



**REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
HADASSAH, THE WOMEN'S ZIONIST ORGANIZATION OF  
AMERICA, INC.**

**AS OF December 31, 2017**

**EXAMINER: Ijeoma Ndika**

**DATE OF REPORT: July 20, 2018**

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

HADASSAH, THE WOMEN'S ZIONIST  
ORGANIZATION OF AMERICA, INC.

AS OF

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IJEOMA NDIKA

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KATHY HOCHUL  
Governor



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ADRIENNE A. HARRIS  
Superintendent

August 4, 2022

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

Madam:

In accordance with instructions contained in Appointment No. 31731, dated April 13, 2018 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Hadassah, the Women's Zionist Organization of America, Inc. The Fund's home office is located at 40 Wall Street, New York, NY 10005.

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

## 1. EXECUTIVE SUMMARY

The examiner recommends that the Fund adopt an Investment Strategy Statement that refers to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law, governs the manner in which the required admitted assets of a segregated gift annuity fund shall be invested. The Fund should exercise reasonable care, skill and caution to make and implement investment and management decisions as a prudent investor would for the entire portfolio. In doing so, the Fund should take into account present and future distributions to or for the beneficiaries and create a plan to meet the needs of those distributions to establish the ISS's risk, return, and time horizon objectives. (See item 4A of this report)

The examiner recommends that the board of trustees, or a committee thereof, be provided, at least annually, with a report concerning the Fund's investment of required admitted assets and note such in the minutes. (See item 4B of this report)

The Fund violated Section 1110(a) of the New York Insurance Law by using a gift annuity agreement form that differed from the gift annuity agreement form that was filed 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)

The examiner recommends that upon the death of an annuitant, the Fund obtain and maintain a death certificate or other reliable documentary evidence that supports such information terminating an annuity contract. (See item 6 of this report)

The examiner recommends that the Fund prepare its filed annual statements in accordance with the instructions for completing the New York State Segregated Gift Annuity Fund Annual Statement. (See item 7 of this report)

## 2. SCOPE OF EXAMINATION

This Scope of Examination summarizes the nature of the Superintendent of the Department of Financial Services' ("Department", or "DFS") examination and assessment of the Hadassah, the Women's Zionist Organization of America, Inc., Segregated Annuity Fund (the "Fund") through which Hadassah, the Women's Zionist Organization of America, Inc., (the "Hadassah") provides annuity benefits.

The prior examination was conducted as of December 31, 2012. This examination covers the period from January 1, 2013 through December 31, 2017. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2017 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, 2017 to determine whether the Fund's filed 2017 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 recommendation contained in the prior report on examination. The results of such review are contained in item 8 of this report.

### 3. DESCRIPTION OF FUND

#### A. History

Hadassah, the Women's Zionist Organization of America, Inc. was chartered in 1912 is organized for the purpose of providing medical relief and ministering to the physical and spiritual well-being of needy persons in the State of Israel; encouraging and supporting medical education in the State of Israel; assisting in the rescue and immigration to the State of Israel of Jewish children and youth from areas where Jewish life and institutions are threatened; fostering the ethics and ideals of Judaism among its members and among Jewish youth; and helping to strengthen American democracy. Hadassah established the Fund to issue gift annuity agreements in return for gifts from donors in 1993. The Superintendent of Insurance granted to Hadassah a Charitable Annuity Society special permit on December 24, 1993.

#### B. Structure

The management of the Fund and all of its affairs and property are entrusted to the National Board. As of December 31, 2017, the board consisted of 42 trustees. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Fund.

#### C. Assets under the National Board

As of the December 31, 2017 audited financial statement, Hadassah's National Board oversaw an endowment consisting of approximately 500 individual funds comprising \$263,580,621 in total assets. The Fund, as of December 31, 2017, held total admitted assets of \$51,023,099.

#### D. Third Party Payment Service Provider

State Street Global Advisors is the custodian of the fund's securities, prepares and sends out 1099s and makes benefit payments to the annuitants. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Fund.

#### 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) calls for “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) states 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.”

The examiner’s review of the Fund’s Investment Strategy Statement showed that it failed to refer to the prudent investor standard as specified in Section 1110(b) of the New York Insurance Law.

The examiner recommends that the Fund adopt an Investment Strategy Statement that refers to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law, governs the manner in which the required admitted assets of a segregated gift annuity fund shall be invested. The Fund should exercise reasonable care, skill and caution to make and implement investment and management decisions as a prudent investor would for the entire portfolio. In doing so, the Fund should take into account present and future distributions to or for the beneficiaries and create a plan to meet the needs of those distributions to establish the ISS’s risk, return, and time horizon objectives.

##### B. Monitoring

The examiner reviewed the board of trustees’ minutes to determine if the board had been provided with a report concerning the Fund’s investment of required admitted assets. The minutes did not contain any indication that the board was provided with a report concerning the Fund’s investment of required admitted assets.



The examiner recommends that the board of trustees, or a committee thereof, be provided, at least annually, with a report concerning the Fund's investment of required admitted assets and note such in the minutes.

## 5. ASSETS AND LIABILITIES SUMMARY

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

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2017</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$44,359,276</u>	<u>\$51,023,099</u>	<u>\$ 6,663,823</u>
Liabilities	<u>\$40,331,646</u>	<u>\$34,600,569</u>	<u>\$ (5,731,077)</u>
Minimum required fund balance	\$ 4,033,165	\$ 3,459,057	\$ (574,108)
Excess fund balance (surplus)	<u>(5,535)</u>	<u>12,963,473</u>	<u>12,969,008</u>
Total annuity fund balance	<u>\$ 4,027,630</u>	<u>\$16,422,530</u>	<u>\$12,394,900</u>
Total liabilities and annuity fund balance	<u>\$44,359,276</u>	<u>\$51,023,099</u>	<u>\$ 6,663,823</u>

The increase in assets and annuity fund balance reflects gains from investment income during the examination period and the transfer of a surplus portfolio account from the general fund of the organization to the Fund in 2015. (See item 6, Annual Statement Reporting)

The decrease in liabilities reflects a decrease in the number of annuities in force. Annuities decreased from 1,825 with annual payment amounts of \$5,062,225 as of December 31, 2012 to 1,642 with annual payment amounts of \$4,270,895 as of December 31, 2017.

The Fund's admitted assets, as of December 31, 2017, were invested mainly in equity securities (97.6%).

## 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 a sample 15 gift annuity agreements issued by the fund in New York during the examination period noted that in 1 instance (7%), the Fund used a gift annuity agreement form that differed from the gift annuity agreement filed with the Superintendent.

The Fund violated Section 1110(a) of the New York Insurance Law by using a gift annuity agreement form that differed from the gift annuity agreement form that was filed 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.

The examiner’s review of a sample of 20 annuity contracts terminated revealed that in 11 of the 20 cases (55 %) reviewed, the Fund did not obtain a copy of the death certificate to confirm termination of the annuity contract.

The examiner recommends that upon the death of an annuitant, the Fund obtain and maintain a death certificate or other reliable documentary evidence that supports such information terminating an annuity contract.

## 7. ANNUAL STATEMENT REPORTING

The Department's instructions for Completing the New York Segregated Gift Annuity Fund Annual Statement ("Annual Statement") instruct as follows in the general instructions section:

**"(10) All amounts are to be reported based upon annuities issued in all states, except for states that mandate a legally required segregated and distinct trust account for that particular state's annuitants (e.g., California )."**

Further, the Department's instructions for Completing the Annual Statement instruct as follows for these line items on the income and disbursements page:

"Line 5 "Current Year" Column: Report and label separately any other income not reported at Lines 5.1 through 5.4. Note: Additional Lines may be inserted, if needed.

"Prior Year" Column: Report prior year's other income.

Line 6 Report any gross amount transferred from the general funds of the corporation/reporting entity to the Segregated Gift Annuity Fund in the current year and prior year.

Line 10.2 "Current Year" Column: Report each additional individual expense item at Lines 10.2, 10.3, etc. for the current year. Additional Lines may be inserted, if needed (e.g., 10.5, 10.6, etc.).

**Professional fees**, including legal fees, investment management or advisory fees, and accounting and actuarial fees should be reported at this Line. Each type of fee should be listed separately.

"Prior Year" Column: Report prior year's other expenses and disbursements."

Additionally, the instructions for completing interrogatory 11 of the Fund's annual statement state the following:

"If the Segregated Gift Annuity Fund has answered "Yes" to this Interrogatory, report, in the Notes to Financial Statement, the dollar amount of the segregated assets, liabilities, and annuity fund balance for each state that requires a separate trust account for the maintenance of assets for the sole benefit of such states residents (e.g., California). Also indicate the number of annuities in force for each such state."

Tennessee Insurance Code, section 56-52-104, states the following, in part:

“(e) A charitable organization may, but is not required to, maintain a charitable gift annuity separate account solely applicable to its charitable gift annuities issued to Tennessee annuitants. Any charitable gift annuity separate account maintained pursuant to this subsection (e) shall be subject to the requirements of subsection (a).”

The Fund reported the following on page 3, lines 5, 6, on its filed 2015 annual statement:

<b>Line</b>	<b>Description</b>	<b>Total</b>
5.4	Recombined Tennessee segregated Fund for reporting purposes	241,169
5.5	Recombined CA for transfer purposes	6,679,848
5.6	Recombined Non-Annuity Trusts for convenience of transfer to new custodian	10,714,791
5.8	Former NY surplus portfolio, Comerica	11,582,822
10.4	Segregation of CA and non-annuity trusts	17,394,639

On page 3 of the Fund’s filed 2015 annual statement, it brought in California annuity transactions on lines 5.5 and 10.4 of the income and disbursements section. Furthermore, on lines 5.6 and 10.4, it included non-annuity trusts in the annual statement. The figure in line 10.4 of the disbursements section equals the totals for lines 5.5 and 5.6 of the income section. Nevertheless, per the general instructions for filing New York annual statements, the California annuity totals should not have been included in the annual statement. The examiner observed that there was a segregated fund for Tennessee. For the Tennessee segregated fund item in line 5.4, the Fund should have separated this out due to there being a segregated fund for Tennessee annuities.

For line 5.8, the Fund should have included the integration of the former New York surplus portfolio on line 6 of the 2015 annual statement.

The examiner recommends that the Fund prepare its filed annual statements in accordance with the instructions for completing the New York State Segregated Gift Annuity Fund Annual Statement.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the recommendation contained in the prior report on examination and the subsequent actions taken by the Fund in response to the recommendation:

<u>Item</u>	<u>Description</u>
A	The examiner recommended that the Fund reconcile its bank statements on a monthly basis.  The Fund now reconciles its bank statement on a quarterly basis.

## 9. 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 Fund adopt an Investment Strategy Statement that refers to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law, governs the manner in which the required admitted assets of a segregated gift annuity fund shall be invested. The Fund should exercise reasonable care, skill and caution to make and implement investment and management decisions as a prudent investor would for the entire portfolio. In doing so, the Fund should take into account present and future distributions to or for the beneficiaries and create a plan to meet the needs of those distributions to establish the ISS's risk, return, and time horizon objectives.	5
B	The examiner recommends that the board of trustees, or a committee thereof, be provided, at least annually, with a report concerning the Fund's investment of required admitted assets and note such in the minutes.	6
C	The Fund violated Section 1110(a) of the New York Insurance Law by using a gift annuity agreement form that differed from the gift annuity agreement form that was filed with the Superintendent.	8
D	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	8
E	The examiner recommends that upon the death of an annuitant, the Fund obtain and maintain a death certificate or other reliable documentary evidence that supports such information terminating an annuity contract.	8
F	The examiner recommends that the Fund prepare its filed annual statements in accordance with the instructions for completing the New York State Segregated Gift Annuity Fund Annual Statement.	10

Respectfully submitted,

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/s/

Ijeoma Ndika  
Senior Insurance Examiner

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

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

\_\_\_\_\_  
/s/

Ijeoma Ndika

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_



APPOINTMENT NO. 31731

NEW YORK STATE

**DEPARTMENT OF FINANCIAL SERVICES**

I, MARIA T. VULLO, 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:

**IJEOMA NDIKA**

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE  
HADASSAH, THE WOMEN'S ZIONIST ORGANIATION OF AMERICA, 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 13th day of April, 2018

MARIA T. VULLO  
Superintendent of Financial Services

By:



MARK MCLEOD  
DEPUTY CHIEF - LIFE BUREAU

