



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
INTERNATIONAL RESCUE COMMITTEE, INC.

CONDITION:

DECEMBER 31, 2012

DATE OF REPORT:

DECEMBER 13, 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:

IKENNA ONYEGWARA

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Executive summary	2
2.	Scope of examination	3
3.	Description of Fund	4
4.	Corporate governance	5
5.	Significant financial information	6
6.	Treatment of annuitants	7
7.	Prior report summary and conclusions	8
8.	Summary and conclusions	9



NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Shirin Emami
Acting Superintendent

December 4, 2015

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

Madam:

In accordance with instructions contained in Appointment No. 30927, dated April 4, 2013 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the International Rescue Committee, Inc., hereinafter referred to as “the Fund.” The Fund’s home office is located at 122 East 42nd Street New York, NY 10168.

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'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 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)

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 recommendations 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 International Rescue, Inc. (the “Organization”) founded in 1933, was incorporated in the State of New York on March 23, 1942. The name was changed to International Rescue Committee, Inc., (“IRC”) its present name, by a certificate of Amendment filed with the Department of State on May 3, 1951. The Organization was organized for the purpose of providing global emergency relief to assist in rehabilitation, protection of human rights, post-conflict development, resettlement services and advocacy for refugees and others uprooted or affected by violent conflict and oppression without regard to the race, nationality or religion of the beneficiaries. To conduct programs of medical, educational and related assistance in areas of victim’s needs. To conduct all lawful activities that may be appropriate in accomplishing the foregoing purposes.

Under the provisions of its by-laws, the Organization is permitted to issue gift annuity agreements and it has done so since 1991. A special permit was granted to the organization by the Department on March, 19, 1993, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

State Street Global Advisors is the custodian who holds and maintains the Fund’s cash and securities. All major operations related to investing, distributions, receiving new gift annuities and accounting are outsourced to State Street Global Advisors. The Fund receives, reviews, and records the accounting information at a summary level in its ledger.

The management of the Organization, the Fund and all of its affairs and property are entrusted to a board of trustees. The number of trustees is limited to 33 regular voting trustees. The trustees are divided into 3 classes “A” through “C” comprising of 11 trustees in each class. The expiration of term of office of each class of trustee expires in different years. Each year a class of trustee’s term expires, an election for a term of three years in office is conducted. As of December 31, 2012, the board consisted of 29 trustees. The trustees elect the Chairman of the Board of Directors; Vice-Chairman; Honorary Chairman; President; Honorary President; Secretary; and Treasurer. All other officers of the Corporation shall be appointed by the President. The nomination and election procedures of the trustees and their terms of office are set by the by-laws. Specifically, the Investment Committee of the Board is entrusted with management of the gift annuity fund.

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.

5. 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>\$7,995,192</u>	<u>\$8,393,612</u>	<u>\$398,420</u>
Liabilities	<u>\$6,746,083</u>	<u>\$6,674,670</u>	<u>\$ (71,413)</u>
Minimum required surplus	\$ 674,608	\$ 667,467	\$ (7,141)
Unassigned funds (surplus)	<u>574,501</u>	<u>1,051,475</u>	<u>476,974</u>
Total surplus	<u>\$1,249,109</u>	<u>\$1,718,942</u>	<u>\$469,833</u>
Total liabilities and surplus	<u>\$7,995,192</u>	<u>\$8,393,612</u>	<u>\$398,420</u>

The increase in assets and surplus is due in part to seven large gift annuities with a total value of \$1.3 million being added to the annuity program between 2008 and 2012. Other factors contributing to the increase in assets and surplus are a net increase in unrealized capital gains in the amount of \$289,889, as well as a net increase in realized capital gains in the amount of \$184,263 during the period January 1, 2008 through December 31, 2012. Annual payment amounts increased while the number of annuities in-force decreased as of December 31, 2012 compared to December 31, 2007. Annuities in force decreased from 584 as of December 31, 2007 to 560 in December 31, 2012 while annuity payments increased from \$841,331 as of December 31, 2007 to \$896,537 as of December 31, 2012 due to the corresponding significant payout of the seven annuities added to the program during this time period.

The decrease in liabilities is attributable to net decreases in actuarial reserves of \$150,006 in 2008 and \$234,005 in 2011 which is partly offset by net increases in actuarial reserves of \$179,413 in 2009, \$54,086 in 2010, and \$79,100 in 2012.

The Fund's admitted assets, as of December 31, 2012, were mainly invested in common stocks (76.25%) and bonds (18.82%). 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.

Section 1110(a) of the 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 six gift annuity agreements used by the Fund for gift annuities issued in New York during the examination period revealed that in all six cases reviewed, 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.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the recommendations contained in the prior report on examination and the subsequent actions taken by the Fund in response to each citation:

<u>Item</u>	<u>Description</u>
A	<p>The examiner recommended that the Fund maintain a death certificate or an obituary in the annuitant's file as a supporting documentation for the termination.</p> <p>The Fund maintains a copy of the death certificate or an obituary in each deceased annuitant's file as supporting documentation for annuity terminations.</p>
B	<p>The examiner recommended that the Fund revise the annual statement's listing of annuities in force to indicate the payout percentage utilized in calculating the reserves of each annuitant.</p> <p>The Fund included a listing of annuities with each filed annual statement that indicates the payout percentage used in calculating the reserves of each annuity.</p>

8. 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 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 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.	7
D	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.	7

Respectfully submitted,

_____/s/
Ikenna Onyegwara
Insurance Examiner

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

IKENNA ONYEGWARA, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_____/s/
Ikenna Onyegwara

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 30927

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:

IKENNA ONYEGWARA

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE
INTERNATIONAL RESCUE COMMITTEE, INC.**

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

FUND

with such other information as he 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 4th day of April, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:



MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU

