



**REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
JEWISH NATIONAL FUND (KEREN KAYEMETH LEISRAEL),  
INC.  
AS OF DECEMBER 31, 2020**

**EXAMINER: Manish Gera**

**DATE OF REPORT: November 18, 2022**

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
REPORT ON EXAMINATION  
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KATHY HOCHUL  
Governor



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ADRIENNE A. HARRIS  
Superintendent

March 29, 2023

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

Madam:

In accordance with instructions contained in Appointment No. 32222, dated April 19, 2021 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Jewish National Fund (Keren Kayemeth Leisrael), Inc. The Fund's home office is located at 42 East 69th Street, New York, NY 10021.

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

## 1. EXECUTIVE SUMMARY

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 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)

## 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 Jewish National Fund (Keren Kayemeth Leisrael), Inc. Segregated Annuity Fund (the "Fund") through which Jewish National Fund (Keren Kayemeth Leisrael), Inc. (the "Organization") provides annuity benefits.

The prior examination was conducted as of December 31, 2015. This examination covers the period from January 1, 2016 through December 31, 2020. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2020 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 adhered to statutory standards and guidance or 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, 2020 to determine whether the Fund's filed 2020 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 violations, recommendations and/or comments 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 Jewish National Fund (Keren Kayemeth Leisrael), Inc. was founded in 1901 and incorporated in the United States on February 3, 1926. The Organization was organized for the purpose of promoting the historic Zionist aim of reclaiming, developing and protecting the land and resources of the land of Israel, and sponsoring programs that advance these objectives. The Organization is involved in Israel advocacy and education throughout the United States. The Organization's Israel projects are primarily carried out by its agent in Israel – Keren Kayemeth Leisrael (“KKL”). The Organization established the Fund to issue gift annuity agreements in return for gifts from donors in 1970. The Superintendent of Insurance granted to the Jewish National Fund a Charitable Annuity Society special permit on September 25, 1970.

#### B. Structure

The Fund is overseen by the Organization's Board of Directors. The Organization performs all of the Fund's accounting work, including monthly general ledger reconciliations.

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

As of September 30, 2021, the Jewish National Fund's Board of Directors oversaw an endowment consisting of individual funds comprising \$9,335,385 in total assets. The Organization held \$333,526,504 of investments as of September 30, 2021. The Fund, as of December 31, 2020, held total admitted assets of \$44,250,155.

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

Comerica Bank and Trust N.A. (“Comerica”) is the Fund's custodian. JP Morgan Securities is the Fund's investment advisor. Comerica issues annuity benefit payments. Hightower analyzes the performance of the Fund's securities.

#### 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.”

JP Morgan Securities is the Fund’s investment adviser and custodian.

The Organization prepared and provided an investment policy statement (“IPS”) to the Fund. The Fund adopted that form as its ISS.

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 growth in various categories of the Fund's assets, liabilities, and fund balance during the period under review:

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2020</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$28,985,062</u>	<u>\$44,250,155</u>	<u>\$15,265,093</u>
Liabilities	<u>\$25,289,486</u>	<u>\$ 36,659,071</u>	<u>\$11,369,585</u>
Minimum required fund balance	\$ 2,528,949	\$ 3,654,907	\$ 1,125,958
Excess fund balance (surplus)	<u>1,166,627</u>	<u>3,936,176</u>	<u>2,769,549</u>
Total annuity fund balance	<u>\$ 3,695,576</u>	<u>\$ 7,591,083</u>	<u>\$ 3,895,507</u>
Total liabilities and annuity fund balance	<u>\$28,985,062</u>	<u>\$44,250,155</u>	<u>\$15,265,093</u>

The increase in assets, liabilities and annuity fund balance reflects an increase in the total number of annuities in force. Annuities increased from 1,550 with annual payment amounts of \$3,208,589 as of December 31, 2015, to a total of 1,570 with annual payment amounts of \$3,866,714 as of December 31, 2020.

The Fund's admitted assets, as of December 31, 2020, were invested mainly in equity securities (81.15%).

## 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.

The examiner's review of a sample of 20 annuity contracts terminated revealed that in 2 of the 20 cases (10%) reviewed, the Fund failed to 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. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and comments 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 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.</p> <p>The Department no longer offers specific guidance for diversification.</p>

## 8. SUMMARY AND CONCLUSIONS

Following are the recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	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
B	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

Respectfully submitted,

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/s/

Manish Gera  
Insurance Examiner

STATE OF NEW YORK     )

)SS:

COUNTY OF NEW YORK    )

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

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

Manish Gera

Subscribed and sworn to before me

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

*APPOINTMENT NO. 32220*

*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:*

***MANISH GERA***

*as a proper person to examine the affairs of the*

***SEGREGATED GIFT ANNUITY FUND OF THE  
JEWISH NATIONAL FUND (KEREN KAYEMETH LEISRAEL) 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 19th day of April, 2021*

*LINDA A. LACEWELL  
Superintendent of Financial Services*

*By:*



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

