



**REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
WILDLIFE CONSERVATION SOCIETY**

AS OF DECEMBER 31, 2022

EXAMINER: Adelia Gbadamosi

DATE OF REPORT: December 18, 2023

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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KATHY HOCHUL
Governor

ADRIENNE A. HARRIS
Superintendent

January 29, 2024

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

Madam:

In accordance with instructions contained in Appointment No. 32527, dated June 28, 2023 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Wildlife Conservation Society.” The Fund’s home office is located at 2300 Southern Boulevard, Bronx, NY 10460.

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 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 Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that differed from the gift annuity agreement forms that were 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)

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 Wildlife Conservation Society Segregated Annuity Fund (the "Fund") through which the Wildlife Conservation Society (the "Society") provides annuity benefits.

The prior examination was conducted as of December 31, 2017. This examination covers the period from January 1, 2018 through December 31, 2022. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2022 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 Society 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, 2022 to determine whether the Fund's filed 2022 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 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 New York Zoological Society, doing business as the Wildlife Conservation Society, is organized for the purpose of establishing a zoo, advancing education in wild animal life, promoting conservation of wildlife and engaging in scientific research. The Society established a program to issue gift annuity agreements in return for gifts from donors in 1996. The Superintendent of Insurance granted to the Society a Charitable Annuity special permit on December 17, 1998.

B. Structure

The Fund is overseen by the Society's board of trustees. The Society provides oversight of the management of the investments of the Fund and reviews the policies and procedures related to the Fund. The Society approves the investment strategy of the Fund.

C. Assets under the Board of Trustees

As of the June 30, 2022 IRS Form 990, the Board of Trustees oversaw an endowment consisting of 102 individual funds comprising \$485,534,598 in total assets. The Fund, as of December 31, 2022, held total admitted assets of \$2,900,554.

D. Third-party Payment Service Provider

Wells Fargo Private Bank ("Wells Fargo") is the custodian for the assets of the Fund. Wells Fargo performs day-to-day operations and oversight of the individual annuities. Wells Fargo also issues distribution payments via check or direct deposit to annuitants as well as provides annuitants with Form 1099-R's for income tax purposes at year-end. Wells Fargo manages the investment portfolio supporting the annuity program under the guidelines of the investment policy approved by the Fund, provides the Fund statements and other data for monthly, quarterly, and annual reporting. K2N Advisors and CPAs is responsible for preparing the annual statements and PG Calc performs marketing and computer programming services.

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 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 Organization prepared and provided a custom investment policy statement (“IPS”) for the Fund. The Fund adopted that form as its IPS.

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

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2022</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	\$ <u>3,057,149</u>	\$ <u>2,900,555</u>	\$(<u>156,594</u>)
Liabilities	\$ <u>2,381,218</u>	\$ <u>1,954,787</u>	\$(<u>426,431</u>)
Minimum required fund balance	\$ 238,122	\$ 195,479	\$ (42,643)
Excess fund balance (surplus)	<u>437,810</u>	<u>750,288</u>	<u>312,478</u>
Total annuity fund balance	\$ <u>675,931</u>	\$ <u>945,767</u>	\$ <u>269,836</u>
Total liabilities and annuity fund balance	\$ <u>3,057,149</u>	\$ <u>2,900,555</u>	\$(<u>156,594</u>)

The decrease in assets during the examination period is due to annuity payments to donors, expenses and fees, severance payments and a funding transfer to the dedicated California CGA investment account. The decrease in liabilities is due to the increase in the average age of annuitants. Annuities in force decreased from 143 as of December 31, 2017 with annuity payments of \$271,185 to 99 as of December 31, 2022 with annuity payments of \$261,029. The increase in annuity fund balance is a result of gains from investments.

The Fund's admitted assets, as of December 31, 2022, were invested mainly in equity securities (70.08%) and bonds (27.49%).

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 of 13 newly issued gift annuities by the Fund during the examination period noted that in 13 newly issued annuities, the Fund used forms that differed from the gift annuity agreements filed with the Superintendent. The deviating form numbers found in the sample are 1da-I-NY and 1da-D-NY.

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

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 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 Fund's investment committee approved the purchases and sales of investments and noted such approvals in the minutes.</p>
B	<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.</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 Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law.</p>
C	<p>The examiner recommends that the Fund strengthen the diversification of its investment holdings.</p> <p>The Department no longer provides specific guidance for investment diversification.</p>
D	<p>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 forms that were filed with the Superintendent.</p> <p>During the examination period the Fund used gift annuity agreement forms which were not approved by the Superintendent. A similar violation appears in this report on examination.</p>
E	<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.</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>

<u>Item</u>	<u>Description</u>
F	<p>The examiner recommends that the Fund ensure that all gift annuity agreement forms have the appropriate form number as approved by the Superintendent printed on each form issued.</p> <p>During the examination period the Fund used gift annuity agreement forms which were not approved by the Superintendent.</p>

8. SUMMARY AND CONCLUSIONS

Following are the violations 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 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 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
D	The Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that differed from the gift annuity agreement forms that were filed with the Superintendent.	8
E	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

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. 32527

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
WILDLIFE CONSERVATION SOCIETY***

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

FUND

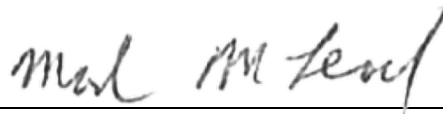
with such other information as she shall deem requisite.

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

this 28th day of June, 2023

*ADRIENNE A. HARRIS
Superintendent of Financial Services*

By:



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

