

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF
THE SEGREGATED GIFT ANNUITY FUND
OF
SKIDMORE COLLEGE

CONDITION:

DECEMBER 31, 2018

DATE OF REPORT:

SEPTEMBER 20, 2019

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF

THE SEGREGATED GIFT ANNUITY FUND

OF

SKIDMORE COLLEGE

AS OF

DECEMBER 31, 2018

DATE OF REPORT:

SEPTEMBER 20, 2019

EXAMINER:

ADELIA GBADAMOSI

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Executive summary	2
2.	Scope of examination	3
3.	Description of fund	4
	A. History	4
	B. Structure	4
	C. Assets under the Board of Trustees	4
	D. Third-party service providers	4
4.	Assets and liabilities summary	5
5.	Treatment of annuitants	6
6.	Summary and conclusions	8



Department of Financial Services

KATHY HOCHUL
Governor

ADRIENNE A. HARRIS
Superintendent

August 16, 2022

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

Madam:

In accordance with instructions contained in Appointment No. 31925, dated May 16, 2019 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of Skidmore College at its home office located at 815 North Broadway, Saratoga Springs, New York 12866.

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

1. EXECUTIVE SUMMARY

The Fund's use of gift annuity forms that differed from the gift annuity form that had been filed with the Superintendent violated New York Insurance Law § 1110(a). The examiner recommends that the Fund file with the Superintendent, all gift annuity agreement forms that were, or are proposed to be, used and not previously filed with the Superintendent and that it use those forms only. (See item 5 of this report)

The examiner's review of a sample of transactions did not reveal any differences which materially affected the Fund's financial condition as presented in its financial statements contained in the December 31, 2018 filed annual statement. (See item 4 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 5 of this report)

2. SCOPE OF EXAMINATION

This Scope of Examination summarizes the nature of the Superintendent of the Department of Financial Services' examination and assessment of the Skidmore College Segregated Annuity Fund (the "Fund") through which Skidmore College (the "College") provides annuity benefits.

This examination covers the period from January 1, 2014 through December 31, 2018. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2018 but prior to the date of this report (i.e., the completion date of the examination).

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 examination included a verification of assets and liabilities as of December 31, 2018 to determine whether the Fund's 2018 annual statement, as filed, fairly presented its financial condition. The examiner reviewed the Fund's income and disbursements necessary to accomplish such verification.

3. DESCRIPTION OF FUND

A. History

Skidmore College was chartered in 1922 and is an institution for the promotion of education. The College established the Fund to issue gift annuity agreements in return for gifts from donors in 1993. The Superintendent of Insurance granted to the College a Charitable Annuity Society special permit on March 5, 1999.

B. Structure

The Fund is overseen by the College's Board of Trustees.

C. Assets under the Board of Trustees

As of June 30, 2018, Skidmore College's Board of Trustees oversaw an endowment consisting of 623 individual funds comprising \$379.3 million in total assets. The Fund, as of December 31, 2018, held total admitted assets of \$4,456,925.

D. Third-party Service Providers

The Bank of New York Mellon ("BNY Mellon") handles accounting, preparation of annual filings, and payment of annuitants.

BNY Mellon is the Fund's custodian. BNY Mellon maintains the Fund's investment policy. BNY Mellon is the Fund's investment manager.

4. 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>2013</u>	<u>December 31,</u> <u>2018</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$4,254,675</u>	<u>\$4,456,925</u>	<u>\$202,250</u>
Liabilities	<u>\$2,893,341</u>	<u>\$3,141,625</u>	<u>\$248,284</u>
Minimum required fund balance	\$ 289,334	\$ 314,163	\$ 24,829
Excess fund balance (surplus)	<u>1,072,000</u>	<u>1,001,137</u>	<u>(70,863)</u>
Total annuity fund balance	<u>\$1,361,334</u>	<u>\$1,315,300</u>	<u>\$ (46,034)</u>
Total liabilities and annuity fund balance	<u>\$4,254,675</u>	<u>\$4,456,925</u>	<u>\$202,250</u>

The increase in assets and liabilities reflect an increase in the number of annuities in force. Annuities increased from 128 with annual payment amounts of \$341,798 as of December 31, 2013 to a total of 139 with annual payment amounts of \$363,558 as of December 31, 2018. The decrease in annuity fund balance is mainly attributable to an increase in the net actuarial reserves.

5. 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.

New York Insurance Law § 1110(a) states, in part:

“. . . [E]very such corporation or association shall, before making such agreement, file with the superintendent copies of its forms of agreements with annuitants . . .”

The examiner reviewed eight gift annuities newly issued during the examination period. Of the new annuities issued, seven of eight (87.5%) gift annuities newly issued by the Fund during the examination period used forms that differed from the gift annuity agreements filed with the Superintendent. The deviating form numbers found in the sample are 1LIFE and 2JTLIFE. In form 1LIFE, there was deviating language that stated: “Upon the College’s satisfaction of its obligation under this Agreement, an amount equal to the residuum of the gift shall be used by the College for its general purposes.” Furthermore, in two of the seven deviating forms used, no policy form number was found. Moreover, these forms failed to include the paragraph in the accepted corresponding form stating “Notwithstanding the foregoing provisions, the Donor shall have the right, by a provision of his or her Last Will and Testament duly admitted to probate and expressly referring to this Agreement, to revoke and terminate the survivorship annuity payments for the Survivor Annuitant. In the case of the revocation of the survivorship annuity, no payments shall be made to the Survivor Annuitant after the Donor's death.” These two forms also included a paragraph stating “Upon the College’s satisfaction of its obligation under this Agreement, an amount equal to the residuum of the gift shall be used by the College for its general purposes”, which was not in the corresponding accepted form.

The Fund’s use of gift annuity agreement forms that differed from those that had been filed with the Superintendent violated New York Insurance Law § 1110(a). The examiner recommends that the Fund file with the Superintendent, all gift annuity agreement forms that were, or are proposed to be, used and not previously filed with the Superintendent and that it use those forms only.

The examiner's sample of three annuity contracts terminated revealed that each of those reviewed (100%), 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.

6. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page</u>
A	<p>The Fund's use of gift annuity forms that differed from the gift annuity form that had been filed with the Superintendent violated New York Insurance Law § 1110(a).</p> <p>The examiner recommends that the Fund use only those gift annuity agreement forms that had been filed with the Superintendent.</p>	6
B	<p>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.</p>	7

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. 31925

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, LINDA A. LACEWELL, Acting 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
SKIDMORE COLLEGE***

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 16th day of May, 2019

LINDA A. LACEWELL
Acting Superintendent of Financial Services

By:

Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

