



**REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
AMERICAN COMMITTEE FOR SHAARE ZEDEK HOSPITAL  
IN JERUSALEM, INC.  
AS OF December 31, 2019**

**EXAMINER: Adelia Gbadamosi**

**DATE OF REPORT: February 9, 2021**

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

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AMERICAN COMMITTEE FOR SHAARE ZEDEK HOSPITAL

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ADELIA GBADAMOSI

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KATHY HOCHUL  
Governor



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ADRIENNE A. HARRIS  
Superintendent

October 20, 2022

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

Madam:

In accordance with instructions contained in Appointment No. 32158, dated November 23, 2020, and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the American Committee for Shaare Zedek Hospital in Jerusalem, Inc. The Fund's home office is located at 55 West 39<sup>th</sup> Street, 4<sup>th</sup> Floor, New York, NY 10018.

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 obtain 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 the signature of each board member indicating that they have received and read any current or future filed report on examination. (See item 3E of this report)

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

The examiner recommends that the board of directors, 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 4A 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

This Scope of Examination summarizes the nature of the Superintendent of the Department of Financial Services' ("Department", or "DFS") examination and assessment of the American Committee for Shaare Zedek Hospital in Jerusalem, Inc. Segregated Annuity Fund (the "Fund") through which American Committee for Shaare Zedek Hospital in Jerusalem, Inc., (the "Organization") 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 Organization 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

The American Committee for Shaare Zedek Hospital in Jerusalem, Inc. was chartered in 1949 and is organized for the purpose of providing financial support to fund services, capital projects, research and the purchase of equipment for Shaare Zedek Medical Center in Jerusalem. The Organization established the Fund to issue gift annuity agreements in return for gifts from donors in 1999. The Superintendent of Insurance granted to the Organization a Charitable Annuity Society special permit on February 26, 2010.

#### B. Structure

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

#### C. Assets under the Board of Directors

As of the June 30, 2019 audited financial statement, the Organization's Board of Directors oversaw an endowment comprising \$12,336,380 in total assets. The Fund, as of December 31, 2019, held total admitted assets of \$4,834,069.

#### D. Third-Party Payment Service Provider

Comerica Bank & Trust, North America is the Fund's custodian. Comerica issues payments to annuitants and provides year-end tax reporting. Alliance Bernstein, LP provides investment management services for the sales and purchases of investments.

#### E. Oversight Structure

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 examiner's review revealed that the Fund failed to obtain 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 obtain 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 the signature of each board member indicating that they have received and read any current or future filed report on examination.



#### 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.”

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.

##### B. Monitoring

The examiner reviewed the board of directors’ minutes to determine whether 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 directors, 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 in various categories of the Fund's assets, liabilities, and fund balance during the period under review:

	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2019</u>	<u>Increase</u>
Admitted assets	<u>\$3,450,118</u>	<u>\$4,834,069</u>	<u>\$1,383,951</u>
Liabilities	<u>\$2,132,115</u>	<u>\$2,968,010</u>	<u>\$ 835,895</u>
Minimum required fund balance	\$ 213,212	\$ 296,801	\$ 83,589
Excess fund balance (surplus)	<u>1,104,791</u>	<u>1,569,258</u>	<u>464,467</u>
Total annuity fund balance	<u>\$1,318,003</u>	<u>\$1,866,059</u>	<u>\$ 548,057</u>
Total liabilities and annuity fund balance	<u>\$3,450,118</u>	<u>\$4,834,069</u>	<u>\$1,383,951</u>

The increase in assets, liabilities and annuity fund balance reflects the issuance of new annuities during the examination period that had large gift amounts. In addition, the Fund maintained an excess surplus in the account as protection for market downturns to ensure sufficient funds are on hand to meet obligations. Annuities decreased from 81 with annual payment amounts of \$388,065 as of December 31, 2014 to a total of 71 with annual payment amounts of \$396,350 as of December 31, 2019.

The Fund's admitted assets, as of December 31, 2019, were invested mainly in equity securities (74.95%) and bonds (24.01%). All bonds held were investment grade.

## 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 citation:

<u>Item</u>	<u>Description</u>
A	<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.</p> <p>The Fund failed to take corrective action in response to this prior report violation. Hence a similar recommendation is contained in this report.</p>
B	<p>The examiner recommends that the Fund diversify its investment holdings.</p> <p>The Department no longer offers guidance for diversification.</p>
C	<p>The examiner recommends that the Fund adopt an investment strategy statement.</p> <p>The Fund adopted an investment strategy statement.</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 obtain statements signed by the board members indicating that they received and read the prior report on examination.	4
B	The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining the signature of each board member indicating that they have received and read any current or future filed report on examination.	5
C	The examiner recommends that the Investment Strategy Statement be approved by the board of directors.	6
D	The examiner recommends that the board of directors, 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

Respectfully submitted,

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/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 \_\_\_\_\_

***APPOINTMENT NO. 32158***

***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  
AMERICAN COMMITTEE FOR SHAARE ZEDEK HOSPITAL IN JERUSALEM, 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 23rd day of November, 2020*

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

*By:*



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***MARK MCLEOD***  
***DEPUTY CHIEF - LIFE BUREAU***

