NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

CONDITION:	DECEMBER 31, 2017
DATE OF REPORT:	JUNE 4, 2019

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EXAMINER:	DARIN BENCK, CFE

TABLE OF CONTENTS

NEW YORK STATE
DEPARTMENT of
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Linda A. Lacewell
Acting Superintendent

June 4, 2019

The Honorable Linda A. Lacewell
Acting Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31832, dated October 19, 2018, and annexed hereto, an examination has been made into the condition and affairs of Foresters Life Insurance and Annuity Company, hereinafter referred to as "the Company," at its administrative office located at 110 Fieldcrest Avenue, Edison, NJ 08837. The Company's home office is located at 40 Wall Street, New York, NY 10004.

Wherever "Department" appears in this report, it refers to the New York State Department of Financial Services.

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

1. EXECUTIVE SUMMARY

The material violation and comment contained in this report are summarized below.

- The Company violated Section 325(a) of the New York Insurance Law by failing to maintain several statutorily required records at its home office. (See item 3F of this report.)
- Subsequent to the filing of the 2018 annual statement, the Company discovered an error in the calculation of minimum formula reserves for the deferred income annuities. The error resulted in an understatement of reserves by approximately $17 million. The Company agreed to post the correct reserve amount in the second quarterly statement for 2019. (See item 7 of this report.)

2. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook, 2018 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2013, to December 31, 2017. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2017, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook published by the NAIC. The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

The examination was called by the Department in accordance with the Handbook guidelines, through the NAIC's Financial Exam Electronic Tracking System. Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2013 through 2017, by the accounting firm of KPMG, LLP ("KPMG"). The Company received an unqualified opinion in each year under examination. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company's ultimate parent, the Independent Order of Foresters ("IOF"), has an internal audit department which was given the task of evaluating the effectiveness of the Company's risk management and governance processes. The Company is not required to comply with the Sarbanes-Oxley Act of 2002 or the NAIC Model Audit Rule.

The examiner reviewed the corrective action taken by the Company with respect to the financial condition violation contained in the prior report on examination. The result of the examiner's review is contained in item 8 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of New York on August 3, 1962, was licensed on November 1, 1962, and commenced business on December 13, 1962. Initial resources of $1,000,000, consisting of common capital stock of $500,000 and paid in and contributed surplus of $500,000, were provided through the sale of 250,000 shares of common stock (with a par value of $2) to First Investors Corporation ("FIC") for $4 per share. In June of 1968, the assets of FIC were transferred to NFIC Holding Company. In March 1973, NFIC Holding Company changed its name to First Investors Consolidated Corporation ("FICC").

On January 20, 2011, IOF, a Canadian fraternal benefit society, purchased FICC, the Company's ultimate parent, and its family of companies, including the Company, a registered broker-dealer, a registered investment advisor and a transfer agent.

As of December 31, 2017, the common capital stock of the Company was $2,538,162 and the paid-in and contributed surplus was $6,496,180.

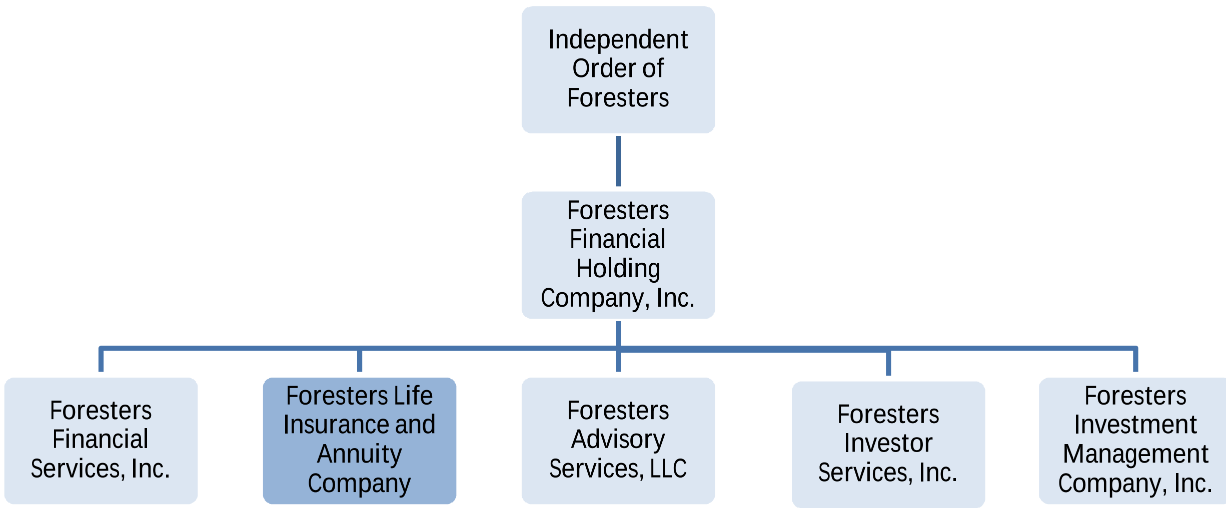
As part of an organizational rebranding, on September 21, 2015, the names of members of the holding company group were changed to align with their current legal names. The Company's name was also changed to its present name, and FICC's name was changed to Foresters Financial Holding Company, Inc. ("FFHC").

B. Holding Company

The Company is a wholly owned subsidiary of FFHC, a Delaware holding company. FFHC is in turn a wholly owned subsidiary of IOF, a Canadian fraternal benefit society, and the Company's ultimate parent.

C. Organizational Chart

An organizational chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2017, follows:



D. Service Agreements

The Company had eight service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipient of Services	Specific Service(s) Covered	Expense* For Each Year of the Examination
Investment and Administration Agreement File No. 32545	08/04/2004	Foresters Investment Management Company, Inc. ("FIMCO")	The Company	Investment management and administration services	2013 $(222,751) 2014 $(280,390) 2015 $(372,835) 2016 $(562,738) 2017 $(360,000)
Amended General Agent's Agreement File No. 33519	07/29/2005	FFS	The Company	General agent agreement	2013 $(13,223,873) 2014 $(19,283,098) 2015 $(17,952,838) 2016 $(20,233,898) 2017 $(18,401,592)
Lease and Space Agreement File No. 21480A	11/08/2005	FIMCO	The Company	Office space in New Jersey	2013 $(257,920) 2014 $(220,177) 2015 $(230,536) 2016 $(231,549) 2017 $(231,892)
Information Services Agreement File No. 14825C	03/16/2007	Foresters Investor Services, Inc.	The Company	Information technology services, customer identification process services, new employee training	2013 $(1,256,559) 2014 $(1,299,415) 2015 $(1,433,069) 2016 $(1,515,314) 2017 $(1,489,623)
Administrative Service Agreement File No. 21480B	02/13/2008	Foresters Financial Services, Inc. ("FFS")	The Company	Administrative services: human resources, marketing, sales support, space, etc.	2013 $(4,184,927) 2014 $(4,072,077) 2015 $(4,781,735) 2016 $(5,330,064) 2017 $(6,355,589)
Sublease Agreement File No. 37833	02/13/2008	FIMCO	The Company	Office space in New York	2013 $(490,476) 2014 $(136,819) 2015 $(144,657) 2016 $(147,398) 2017 $(143,472)
Shared Services and Cost Sharing Agreement Amended File No. 53590A	11/16/2012 06/01/2017	IOF	The Company	Shared administrative services	2013 $(525,000) 2014 $(525,000) 2015 $(525,000) 2016 $(525,000) 2017 $(525,000)

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipient of Services	Specific Service(s) Covered	Expense* For Each Year of the Examination
Shared Services and Cost Sharing File No. 55023	12/01/2017	The Company	FLIC	Shared administrative services	2017 $0

*Amount of Expense Incurred by the Company

The Company participates in a federal income tax allocation agreement with its parent and affiliates.

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 7 and not more than 25 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in June of each year. As of December 31, 2017, the board of directors consisted of six members. Meetings of the board are held quarterly.

The six board members and their principal business affiliation as of December 31, 2017, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Craig D. Cloyed* Carbondale, Colorado	Retired President and Director Calvert Investment Distributors, Inc.	2012
Steven Guterman* Remsenburg, NY	Chief Executive Officer InstantLabs, Inc.	2012
Martha E. Marcon* Glendale, California	Retired Partner KPMG, LLP	2011
Loretta McCarthy* New York, NY	Managing Director Golden Seeds, LLC	2012
Knut A. Olson Nashville, Tennessee	President Foresters life Insurance and Annuity Company	2017
Paul D. Reaburn Toronto, Ontario	Executive Vice-President and Chief Financial Officer The Independent Order of Foresters	2017

*Not affiliated with the Company or any other company in the holding company system

Effective July 27, 2017, Anthony M. Garcia resigned from the board of directors. Subsequent to Mr. Garcia's resignation, the board of directors consisted of only six members until the election of E. Blake Moore, Jr. and Sonia A. Baxendale on February 9, 2018.

Effective November 9, 2018, Knut A. Olson resigned and was replaced by James R. Boyle as a director and President of the Company on January 8, 2019.

The examiner's review of the minutes of meetings of the board of directors and its committees indicated that meetings were well-attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2017:

Name	Title
Knut A. Olson	President
Francis X. Gannon	Chief Financial Officer and Treasurer
William H. Drinkwater	Senior Vice President and Chief Actuary
Mehul N. Kapadia	Chief Information Officer and Vice President, Information Technology and Business Transformation
Dianne Fox	Vice President, Insurance Operations
Jeremy W. Ragsdale	Vice President, Product Development and Pricing
David M. Schimmel	Vice President
Jason Helbraun	Assistant Vice President
John Shey	Assistant Vice President
Carol L. Brown	Secretary

Valerie Howes, assistant vice president, is the designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64).

F. Books and Records

Section 325(a) of the New York Insurance Law states, in part:

> "Every domestic insurer and every licensed United States branch of an alien insurer entered through this state shall, except as hereinafter provided, keep and maintain at its principal office in this state its charter and by-laws (in the case of a United States branch a copy thereof) and its books of account, and if a domestic stock corporation a record containing the names and addresses of its shareholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof, and if a domestic corporation the minutes of any meetings of its shareholders, policyholders, board of directors and committees thereof . . . . "

On January 14, 2019, an examiner visited the Company’s home office located at 40 Wall Street, New York, New York, to inspect the books and records. The physical inspection revealed that the Company did not maintain, at its home office, a record containing the names and addresses of its shareholders, the number and class of shares held by each and the dates when the shareholders respectively became the owners of record. In addition, the Company did not maintain its annual and quarterly statements, general ledgers, transaction registers, subsidiary ledgers transaction detail (investment, claims, and other records), cash books, and detailed workpapers supporting the annual and quarterly statements.

The Company violated Section 325(a) of the New York Insurance Law by failing to maintain several statutorily required records at its home office.

4. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in all states, except South Dakota, and the District of Columbia. In 2017, 26.4% of life insurance premiums and 31.1% of annuity considerations were received from New York, while 11.4% of life insurance premiums were received from California. The Company's in force business was written on a participating and non-participating basis. New business is written on a non-participating basis.

The following tables show the percentage of direct premiums received by state and by major lines of business for the year 2017:

Life Insurance Premiums		Annuity Considerations	
New York	26.4%	New York	31.1%
California	11.4	New Jersey	8.5
New Jersey	7.0	California	8.1
Connecticut	5.1	Connecticut	6.4
Texas	4.6	Kentucky	4.7
Subtotal	54.5%	Subtotal	58.8%
All others	45.5	All others	41.2
Total	100.0%	Total	100.0%

Accident and Health Insurance Premiums		Deposit Type Funds	
New York	42.2%	Pennsylvania	26.5%
California	14.6	Connecticut	22.7
Louisiana	13.8	California	21.4
New Jersey	10.5	Nebraska	15.0
West Virginia	9.2	New York	14.3
Subtotal	90.3	Subtotal	100.0%
All others	9.7	All others	0.0
Total	100.0%	Total	100.0%

A. Statutory and Special Deposits

As of December 31, 2017, the Company had $1.5 million (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company. Per Schedule E of the 2017 filed annual statement, an additional $1.8 million was being held by the states of Arkansas, Georgia, Louisiana, Massachusetts, Nevada, New Hampshire, New Mexico, North Carolina, and South Carolina.

B. Direct Operations

The Company writes individual life insurance products including term life, whole life and interest sensitive whole life. The Company also offers individual annuity products including fixed annuities, immediate annuities, and variable annuities.

The Company’s agency operations are conducted on a general agency basis. FFS, the Company’s affiliate broker-dealer, and its representatives function as the Company’s sole distribution channel. FFS solicits applications for life insurance and annuity business through agents it appoints. The Company maintains full authority to approve or terminate appointed agents. The Company also maintains full underwriting and pricing authority on business generated by the agents.

C. Reinsurance

As of December 31, 2017, the Company had reinsurance treaties in effect with four companies, of which three were authorized or accredited. The Company’s life insurance business is reinsured on a coinsurance and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is $250,000. The total face amount of life insurance ceded as of December 31, 2017, was $6,541,537,605, which represents 54.14% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to the unauthorized company, totaling $12,996,945, was supported by a trust agreement.

5. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth during the period under review:

	December 31, 2012	December 31, 2017	Increase
Admitted assets	$1,341,125,230	$2,463,426,497	$1,122,301,267
Liabilities	$1,294,599,834	$2,399,984,741	$1,105,384,907
Common capital stock	$ 2,538,162	$ 2,538,162	$ 0
Gross paid in and contributed surplus	6,496,180	6,496,180	0
Unassigned funds (surplus)	37,491,054	54,407,414	16,916,360
Total capital and surplus	$ 46,525,396	$ 63,441,756	$ 16,916,360
Total liabilities, capital and surplus	$1,341,125,230	$2,463,426,497	$1,122,301,267

The majority (60.58%) of the Company's admitted assets, as of December 31, 2017, was derived from Separate Accounts.

The Company's invested assets as of December 31, 2017, exclusive of separate accounts, were mainly comprised of bonds (84.0%), policy loans (10.8%), and cash and short-term investments (5.2%).

The majority (95.0%) of the Company's bond portfolio, as of December 31, 2017, was comprised of investment-grade obligations.

The increase in the Company's admitted assets was mainly due to net gains from operations.

The increase in liabilities is mainly attributable to increased life reserves due to increases in premiums.

The increase in unassigned funds (surplus) is a result of consistent positive gains from operations net of any dividends to stockholders.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force by type (in thousands of dollars):

	Individual Whole Life		Individual Term	
Year	Issued	In Force	Issued	In Force
2013	$276,137	$4,010,370	$653,660	$6,332,832
2014	$409,422	$4,430,836	$644,378	$6,559,988
2015	$564,538	$4,799,517	$508,910	$6,668,097
2016	$566,798	$5,041,781	$456,061	$6,736,303
2017	$482,554	$5,566,828	$196,600	$6,516,574

The decrease in issued individual term business in 2017 was due to an IOF term product that was made available in the FFS distribution channel during 2017.

The increase in individual whole life business in 2014 through 2016 was the result of sale of a new variable universal life product introduced in 2014. The decrease in 2017 was caused by a change in emphasis to traditional whole life products offered by the Company's affiliate IOF.

The following has been extracted from the Exhibits of Annuities in the filed annual statements for each of the years under review:

	Ordinary Annuities				
	2013	2014	2015	2016	2017
Outstanding, end of previous year	11,269	11,710	12,689	13,388	13,888
Issued during the year	1,214	1,680	1,397	1,431	1,293
Other net changes during the year	(773)	(701)	(698)	(931)	(244)
Outstanding, end of current year	11,710	12,689	13,388	13,888	14,937

The increase in ordinary annuities during the examination period was attributable to the introduction of a new deferred longevity annuity. Sales stabilized over the last three years of the examination period with the longevity annuity offsetting a reduction in the sale of variable annuity products.

The following has been extracted from the Exhibits of Accident and Health Insurance in the filed annual statements for each of the years under review:

	Ordinary				
	2013	2014	2015	2016	2017
Outstanding, end of previous year	33	25	20	16	16
Issued during the year	0	0	0	0	0
Other net changes during the year	(8)	(5)	(4)	(0)	(5)
Outstanding, end of current year	25	20	16	16	11

The following has been extracted from the Exhibits of Deposit Funds and Dividend Accumulations in the filed annual statements for each of the years under review:

	Deposit Funds				
	2013	2014	2015	2016	2017
Outstanding, end of previous year	637	597	543	526	476
Issued during the year	40	53	61	40	37
Other net changes during the year	(80)	(107)	(78)	(90)	(105)
Outstanding, end of current year	597	543	526	476	408

	Dividend Accumulations				
	2013	2014	2015	2016	2017
Outstanding, end of previous year	2,255	2,147	2,074	1,978	1,898
Issued during the year	0	0	0	0	0
Other net changes during the year	(108)	(73)	(96)	(80)	(72)
Outstanding, end of current year	2,147	2,074	1,978	1,898	1,826

The decrease in deposit funds was attributable to a decrease in advance premium funding as the number of policies reaching the end of their premium paying period exceeded the number of new accounts being added.

The decrease in dividend accumulations was attributable to a diminishing number of policies having dividend accumulation as the closed-block of business runs-off.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	2013	2014	2015	2016	2017
Ordinary:					
Life insurance	$7,905,272	$6,320,636	$7,604,295	$5,598,055	$ 6,913,575
Individual annuities	1,955,570	1,659,927	726,556	1,459,965	5,773,683
Total ordinary	$9,860,842	$7,980,563	$8,330,851	$7,058,020	$12,687,258
Group:					
Annuities	$ (6,440)	$ (5,759)	$ (7,071)	$ (8,446)	$ (11,347)
Total group	$ (6,440)	$ (5,759)	$ (7,071)	$ (8,446)	$ (11,347)
Accident and health:					
Other	$ (715)	$ 737	$ (2,750)	$ (1,938)	$ (1,071)
Total accident and health	$ (715)	$ 737	$ (2,750)	$ (1,938)	$ (1,071)
Total	$9,853,687	$7,975,541	$8,321,030	$7,047,636	$12,674,840

The decrease in ordinary life insurance net gain from operations in 2014 was primarily attributable to increases in agency expense allowances related to the increase in sales of a new variable universal life product introduced in 2014 and an increase in general expenses.

The increase in net gains between 2014 and 2015 was primarily attributable to positive investment experience that resulted in an increase in investment income.

The decrease in net gains between 2015 and 2016 was primarily attributable to an increase in claims expenses and an increase in general expenses attributable to employee severance packages offset by an increase in separate accounts fee income and a decrease in federal income taxes.

The increase in net income between 2016 and 2017 was primarily attributable to the reduction in claims expenses and a decrease in general expenses.

The decrease in net gains from individual annuities in 2014 and 2015 was attributable to increases in reserves and commissions due to increased sales from the introduction of a new deferred longevity annuity product.

The increase in net gains from individual annuities in 2016 and 2017 was attributable to increases in investment income from strong financial markets, an increase in fee income from separate accounts, and a reduction in general expenses that was attributable to employee severance packages during 2016.

The increase in net gain in individual annuities in 2016 is due to decreased surrenders in the variable annuity business.

The increase in net gain in individual annuities in 2017 is due to increased fee income from mortality and risk charges resulting from higher separate account assets under management.

The following ratios, applicable to the accident and health business of the Company, have been extracted from Schedule H for each of the indicated years:

	2013	2014	2015	2016	2017
Premiums earned	100.0%	100.0%	100.0%	100.0%	100.0%
Incurred losses	65.8%	318.3%	396.1%	403.0%	353.3%
Commissions	0.3	0.2	0.3	0.0	0.0
Expenses	207.8	12.6	19.3	26.1	25.8
	273.9%	331.1%	415.7%	429.0%	379.2%
Underwriting results	(173.9)%	(231.1)%	(315.7)%	(329.0)%	(279.2)%

The decrease in expenses in 2014 was due to a downward revision of overhead expenses allocated to the Company’s accident and health business. This revision was made as the Company realized that the prior allocation was not consistent with the small amount of business remaining in the run-off block of business.

The fluctuation in accident and health underwriting results throughout the examination period was attributable to the small number of policies remaining on the Company’s books.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2017, as contained in the Company's 2017 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2017 filed annual statement.

A. Independent Accountants

KPMG was retained to audit the Company's combined statutory basis statements of financial position as of December 31 of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the years then ended.

KPMG concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	$ 796,623,705
Cash, cash equivalents and short term investments	48,890,262
Contract loans	102,543,550
Receivable for securities	20,195
Investment income due and accrued	12,554,222
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	(122,953)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	5,207,161
Reinsurance:	
Amounts recoverable from reinsurers	528,390
Other amounts receivable under reinsurance contracts	1,167
Current federal and foreign income tax recoverable and interest thereon	1,945,490
Net deferred tax asset	2,734,000
Receivables from parent, subsidiaries and affiliates	141,993
From separate accounts, segregated accounts and protected cell accounts	1,492,359,315
Total admitted assets	$2,463,426,497

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$913,086,260
Aggregate reserve for accident and health contracts	33,917
Liability for deposit-type contracts	10,438,367
Contract claims:	
Life	2,538,687
Accident and health	5,655
Policyholders' dividends and coupons due and unpaid	11,109
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	0
Dividends apportioned for payment	1,022,476
Premiums and annuity considerations for life and accident and health contracts received in advance	115,976
Contract liabilities not included elsewhere:	
Surrender values on cancelled contracts	626,445
Commissions to agents due or accrued	318,414
General expenses due or accrued	1,540,627
Transfers to separate accounts due or accrued	(29,658,212)
Taxes, licenses and fees due or accrued, excluding federal income taxes	881,179
Amounts withheld or retained by company as agent or trustee	139,252
Amounts held for agents' account	12,269
Remittances and items not allocated	640,291
Liability for benefits for employees and agents if not included above	17,652
Miscellaneous liabilities:	
Asset valuation reserve	4,935,223
Payable to parent, subsidiaries and affiliates	799,166
Liability for unclaimed funds	34,699
Accrued interest on unpaid claims	78,194
Capital stock purchase liability	7,780
From Separate Accounts statement	1,492,359,315
Total liabilities	$2,399,984,741
Common capital stock	$ 2,538,162
Gross paid in and contributed surplus	6,496,180
Unassigned funds (surplus)	54,407,414
Surplus	$ 60,903,594
Total capital and surplus	$ 63,441,756
Total liabilities, capital and surplus	$2,463,426,497

D. Condensed Summary of Operations

	2013	2014	2015	2016	2017
Premiums and considerations	$182,054,688	$240,357,138	$203,651,518	$217,667,362	$209,266,845
Investment income	19,015,906	22,146,329	26,977,053	31,541,675	36,366,375
Commissions and reserve adjustments on reinsurance ceded	177,007	210,834	246,736	133,650	126,765
Miscellaneous income	8,776,139	10,455,945	11,305,176	11,439,210	12,936,920
Total income	$210,023,740	$273,170,246	$242,180,483	$260,781,897	$258,696,905
Benefit payments	$ 89,700,736	$ 88,630,432	$ 91,103,831	$ 97,559,638	$103,866,827
Increase in reserves	69,770,848	122,576,132	115,165,490	139,103,864	131,342,050
Commissions	8,886,784	11,581,906	10,978,954	11,613,477	10,838,377
General expenses and taxes	19,988,693	22,750,430	22,990,169	24,937,734	22,480,757
Increase in loading on deferred and uncollected premiums	(182,558)	(326,986)	(289,491)	(288,921)	(333,194)
Net transfers to (from) separate accounts	8,011,495	15,699,932	(10,023,360)	(22,458,372)	(27,953,950)
Total deductions	$196,175,998	$260,911,846	$229,925,593	$250,467,420	$240,240,867
Net gain (loss) from operations	$ 13,847,742	$ 12,258,400	$ 12,254,890	$ 10,314,477	$ 18,456,038
Dividends	925,700	767,347	908,006	918,979	1,118,014
Federal and foreign income taxes incurred	3,068,355	3,515,512	3,025,854	2,347,862	4,663,184
Net gain (loss) from operations before net realized capital gains	$ 9,853,687	$ 7,975,541	$ 8,321,030	$ 7,047,636	$ 12,674,840
Net realized capital gains (losses)	0	0	0	10	0
Net income	$ 9,853,687	$ 7,975,541	$ 8,321,030	$ 7,047,646	$ 12,674,840

The increase in premiums in 2014 is primarily due to an increase in annuity sales resulting from the Company's increase in agent compensation on those products.

The decrease in premiums in 2015 is primarily due to a decrease in sales of variable annuity products.

The increase in investment income throughout the examination period was primarily attributable to increases in invested assets due to an increase in new product sales along with strong financial market performance.

The increase in benefit payments throughout the examination period was primarily attributable to an increase in surrender benefits from variable life and variable annuity products driven by strong financial market performance and financial market volatility.

The increase in miscellaneous income throughout the examination period was primarily attributable to an increase in mortality and risk charges from the growth in separate account assets under management.

The increase in reserves throughout the examination period was attributable to the increase in new product sales, primarily from the introduction of a new deferred longevity annuity and variable universal life products.

The increase in commissions throughout the examination period was attributable to increases in new product sales and increases in agent compensation, primarily from the introduction of a new deferred longevity annuity and variable universal life products.

The increase in net income in 2017 is attributed to increased investment income, decreased agent compensation expense and increased fee income from mortality and risk charges in the separate account assets under management. The increase in income was offset by increased fixed annuity surrenders and annuity payments during 2017.

E. Capital and Surplus Account

	2013	2014	2015	2016	2017
Capital and surplus, December 31, prior year	$46,525,396	$51,813,751	$58,699,524	$60,317,773	$60,120,253
Net income	$ 9,853,687	$ 7,975,541	$ 8,321,030	$ 7,047,646	$12,674,840
Change in net unrealized capital gains (losses)	4,223	0	0	0	0
Change in net deferred income tax	53,998	1,353,241	999,182	979,726	(3,779,228)
Change in non-admitted assets and related items	(498,935)	(1,933,563)	(2,066,268)	(2,086,204)	162,300
Change in asset valuation reserve	(375,618)	(509,446)	(735,695)	(1,038,688)	(636,409)
Dividends to stockholders	(3,749,000)	0	(4,900,000)	(5,100,000)	(5,100,000)
Net change in capital and surplus for the year	$ 5,288,355	$ 6,885,773	$ 1,618,249	$ (197,520)	$ 3,321,503
Capital and surplus, December 31, current year	$51,813,751	$58,699,524	$60,317,773	$60,120,253	$63,441,756

The change in net deferred income taxes between 2013 and 2014 was attributable to a tax reserve adjustment on the new deferred longevity annuity product introduced in 2014. The decrease in 2017 was due to the Tax Cuts and Jobs Act of 2017, which lowered the corporate tax rate from 35% to 21%, resulting in a write-down of the Company’s deferred tax asset.

7. SUBSEQUENT EVENT

Subsequent to the filing of the 2018 annual statement, the Company discovered an error in the calculation of minimum formula reserves for the deferred income annuities. The error resulted in an understatement of reserves by approximately $17 million. The Company agreed to post the correct reserve amount in the second quarterly statement for 2019.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the financial condition violation contained in the prior report on examination and the subsequent action taken by the Company in response to the citation:

Item	Description
A	The Company violated Section 1505(d) of the New York Insurance Law when it entered into two agreements, with the intent to share corporate services and employee expenses, with IOF prior to notifying the Superintendent in writing of its intention to do so. The Company filed the two agreements with the Department, and agreed to timely file certain agreements and to notify the Department prior to entering into transactions with affiliates.

9. SUMMARY AND CONCLUSIONS

Following is the violation contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 325(a) of the New York Insurance Law by failing to maintain several statutorily required records at its home office.	10

Respectfully submitted,

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Darin Benck, CFE
Risk & Regulatory Consulting, LLC

STATE OF ~~NEW YORK~~ Texas AJP)
)SS:
COUNTY OF ~~NEW YORK~~ Dallas AJP)

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

____

Darin Benck

Subscribed and sworn to before me

this 7th day of June 2019

Andrew Poldrugach

ANDREW JOSEPH POLDRUGACH
My Notary ID # 126609829
Expires August 18, 2020

Respectfully submitted,

_____________/s/____________
Mostafa Mahmoud
Principal Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

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

_____________/s/____________
Mostafa Mahmoud

Subscribed and sworn to before me

this__________ day of ___________________

APPOINTMENT NO. 31832

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, MARIA T. VULLO, 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:

DARIN BENCK
(RISK & REGULATORY CONSULTING, LLC)

as a proper person to examine the affairs of the

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

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

COMPANY

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 October, 2018

MARIA T. VULLO
Superintendent of Financial Services

By:

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU