



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
ALFRED UNIVERSITY

CONDITION:

DECEMBER 31, 2013

DATE OF REPORT:

NOVEMBER 12, 2014

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

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EXAMINER:

HASAN AHMED

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Shirin Emami  
Acting Superintendent

February 4, 2016

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

Madam:

In accordance with instructions contained in Appointment No. 31131, 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 Alfred University, hereinafter referred to as “the Fund.” The Fund’s home office is located at One Saxon Drive, Alfred, NY 14802.

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

## 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'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)

## 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 violation and recommendations 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

Alfred University (“the University”) was organized for the purpose of promoting education by cultivating art, literature and science. Under the provisions of its by-laws, the University is permitted to issue gift annuity agreements and it has done so since 1987. A special permit was granted to the University by the Department on August 4, 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. Wells Fargo, N.A. (“Wells Fargo”) performs a number of services on behalf of the Fund, including: managing the Fund’s investments, issuing gift annuity payments, preparing monthly statements, generating semiannual annuity valuation reports, and filing State and Federal tax filings.

The management of the University and the Fund and all of its affairs and property are entrusted to a board of trustees. As of December 31, 2013, the Board of Trustees was composed of 38 members. The trustees elect a president, a treasurer, a secretary, a provost and any other officers 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 (decline) during the period under review:

	December 31, <u>2008</u>	December 31, <u>2013</u>	Increase (Decrease)
Admitted assets	<u>\$1,212,551</u>	<u>\$1,331,317</u>	<u>\$118,766</u>
Liabilities	<u>\$ 885,461</u>	<u>\$ 779,203</u>	<u>\$(106,258)</u>
Minimum required surplus	\$ 88,546	\$ 77,920	\$(10,626)
Unassigned funds (surplus)	<u>238,544</u>	<u>474,194</u>	<u>235,650</u>
Total surplus	<u>\$ 327,090</u>	<u>\$ 552,114</u>	<u>\$225,024</u>
Total liabilities and surplus	<u>\$1,212,551</u>	<u>\$1,331,317</u>	<u>\$118,766</u>

The decrease in liabilities and minimum required surplus reflects a decrease in the total number of annuities in force. Annuities decreased from 39 with annual payment amounts of \$109,495 as of December 31, 2008 to a total of 32 with annual payment amounts of \$102,091 as of December 31, 2013.

The increase in assets and unassigned funds (surplus) reflects an increase in the market value of the Fund's investments. Specifically, the Fund reported realized capital gains of \$87,605 in 2011 and \$77,279 in 2013.

The Fund's admitted assets, as of December 31, 2013, were mainly invested in common stocks (88.42%) and cash on deposit (11.58%).

## 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. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violation and 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 recommends that the Fund obtain proof of death for all deceased annuitants and maintain such records in the annuitants' claim files.</p> <p>The Fund obtained proof of death for all deceased annuitants and maintained such records in the annuitant's claim files.</p>
B	<p>The examiner recommends that the Fund establish and maintain its own checking account for the payment of annuity benefits.</p> <p>The Fund established and maintained its own checking account for the payment of annuity benefits.</p>
C	<p>The Fund violated Section 312(b) of the New York Insurance Law by failing to maintain statements signed by the board members indicating that they received and read the prior report on examination.</p> <p>The Fund maintained statements signed by the board members indicating that they received and read the prior report on examination.</p>

Respectfully submitted,

\_\_\_\_\_/s/  
Hasan Ahmed  
Insurance Examiner

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

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

\_\_\_\_\_/s/  
Hasan Ahmed

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

APPOINTMENT NO. 31131

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:

**HASAN AHMED**

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE  
ALFRED UNIVERSITY**

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 8th day of April, 2014

BENJAMIN M. LAWSKY  
Superintendent of Financial Services

By:

  
MICHAEL MAFFEI

ASSISTANT DEPUTY SUPERINTENDENT  
AND CHIEF OF THE LIFE BUREAU

