



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
AMNESTY INTERNATIONAL OF THE U.S.A., INC

CONDITION:

DECEMBER 31, 2018

DATE OF REPORT:

JUNE 7, 2019

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

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OF THE

AMNESTY INTERNATIONAL OF THE U.S.A., INC.

AS OF

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EXAMINER:

JAMES WANG

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Linda A. Lacewell  
Superintendent

October 10, 2019

Honorable Linda A. Lacewell  
Superintendent of Financial Services  
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31892, dated May 16, 2019 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Amnesty International of the U.S.A., Inc., hereinafter referred to as “the Fund,” at its home office located at 5 Penn Plaza, 16<sup>th</sup> Floor, New York, NY 10001

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 recommends that the Fund strengthen the diversification of its investment holdings. 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 Investment Strategy Statement's ("ISS") risk, return, and time horizon parameters. (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, 2013. This examination covers the period from January 1, 2014 through December 31, 2018. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2018 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, 2018 to determine whether the Fund's filed 2018 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

#### A. History

Amnesty International of the U.S.A., Inc. (“AIUSA”) is organized for the purpose of protecting human rights. AIUSA established a program to issue gift annuity agreements in return for gifts from donors, and it has done so since 1996. A special permit was granted to AIUSA by the Department on February 11, 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.

#### B. Services

Bank of New York Mellon (“BNY Mellon”) is the Fund’s custodian. BNY Mellon maintains custody of the Fund’s assets. BNY Mellon also provides administrative services for the Fund. BNY Mellon: remits benefit payments to annuitants; provides 1099R tax forms to annuitants; and submits monthly investment statements to the Fund. Trillium Asset Management was the Fund’s investment manager under the Fund’s agreement with BNY Mellon, until July 31, 2017. Effective August 1, 2017, the Fund performs its own investment management function.

#### C. Corporate Governance

The management of AIUSA and the Fund and all of its affairs and property are entrusted to a board of trustees. The number of trustees is fixed at 15 regular voting trustees. As of December 31, 2018, the board consisted of 15 trustees. The trustees elect a chair, a vice chair, a general secretary, and a treasurer, each of which shall be a member of the board. The nomination and election procedures of the trustees and their terms of office are set by the by-laws.

#### 4. SIGNIFICANT FINANCIAL INFORMATION

The following summary table indicates the decline in various categories of the Fund's assets, liabilities, and fund balance during the period under review:

|  | <u>December 31,</u><br><u>2013</u> | <u>December 31,</u><br><u>2018</u> | <u>Increase</u><br><u>(Decrease)</u> |
|--|------------------------------------|------------------------------------|--------------------------------------|
| Admitted assets                            | <u>\$3,490,490</u>                 | <u>\$1,881,737</u>                 | <u>\$(1,608,753)</u>                 |
| Liabilities                                | <u>\$2,697,790</u>                 | <u>\$1,569,193</u>                 | <u>\$(1,128,597)</u>                 |
| Minimum required fund balance              | \$ 269,779                         | \$ 156,919                         | \$ (112,860)                         |
| Excess fund balance (surplus)              | <u>522,920</u>                     | <u>155,624</u>                     | <u>(367,296)</u>                     |
| Total annuity fund balance                 | <u>\$ 792,699</u>                  | <u>\$ 312,544</u>                  | <u>\$ (480,155)</u>                  |
| Total liabilities and annuity fund balance | <u>\$3,490,490</u>                 | <u>\$1,881,737</u>                 | <u>\$(1,608,753)</u>                 |

The decrease in assets, liabilities and annuity fund balance reflects a decrease in the total number of annuities in force. Annuities decreased from 167 with annual payment amounts of \$370,833 as of December 31, 2013 to a total of 130 with annual payment amounts of \$212,600 as of December 31, 2018. The charitable gift annuity program is in full "run-off" mode as the Fund pays out existing obligations while not receiving any new gifts.

The Fund's admitted assets, as of December 31, 2018, were invested mainly in common stocks (60.06%) and bonds (30.00%). 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 2018 annual statement, the Fund reported: 57.64% of its admitted assets invested in the Vanguard FTSE Social Index Fund and 31.34% of its admitted assets were invested in the Vanguard Intermediate Term Bond Index Fund. The Fund's current concentration in these



index funds could make it highly unlikely that the Fund's other assets can provide a variability to offset the risks inherent in the funds.

Based upon the concentrations in the above funds, the examiner recommends that the Fund strengthen the diversification of its investment holdings. 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. 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 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.

## 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 and 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 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.</p> <p>The Fund obtained the signatures of each board member indicating that they received and read the prior report on examination.</p>                                 |
| B           | <p>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.</p> <p>The Fund obtained the signatures of each board member indicating that they received and read the prior report on examination.</p> |
| C           | <p>The examiner recommends that the board of trustees, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes.</p> <p>The Board approved the purchases and sales of all investments and the approvals were noted in the minutes.</p>  |
| D           | <p>The examiner recommends that the Fund prepare its annual statements according to the Department's instructions.</p> <p>The examiner encountered no further discrepancies during his review.</p>   |

## 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 strengthen the diversification of its investment holdings. 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                  |

Respectfully submitted,

\_\_\_\_\_/s/  
James Wang  
Senior Insurance Examiner

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

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

\_\_\_\_\_/s/  
James Wang

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

**APPOINTMENT NO. 31892**

**NEW YORK STATE**

**DEPARTMENT OF FINANCIAL SERVICES**

I, **LINDA A. LACEWELL**, Acting 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:

**JAMES WANG**

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE  
AMNESTY INTERNATIONAL OF THE U.S.A., 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 16th day of May, 2019

**LINDA A. LACEWELL**  
Acting Superintendent of Financial Services

By:



**MARK MCLEOD**  
DEPUTY CHIEF - LIFE BUREAU

