

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 nine gift annuity agreement forms used by the Fund for gift annuities issued in New York during the examination period noted that in all nine instances, the Fund included the form number on the top left hand corner of the page and a serial number on the bottom left hand corner of the page.

In order to maintain compliance with Section 1110 of the New York Insurance Law, the Fund must issue its contracts in accordance with its previously accepted gift annuity agreements in the same format as filed with, and accepted by, the Department. The Fund must, on a going forward basis, have its form numbers appear in lower left corners of agreement pages; similarly, agreement serial numbers must appear in the upper right agreement page corners.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is 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 failed to take corrective action in response to this prior report comment. A similar violation appears in this 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 failed to take corrective action in response to this prior report comment. A similar recommendation appears in this report on examination.</p> |
| C | <p>The examiner recommends that the Fund's board of directors review the activities of the Fund at least annually and note the same in the minutes.</p> <p>During the review of the board minutes, the examiner determined that the Fund's board of trustees reviewed the activities of the Fund at least annually.</p> |
| D | <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 examiner did not note that the board of trustees approve the purchases and sales of all investments. However, the Investment Committee thoroughly reviewed the activities of the Fund and provided quarterly updates and exhibits to the board.</p> |
| E | <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 provides specific guidance for investment diversification.</p> |

| <u>Item</u> | <u>Description</u> |
|-------------|--|
| F | <p>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. Powers, and Trusts Law. A similar recommendation appears in this report on examination.</p> <p>The Fund adopted an Investment Strategy Statement that refers to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trust Law.</p> |
| G | <p>The Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that were not filed with the Superintendent and approved.</p> <p>The Fund filed with the Superintendent all gift annuity agreement forms that were used during the prior examination and this examination.</p> |
| H | <p>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, and retain evidence that the Forms were approved.</p> <p>The Fund filed with the Superintendent all gift annuity agreement forms that were used during the prior examination and this examination. However, the forms used during the exam period had the policy form numbers on the top left hand corner of the page and serial numbers on the bottom left hand corner of the page.</p> |
| I | <p>The examiner recommends that upon the death of an annuitant, the Fund obtain a death certificate or other reliable documentary evidence that supports the termination of an annuity contract.</p> <p>The Fund obtained death certificates that support the termination of an annuity contract.</p> |
| J | <p>The examiner recommends that the Fund prepare its filed annual statements in accordance with the Department's instructions for completing the New York State segregated gift annuity fund annual statement.</p> <p>The examiner noted no new discrepancies during the review.</p> |

8. SUMMARY AND CONCLUSIONS

Following are the violation, recommendations, and comment 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 signed statements from the board members indicating that they received and read the prior report on examination. | 5 |
| 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 Trustees. | 6 |
| D | 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. | 6 |
| E | In order to maintain compliance with Section 1110 of the New York Insurance Law, the Fund must issue its contracts in accordance with its previously accepted gift annuity agreements in the same format as filed with, and accepted by, the Department. The Fund must, on a going forward basis, have its form numbers appear in lower left corners of agreement pages; similarly, agreement serial numbers must appear in the upper right agreement page corners. | 8 |

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 _____

APPOINTMENT NO. 32381

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **ADRIENNE A. HARRIS**, 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
NATURAL RESOURCES DEFENSE COUNCIL, 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 9th day of November, 2022

ADRIENNE A. HARRIS
Superintendent of Financial Services

By:



MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

