



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

AMERICAN SOCIETY FOR TECHNION – ISRAEL INSTITUTE

OF TECHNOLOGY, INC.

CONDITION:

DECEMBER 31, 2013

DATE OF REPORT:

MAY 1, 2015

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EXAMINER:

TARN KHERA

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Acting Superintendent

March 15, 2016

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

Madam:

In accordance with instructions contained in Appointment No. 31133, 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 American Society for Technion – Israel Institute of Technology, Inc., hereinafter referred to as “the Fund,” at its home office located at 55 East 59th Street, New York, NY 10022.

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 Fund diversify its investment holdings. (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)

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 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 American Society for Technion – Israel Institute of Technology, Inc. (the “Corporation”) is organized for the purpose of promoting, encouraging, aiding and advancing technological, scientific, and industrial higher and secondary education, research and training in Israel and elsewhere. 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 New York State Insurance Department on April 28, 1994, 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.

Bernstein Investment Research and Management is the Fund’s investment manager. Bank of America is the custodian of the Fund’s assets.

The management of the Corporation and the Fund and all of its affairs and property are entrusted to a board of directors. The number of directors shall not be more than 80, nor less than 60, regular voting directors, excluding past national presidents, who are automatically members of the board. As of December 31, 2013 the number of regular voting directors totaled 77. The directors elect the Chairman, Vice-Chairman, President, Treasurer, Assistant Treasurer, Secretary and assistant secretaries. The nomination and election procedures of the directors and their term 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.

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>\$23,214,214</u>	<u>\$23,946,107</u>	<u>\$ 731,893</u>
Liabilities	<u>\$20,756,799</u>	<u>\$19,458,975</u>	<u>\$(1,297,824)</u>
Minimum required surplus	\$ 2,073,332	\$ 1,803,468	\$ (269,864)
Unassigned funds (surplus)	<u>384,083</u>	<u>2,683,664</u>	<u>2,299,581</u>
Total surplus	<u>\$ 2,457,415</u>	<u>\$ 4,487,132</u>	<u>\$2,029,717</u>
Total liabilities and surplus	<u>\$23,214,214</u>	<u>\$23,946,107</u>	<u>\$ 731,893</u>

The increase in assets and surplus reflects an increase in the market value of investments in common stocks.

The decrease in liabilities reflects a decrease in the total number of annuities in force. Annuities decreased from 426 with annual payment amounts of \$2,990,531 as of December 31, 2008 to a total of 368 with annual payment amounts of \$2,555,398 as of December 31, 2013.

The Fund's admitted assets, as of December 31, 2013, were mainly invested in common stocks (52.6%) and bonds (41.7%). All bonds held were investment grade.

Section 1409(a) of the New York Insurance Law states,

“(a) Except as more specifically provided in this chapter, no domestic insurer shall have more than ten percent of its admitted assets as shown by its last statement on file with the superintendent invested in, or loaned upon, the securities (including for this purpose certificates of deposit, partnership interests and other equity interests) of any one institution.”

According to the 2013 annual statement on file, the Fund reported 13.1% invested in the securities of AllianceBernstein Discovery Growth Fund CL ADV mutual fund. The Fund's current

concentration in this mutual fund makes it highly unlikely that the Fund's other assets could provide a variability to offset the risks inherent in this fund.

The examiner recommends that the Fund diversify its investment holdings. A trustee using reasonable care, skill and caution should diversify the Fund's assets. A diversification is proper when it disperses the investments' risks consistent with the Investment Strategy Statement's ("ISS") risk, return, and time horizon objectives, and the various risks in the portfolio offset each other. Section 1409 of the New York Insurance Law is instructive. Limiting exposure to any assets of any one institution to ten percent of admitted assets would reasonably assure that the risks in the investment in that institution are offset by the rest of the portfolio. If the trustee has determined that it is in the interests of the beneficiaries not to diversify, then it should memorialize the reasons for that determination in terms of the ISS's risk, return, and time horizon parameters.

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. 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 recommendation:

<u>Item</u>	<u>Description</u>
A	<p>The examiner recommended that the board of trustees, or a committee thereof, approve all investment transactions and note such approvals in the minutes. This is a repeat recommendation.</p> <p>The Investment Committee approves all investment transactions which was noted in the examiner's review of the board minutes. The Investment Committee regularly receives the investment performance of the Society's gift annuity pool. Approval of the transactions (sales and purchases) is done annually based on the Fund's annual statement filed with the Department, which is submitted to the Investment Committee for the committee's review. The Investment Committee's approval is documented in the committee minutes.</p>
B	<p>The examiner recommends that the Fund exercise due care in the preparation of its filed annual statement.</p> <p>The Fund has exercised due care in the preparation of its filed annual statements.</p>

8. 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 Fund diversify its investment holdings.	7

Respectfully submitted,

_____/s/
Tarn Khera
Insurance Examiner

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

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

_____/s/
Tarn Khera

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 31133

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:

TARN KHERA

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE
AMERICAN SOCIETY FOR TECHNION-ISRAEL INSTITUTE OF TECHNOLOGY, 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 8th day of April, 2014

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:



MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU

