



**REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
ELLIS HOSPITAL FOUNDATION**

AS OF December 31, 2019

EXAMINER: Adelia Gbadamosi

DATE OF REPORT: September 16, 2020

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

ELLIS HOSPITAL FOUNDATION, INC.

AS OF

DECEMBER 31, 2019

DATE OF REPORT:

SEPTEMBER 16, 2020

EXAMINER:

ADELIA GBADAMOSI

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

July 28, 2022

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

Madam:

In accordance with instructions contained in Appointment No. 32113, dated June 24, 2020 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Ellis Hospital Foundation. The Fund's home office is located at 1101 Nott Street, Schenectady, New York 12308.

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

1. EXECUTIVE SUMMARY

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, 2019 filed annual statement. (See item 4 of this report)

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. (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' (the "Department", or "DFS") examination and assessment of the Ellis Hospital Foundation, Inc. Segregated Annuity Fund (the "Fund") through which Ellis Hospital Foundation, Inc. (the "Foundation") 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 College 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 recommendation contained in the prior report on examination. The results of such review are contained in item 6 of this report.

3. DESCRIPTION OF FUND

A. History

The Ellis Hospital Foundation, Inc. was chartered in 1982 and is organized for the purpose of assisting Ellis Hospital in developing and expanding its services to the community by mobilizing and coordinating the efforts of community leaders; providing a focal point and recipient for philanthropic support; stimulating a source of support; and granting funds to Ellis Hospital. The Foundation established the Fund to issue gift annuity agreements in return for gifts from donors in 1997. The Superintendent of Insurance granted to the Foundation a Charitable Annuity Society special permit on March 7, 2000.

B. Structure

The management of the Foundation and the Fund and all of its affairs and property are entrusted to a board of trustees. All operations related to the issuance and maintenance of gift annuity agreements are handled by the Fund.

C. Assets under the Board of Trustees

As of the December 31, 2019, Form 990, the Foundation's Board of Trustees oversaw an endowment comprising \$11,439,294 in total assets. The Fund, as of December 31, 2019, held total admitted assets of \$586,169.

D. Third Party Payment Service Provider

Key Bank is the Fund's custodian and investment manager. Key Bank handles investments, makes benefit payments to annuitants, prepares quarterly financials, and ensures that reserve calculations are correct. OS Group also assists in preparing the annual statement.

4. ASSETS AND LIABILITIES SUMMARY

The following summary table indicates the decline 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>(Decrease)</u>
Admitted assets	<u>\$762,444</u>	<u>\$586,169</u>	<u>\$(176,275)</u>
Liabilities	<u>\$527,886</u>	<u>\$372,135</u>	<u>\$(155,751)</u>
Minimum required fund balance	\$ 52,789	\$ 37,214	\$ (15,575)
Excess fund balance (surplus)	<u>181,770</u>	<u>176,820</u>	<u>(4,950)</u>
Total annuity fund balance	<u>\$234,559</u>	<u>\$214,034</u>	<u>\$ (20,525)</u>
Total liabilities and annuity fund balance	<u>\$762,444</u>	<u>\$586,169</u>	<u>\$(176,276)</u>

The decrease in assets, liabilities and annuity fund balance is due to market fluctuations and from the termination of annuity contracts. Annuities decreased from 57 with annual payment amounts of \$70,060 as of December 31, 2014 to a total of 48 with annual payment amounts of \$65,125 as of December 31, 2019.

The Fund's admitted assets, as of December 31, 2019, were invested mainly in equity securities (99.37%).

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.

The examiner reviewed a sample of new gift annuities issued by the Fund during the examination period. In the sample selected, the examiner noted that 6 out of the 6 newly issued gift annuities reviewed had contracts which did not have the appropriate form number as approved by the Superintendent printed on the forms.

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.

6. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the recommendation 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	The examiner recommends that the Fund diversity its investment holdings. The Department no longer provides guidance on diversification.

7. SUMMARY AND CONCLUSIONS

Following is the recommendation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	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.	6

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. 32113

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
ELLIS HOSPITAL FOUNDATION***

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 24th day of June, 2020

*LINDA A. LACEWELL
Superintendent of Financial Services*

By:



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

