual payment amounts of \$370,833 as of December 31, 2013.

The Fund's admitted assets, as of December 31, 2013, were invested mainly in bonds (48.95%), common stocks (39.74%), and money market mutual funds (11.30%). All bonds held were investment grade.

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

## 7. ANNUAL STATEMENT REPORTING

The Department's Instructions for Completing the New York State Segregated Gift Annuity Fund Annual Statement for the year ended 2013, namely the Income and Disbursements page states, in part:

“Current Year' Column: Should reflect the gross amount of gifts received during the year conditioned upon annuity agreements.”

The examiner reviewed the Fund's Income in its 2013 Annual Statement and noted that all the gifts received were not reported as Income on Line 1 as required per the Department's instructions, but instead \$64,684 of such amounts is reported as Other Income.

The examiner recommends that the Fund prepare its annual statements according to the Department's instructions.

## 8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the recommendation contained in the prior report on examination and the subsequent actions taken by the Fund in response to the recommendation:

<u>Item</u>	<u>Description</u>
A	<p>The examiner recommends that the board of directors approve all security transactions and note such approvals in the minutes. A similar comment was made in the prior report on examination.</p> <p>The Fund failed to take appropriate action with respect to the recommendation. A similar recommendation is contained in this report. (See item 4 of this report)</p>

## 9. SUMMARY AND CONCLUSIONS

Following are the violation and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Fund violated Section 312(b) of the New York Insurance Law by failing to maintain signed statements from the board members indicating that they received and read the prior report on examination.	5
B	The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the signature of each board member indicating that they received and read the prior report on examination.	5
C	The examiner recommends that the board of trustees, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes.	5
D	The examiner recommends that the Fund prepare its annual statements according to the Department's instructions.	8

Respectfully submitted,

\_\_\_\_\_/s/  
Christine D. Mavour  
Senior Insurance Examiner

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

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

\_\_\_\_\_/s/  
Christine D. Mavour

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

APPOINTMENT NO. 31134

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:

**CHRISTINE MAVOUR**

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE  
AMNESTY INTERNATIONAL OF THE U.S.A., 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 8th day of April, 2014

BENJAMIN M. LAWSKY  
Superintendent of Financial Services

By:

  
MICHAEL MAFFEI

ASSISTANT DEPUTY SUPERINTENDENT  
AND CHIEF OF THE LIFE BUREAU

