



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
ENVIRONMENTAL DEFENSE FUND, INC.

CONDITION:

DECEMBER 31, 2013

DATE OF REPORT:

JUNE 30, 2014

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

ENVIRONMENTAL DEFENSE FUND, INC.

AS OF

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EXAMINER:

DONNA TAYLOR

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Shirin Emami
Acting Superintendent

January 25, 2016

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

Madam:

In accordance with instructions contained in Appointment No. 31147, dated April 9, 2014, and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Environmental Defense Fund, Inc., hereinafter referred to as “the Fund,” at its home office located at 257 Park Avenue South, New York, NY 10010.

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, 2013 filed annual statement. (See item 4 of this report)

The examiner recommends that the Fund obtain copies of the death certificates of annuitants for annuity contracts terminated. (See item 5 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 action taken by the Fund with respect to the recommendation contained in the prior report on examination. The results of such review are contained in item 6 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 Environmental Defense Fund, Inc. (the “Corporation”) is organized for the purpose of preserving the natural systems on which all life depends. Guided by science, the Corporation designs and transforms markets by creating partnerships between public and private entities to bring lasting solutions to the most serious environmental problems. Under the provisions of its by-laws, the Corporation is permitted to issue gift annuity agreements and it has done so since 1991. A special permit was granted to the Corporation by the Department on November 4, 1994, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law, the permit was amended on April 16, 2008. On April 16, 2008, the Corporation changed its name from “Environmental Defense, Inc.” to “Environmental Defense Fund, Inc.” and filed the same with the Department.

The Fund issues the annuities and maintains the annuity contact files at its home office. The Fund employs State Street Global Advisors (“State Street”) to provide custodial and investment services, prepare the annual statement, provide actuarial services, and issue annuity payments on behalf of the Fund.

The management of the organization and the Fund and all of its affairs and property are entrusted to a board of trustees. The number of trustees is set by a majority vote of the entire board which shall not be less than five. As of December 31, 2013, the board consisted of 36 trustees. The Trustees elect a chairman, a vice chairman, a secretary, a treasurer and may appoint additional officers as deemed necessary. The nomination and election procedures of the trustees and their term 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>2008</u> | December 31, <u>2013</u> | <u>Increase</u> |
|-------------------------------|-----------------------------|-----------------------------|--------------------|
| Admitted assets | <u>\$3,342,775</u> | <u>\$6,159,647</u> | <u>\$2,816,872</u> |
| Liabilities | <u>\$2,626,733</u> | <u>\$4,657,965</u> | <u>\$2,031,232</u> |
| Minimum required surplus | \$ 262,673 | \$ 465,796 | \$ 203,123 |
| Unassigned funds (surplus) | <u>453,369</u> | <u>1,035,886</u> | <u>582,517</u> |
| Total surplus | <u>\$ 716,042</u> | <u>\$1,501,682</u> | <u>\$ 785,640</u> |
| Total liabilities and surplus | <u>\$3,342,775</u> | <u>\$6,159,647</u> | <u>\$2,816,872</u> |

The increase in assets, liabilities and surplus reflects an increase in the total number of annuities in force. Annuities increased from 169 with annual payment amounts of \$420,704 as of December 31, 2008 to a total of 198 with annual payment amounts of \$583,743 as of December 31, 2013.

The Fund's admitted assets, as of December 31, 2013, were invested mainly in common stocks (93.77%) and cash (6.23%).

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.

The examiner's review of a sample of five annuity contracts terminated revealed that in all five cases reviewed, the Fund did not obtain a copy of the death certificate to confirm termination of the annuity contract.

The examiner recommends that the Fund obtain copies of the death certificates of annuitants for annuity contracts terminated.

6. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

| <u>Item</u> | <u>Description</u> |
|-------------|---|
| A | The examiner recommends that the Fund amend its third party agreement with the state and change the name on its accounts to reflect the filed name change, Environmental Defense Fund, Inc. The Fund changed the name on its account at State Street Global Advisors to reflect the filed name changed, Environmental Defense Fund, Inc. |

7. 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 obtain copies of the death certificates of annuitants for annuity contracts terminated. | 5 |

Respectfully submitted,

_____/s/
Donna Taylor
Insurance Examiner

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

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

_____/s/
Donna Taylor

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 31147

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:

DONNA TAYLOR

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE
ENVIRONMENTAL DEFENSE FUND, INCORPORATED**

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 9th day of April, 2014

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:


MICHAEL MAFFEI

ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU

