



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
STUDENT CONSERVATION ASSOCIATION, INC.

CONDITION:

DECEMBER 31, 2011

DATE OF REPORT:

DECEMBER 31, 2012

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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EXAMINER:

AHMED SALEH

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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. 30800, dated July 3, 2012 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Student Conservation Association, Inc., hereinafter referred to as “the Fund.” The Fund’s home office is located at 689 River Road, Charlestown, New Hampshire 03603.

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. (See item 4 of this report)

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 directors, or a committee thereof, document its review of the purchase and sale of investments at least annually in the board 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, 2011 filed annual statement. (See item 5 of this report)

The Fund is required to maintain admitted assets in excess of the sum of the Fund's reserves and ten percent of its reserves per Section 1110(b) of the New York Insurance Law. The Fund reported total assets of \$1,209,895, net reserves of \$1,125,549, and minimum required surplus (ten percent of net reserves) of \$112,555 in its 2011 annual statement. The sum of the Fund's net reserves and minimum required surplus is \$1,238,104. The Fund is required to maintain minimum required assets of \$1,238,104 as of December 31, 2011. Thus, the Fund is underfunded by \$28,209 as of December 31, 2011. The Fund violated Section 1110(b) of the New York Insurance Law by failing to maintain sufficient admitted assets. (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 properly complete its Notes to Financial Statements. (See item 7 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2006. This examination covers the period from January 1, 2007 through December 31, 2011. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2011 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, 2011 to determine whether the Fund's filed 2011 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 contained 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

The Student Conservation Association, Inc. (“the Corporation”) is organized for the purpose of seeking and enlisting the voluntary services of conservation-minded people to assist and cooperate with federal, state, and local forest, recreation and conservation services in maintaining the natural resources, beauty, and cultural heritage of the nation’s parks, forests and public lands. Under the provisions of its by-laws, the Corporation is permitted to issue gift annuity agreements and it has done so since 1998. A special permit was granted to the Corporation by the New York State Insurance Department on July 17, 2003, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

The Fund solicits new business from potential annuitants and deposits amounts received into its annuity account with the Fiduciary Trust Company International, the Fund’s custodian. All annuity benefit payments are made on behalf of the Corporation by the custodian. The custodian also calculates the reserves and processes the annuity benefit payments on behalf of the Fund.

The management of the Corporation and the Fund and all of its affairs and property are entrusted to the Board of Directors (the “Board”). The number of directors is limited to 30 regular voting directors. The by-laws provide that the Board has the power to change the number of directors and thereby increase or decrease the number to be elected at any meeting or to fill any newly created directorships resulting from such action. As of December 31, 2011, there were 28 directors. The board elects the president and vice-president of the Fund. The nomination and election procedures of the board members and their terms of office are set by the by-laws.

4. CORPORATE GOVERNANCE

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

“(a) The superintendent shall forward to every insurer or other person examined a copy of the report on examination . . . (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 requested the board of directors and the investment committee minutes for the examination period. The examiner reviewed the minutes that were provided by the Fund and found no evidence that the board of directors, or a committee thereof, reviewed the purchase and sale of the Fund's investments during the examination period.

The examiner recommends that the board of directors, or a committee thereof, document its review of the Fund’s purchase and sale of investments at least annually in the board minutes.

5. SIGNIFICANT FINANCIAL INFORMATION

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

	December 31, <u>2006</u>	December 31, <u>2011</u>	Increase (Decrease)
Admitted assets	<u>\$1,585,942</u>	<u>\$1,209,895</u>	<u>\$(376,047)</u>
Liabilities	<u>\$ 922,940</u>	<u>\$1,125,549</u>	<u>\$ 202,609</u>
Minimum required surplus	\$ 92,294	\$ 112,555	\$ 20,261
Unassigned funds (surplus)	<u>570,708</u>	<u>(28,209)</u>	<u>(598,917)</u>
Total surplus	<u>\$ 663,002</u>	<u>\$ 84,346</u>	<u>\$(578,656)</u>
Total liabilities and surplus	<u>\$1,585,942</u>	<u>\$1,209,895</u>	<u>\$(376,047)</u>

The decrease in assets and surplus reflects an unrealized loss of \$349,378 in 2008 and the increase in liabilities reflects an increase in the total number of annuities in force. Annuities increased from 112 with annual payment amounts of \$144,986 as of December 31, 2006 to a total of 134 with annual payment amounts of \$156,338 as of December 31, 2011.

Section 1110(b) of the New York Insurance Law (NYIL) states, in part:

“(b) Every such domestic corporation or association shall maintain admitted assets at least equal to the greater of (i) the sum of its reserves on its outstanding agreements, calculated in accordance with section four thousand two hundred seventeen of this chapter, and a surplus of ten per centum of such reserves, or (ii) the amount of one hundred thousand dollars....”

The Fund is required to maintain admitted assets in excess of the sum of the Fund's reserves and ten percent of its reserves per Section 1110(b) of the New York Insurance Law. The Fund reported total assets of \$1,209,895, net reserves of \$1,125,549, and minimum required surplus (ten percent of net reserves) of \$112,555 in its 2011 annual statement. The sum of the Fund's net reserves and minimum required surplus is \$1,238,104. The Fund is required to maintain minimum

required assets of \$1,238,104 as of December 31, 2011. Thus, the Fund is underfunded by \$28,209 as of December 31, 2011.

The Fund violated Section 1110(b) of the New York Insurance Law by failing to maintain sufficient admitted assets.

The Fund's admitted assets, as of December 31, 2011, were mainly invested in common stocks (97.9%).

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 instructions for completing Note number 3 of the Notes to Financial Statement of the New York State Segregated Gift Annuity Fund Annual Statement states:

“Segregated Gift Annuity Funds authorized to write annuities in states that mandate a legally required segregated and distinct trust account for that particular state’s annuitants should respond ‘Yes’ to General Interrogatory 11 and report the dollar amount of the segregated assets, liabilities and annuity fund balance (surplus) for each state that requires a separate trust account for the maintenance of assets in accordance with their statutes or laws.”

The Fund failed to complete Note number 3 of the Notes to the Financial Statement for 2009, 2010, and 2011.

The examiner recommends that the Fund properly complete its Notes to the Financial Statements.

8. 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 each citation:

<u>Item</u>	<u>Description</u>
A	The examiner recommends that the Fund properly disclose its segregated assets, liabilities and reserves. A similar recommendation is contained in this report. (See item 7 of this report)

9. SUMMARY AND CONCLUSIONS

Following are the violations, recommendations, and comment 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 directors, or a committee thereof, document its review of the Fund's purchase and sale of investments at least annually in the board minutes.	5
D	The Fund is underfunded by \$28,209 as of December 31, 2011.	7
E	The Fund violated Section 1110(b) of the New York Insurance Law by failing to maintain sufficient admitted assets.	7
F	The examiner recommends that the Fund properly complete its Notes to the Financial Statements. This is a repeat recommendation.	9

Respectfully submitted,

_____/s/
Ahmed Saleh
Insurance Examiner

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

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

_____/s/
Ahmed Saleh

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 30800

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:

AHMED SALEH

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE
STUDENT CONSERVATION, 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 3rd day of July, 2012

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:



MICHAEL MAFFEI

ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU

