



**REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
AMIT CHILDREN, INC.**

AS OF December 31, 2019

EXAMINER: Adelia Gbadamosi

DATE OF REPORT: September 4, 2020

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

AMIT CHILDREN, INC.

AS OF

DECEMBER 31, 2019

DATE OF REPORT:

SEPTEMBER 4, 2020

EXAMINER:

ADELIA GBADAMOSI

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

August 3, 2022

Honorable Adrienne A. Harris
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 32064, dated April 2, 2020 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Amit Children, Inc. The Fund's home office is located at 49 West 37th Street, 5th Floor, New York, New York 10018.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The examiner recommends that the Investment Strategy Statement (“ISS”) be approved by the board of directors. (See item 4A of this report)

The examiner recommends that the Fund review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials. (See item 4A 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, 2019 filed annual statement. (See item 5 of this report)

The Fund violated Section 1110(a) of the New York Insurance Law by using a gift annuity agreement form which was not on file 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

This Scope of Examination summarizes the nature of the Superintendent of the Department of Financial Services' (the "Department") examination and assessment of the Amit Children Segregated Annuity Fund (the "Fund") through which Amit Children (the "Society") provides annuity benefits.

The prior examination was conducted as of December 31, 2014. This examination covers the period from January 1, 2015 through December 31, 2019. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2019 but prior to the date of this report (i.e., the completion date of the examination).

This report outlines DFS's supervisory expectations or priorities and articulates DFS's general views regarding the exceptional circumstances where the College or Fund, in relation to their annuity activities, could have better satisfied statutory standards or to adhered to practices or methods of dealing that are regularly observed among similar circumstances.

The Fund is subject to the solvency and examination requirements of New York Insurance Law § 1110 and of New York Insurance Law articles 1, 2, 3, 25, and 74.

The investment of the Fund's required admitted assets is subject to N.Y. Estates, Powers and Trust Law § 11-2.3. The investment of the remainder of the Fund's admitted assets is subject to N.Y. Not-for-Profit Corporation Law Article 5-a. Both establish that the trustees are to invest the assets consistent with prudent person standards.

The examination comprised a verification of assets and liabilities as of December 31, 2019 to determine whether the Fund's filed 2019 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 7 of this report.

3. DESCRIPTION OF FUND

A. History

Amit Children, Inc. was chartered in 1930 and is organized to enable Israel's youth to realize their potential and to strengthen Israeli society by educating and nurturing children from diverse backgrounds within a framework of academic excellence, Jewish values and Zionist ideals. The Organization has undergone a number of name changes. The Organization was formed on October 2, 1930 under the name of Mizrachi Women's Organization of America, Inc. In 1984, the Organization filed a certificate of amendment with the Department of State and received approval to change its name to Amit Women, Inc. In February 2009, the organization filed a certificate of amendment with the Department of State and received approval to change its name to Amit Children, Inc. The Society established the Fund to issue gift annuity agreements in return for gifts from donors in 2005. The Superintendent of Insurance granted to the Society a Charitable Annuity Society special permit on April 27, 2005.

B. Structure

The management of the Society and the Fund and all of its affairs and property are entrusted to a board of directors. All other operations related to the issuance and maintenance of annuity agreements are handled by the Society.

C. Assets under the Board of Directors

As of the December 31, 2019 IRS Form 990, the Society's Board of Directors oversaw an endowment comprising \$200,000 in total assets and the Society itself had \$ 14,344,761 in assets. The Fund, as of December 31, 2019, held total admitted assets of \$915,570.

D. Third-party Payment Service Provider

First State Trust Bank is the Fund's custodian. Cornerstone Advisors Asset Management ("Cornerstone") is the Fund's investment manager. Cornerstone handles the Fund's investments according to the investment guidelines and acts as the Fund's back office service provider. PG Calc Incorporated performs gift administration services, such as making benefit payments to annuitants, and OS Group prepares annual reports that are submitted to the Department.

4. INVESTMENT REVIEW

A. Investment Policy Statement

New York Estate Powers and Trust Law § 11-2.3(b)(3)(A) requires trustees to “pursue an overall investment strategy to enable the trustee[s] to make appropriate present and future distributions to or for the benefit of the beneficiaries under the governing instrument, in accordance with risk and return objectives reasonably suited to the entire portfolio.”

New York Not-for-Profit Corporation Law § 552(e)(2) requires institutions to adopt “an overall investment strategy having risk and return objectives reasonably suited to the fund and to the institution.” New York Not-for-Profit Corporation Law § 552(f) provides that each “institution shall adopt a written investment policy setting forth guidelines on investments ... and delegation of management and investment functions in accord with the standards of this article.”

First State Trust Bank is the Fund’s investment adviser and custodian.

Callan Associates prepared and provided a form investment policy statement (“IPS”) to the Fund. The Fund adopted that form as its IPS.

The examiner’s review of the Fund’s Investment Strategy Statement (“ISS”) revealed that the board did not approve the ISS.

The examiner recommends that the Investment Strategy Statement be approved by the board of directors.

The examiner recommends that the Fund review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials.

5. ASSETS AND LIABILITIES SUMMARY

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

	December 31, <u>2014</u>	December 31, <u>2019</u>	<u>(Decrease)</u>
Admitted assets	\$ <u>1,026,179</u>	\$ <u>915,570</u>	\$(<u>110,609</u>)
Liabilities	\$ <u>692,844</u>	\$ <u>668,562</u>	\$ <u>(24,282)</u>
Minimum required fund balance	\$ 69,284	\$ 66,856	\$ (2,428)
Excess fund balance (surplus)	<u>264,051</u>	<u>180,152</u>	<u>(83,899)</u>
Total annuity fund balance	\$ <u>333,335</u>	\$ <u>247,008</u>	\$ <u>(86,327)</u>
Total liabilities and annuity fund balance	\$ <u>1,026,179</u>	\$ <u>915,570</u>	\$(<u>110,609</u>)

The decrease in assets is due to market fluctuations and quarterly payments to annuitants. The decrease in liabilities and annuity fund balance is due to terminations in excess of new gifts being added and residuum values being distributed. Annuities decreased from 48 with annual payment amounts of \$81,593 as of December 31, 2014 to a total of 39 with annual payment amounts of \$75,113 as of December 31, 2019.

The Fund's admitted assets, as of December 31, 2019, were invested mainly in equity securities (92.32%).

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 the 2 gift annuities issued by the Fund during the examination period revealed that the Fund used form 1da-I-NY, which was not on file with the Superintendent.

The Fund violated Section 1110(a) of the New York Insurance Law by using a gift annuity agreement form which was not on file 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 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 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 has maintained signed statements from the board member indicating that they received and read the prior report on examination.</p>
B	<p>The examiner recommends that the Fund maintain statements signed by each member indicating that they received and read the prior report on examination.</p> <p>The Fund has maintained statements signed by each member indicating that they received and read the prior report on examination.</p>
C	<p>The examiner recommends that the board of directors, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes. This is a repeat recommendation.</p> <p>The Finance Committee reviewed the Fund's investment transactions and admitted assets.</p>
D	<p>The examiner recommends that the Fund diversify its investment holdings.</p> <p>The Department no longer provides guidance for diversification.</p>
E	<p>The examiner recommends that the Fund adopt an Investment Strategy Statement.</p> <p>The Fund has adopted an Investment Strategy Statement.</p>
F	<p>The examiner recommends that the Fund adhere to the rates suggested by the American Council of Gift Annuities.</p> <p>During the examination period, the examiner noted no significant exceptions to New York maximum rates.</p>

<u>Item</u>	<u>Description</u>
G	<p>The examiner recommends that the Fund contract with a licensed bank or trust company to serve as custodian for the Fund's securities.</p> <p>The Fund has contracted with a licensed bank to serve as custodian of its securities.</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 examiner recommends that the Investment Strategy Statement be approved by the board of directors.	5
B	The examiner recommends that the Fund review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials.	5
C	The Fund violated Section 1110(a) of the New York Insurance Law by using an annuity agreement form which was not on file with the Superintendent.	7
D	The examiner recommends that the Fund file with the Superintendent all annuity agreement forms that were used and not previously filed with the Superintendent.	7

Respectfully submitted,

/s/
Adelia Gbadamosi
Senior Insurance Examiner

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

ADELIA GBADAMOSI, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

/s/
Adelia Gbadamosi

Subscribed and sworn to before me
this _____ day of _____

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, LINDA A. LACEWELL, 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:

ADELIA GBADAMOSI

as a proper person to examine the affairs of the

*SEGREGATED GIFT ANNUITY FUND OF THE
AMIT CHILDREN, INC.*

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

FUND

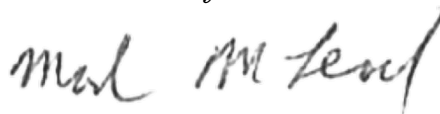
with such other information as she shall deem requisite.

*In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York*

this 2nd day of April, 2020

*LINDA A. LACEWELL
Superintendent of Financial Services*

By:



*MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU*

