

**SUPPLEMENT DATED AUGUST 13, 2019
TO THE STATEMENTS OF ADDITIONAL INFORMATION DATED MAY 1, 2019 FOR
FIRST INVESTORS LIFE LEVEL PREMIUM VARIABLE LIFE INSURANCE SEPARATE ACCOUNT B
LIFE PREMIUM VARIABLE INSURANCE POLICIES**

**FIRST INVESTORS LIFE VARIABLE ANNUITY FUND C
INDIVIDUAL VARIABLE ANNUITY CONTRACTS**

**FIRST INVESTORS LIFE VARIABLE ANNUITY FUND D
INDIVIDUAL VARIABLE ANNUITY CONTRACTS**

**FIRST INVESTORS LIFE SEPARATE ACCOUNT E
INDIVIDUAL VARIABLE LIFE INSURANCE POLICIES**

OFFERED BY FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

This supplement makes changes to the financial statements included in the Statement of Additional Information. Effective August 13, 2019, the financial statements for Foresters Life Insurance and Annuity Company are deleted in their entirety and replaced with the following:

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

Statutory Financial Statements

December 31, 2018, 2017 and 2016

(With Independent Auditors' Report Thereon)

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
Foresters Life Insurance and Annuity Company:

We have audited the accompanying financial statements of Foresters Life Insurance and Annuity Company, which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2018 and 2017, and the related statutory statements of income, changes in capital and surplus, and cash flow for each of the years in the three-year period ended December 31, 2018, and the related notes to the statutory financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to the financial statements, the financial statements are prepared by Foresters Life Insurance and Annuity Company using statutory accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than U.S. generally accepted accounting principles. Accordingly, the financial statements are not intended to be presented in accordance with U.S. generally accepted accounting principles.



The effects on the financial statements of the variances between the statutory accounting practices described in Note 2 and U.S. generally accepted accounting principles, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the variances between statutory accounting practices and U.S. generally accepted accounting principles discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with U.S. generally accepted accounting principles, the financial position of Foresters Life Insurance and Annuity Company as of December 31, 2018 and 2017 or the results of its operations or its cash flows for each of the years in the three-year period ended December 31, 2018.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of Foresters Life Insurance and Annuity Company as of December 31, 2018 and 2017 and the results of its operations and its cash flow for each of the years in the three-year period ended December 31, 2018, in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services described in Note 2.

Emphasis of Matter

As discussed in Note 4 to the financial statements, the financial statements as of December 31, 2018 and 2017, and for each of the years in the three-year period ended December 31, 2018, have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the financial statement schedules Supplemental Schedule Summary of Investments – Other than Investments in Related Parties, Supplementary Insurance Information, and Supplementary Schedule Reinsurance, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by Regulation S-X Rule 7-05 of the Securities and Exchange Commission. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

April 22, 2019, except as to Notes 1, 4, 11, 13, 16, 17
and Supplementary Insurance Information,
which are as of August 12, 2019

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY
STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND CAPITAL AND SURPLUS
DECEMBER 31, 2018 AND 2017

	2018	2017
	(As Restated)	(As Restated)
ASSETS		
Cash and invested assets		
Bonds, at amortized cost (fair value: 2018 - \$949,747,334; 2017 - \$821,721,568)	\$ 964,479,113	\$ 796,623,705
Cash, cash equivalents and short-term investments	55,329,534	48,890,262
Receivable for securities	-	20,195
Policy loans	105,567,441	102,543,550
	1,125,376,088	948,077,712
Total Cash and Invested Assets		
Deferred and uncollected premiums	5,109,817	5,084,208
Accrued investment income	14,046,195	12,554,222
Admitted deferred tax assets	2,949,000	2,734,000
Current income tax recoverable	6,741,131	4,434,787
Other assets	229,423	671,550
	1,154,451,654	973,556,479
TOTAL ASSETS EXCLUDING SEPARATE ACCOUNTS		
Separate account assets	1,316,692,839	1,492,359,315
	\$ 2,471,144,493	\$ 2,465,915,794
LIABILITIES AND CAPITAL AND SURPLUS		
LIABILITIES		
Life and accident and health reserves	\$ 330,363,553	\$ 314,094,196
Annuity reserves	774,870,081	611,878,303
Claims and other contract liabilities	16,206,705	14,758,715
Interest Maintenance Reserve	-	-
Asset Valuation Reserve	4,950,400	4,935,223
Accounts payable and accrued liabilities	3,126,258	4,469,523
Net transfers due from separate accounts	(28,758,382)	(29,658,212)
	1,100,758,615	920,477,748
TOTAL LIABILITIES EXCLUDING SEPARATE ACCOUNTS		
Separate account liabilities	1,316,692,840	1,492,359,315
	2,417,451,455	2,412,837,063
TOTAL LIABILITIES		
CAPITAL AND SURPLUS		
Common Stock, par value \$4.75; authorized, issued and outstanding 534,350 shares	2,538,162	2,538,162
Additional paid in capital	6,496,180	6,496,180
Unassigned surplus	44,658,696	44,044,389
	53,693,038	53,078,731
TOTAL CAPITAL AND SURPLUS		
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	\$ 2,471,144,493	\$ 2,465,915,794

See accompanying notes to statutory financial statements.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY
STATUTORY STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2018, 2017, AND 2016

	<u>2018</u> (As Restated)	<u>2017</u> (As Restated)	<u>2016</u> (As Restated)
REVENUES			
Premiums and annuity considerations	\$ 278,009,630	\$ 209,266,846	\$ 217,667,362
Investment income	42,008,777	35,286,708	30,775,191
Amortization of interest maintenance reserve	(32,571)	719,667	766,483
Income from fees associated with investment management, administration & contract guarantees from separate accounts	13,648,416	12,878,224	11,377,482
Other income	182,975	185,461	195,378
TOTAL REVENUES	<u>333,817,227</u>	<u>258,336,906</u>	<u>260,781,896</u>
BENEFITS AND EXPENSES			
Policyholder benefits and changes in contract liabilities	125,256,100	103,533,633	97,270,717
Increase in life and annuity reserves	179,261,135	135,306,941	141,687,595
Net transfers (from) to separate accounts	(15,744,129)	(27,953,950)	(22,458,372)
Commissions and expense allowances	19,799,236	17,927,168	19,330,806
Operating expenses	15,788,106	15,924,785	18,215,839
TOTAL BENEFITS AND EXPENSES	<u>324,360,448</u>	<u>244,738,577</u>	<u>254,046,585</u>
Net gain from operations before dividends to policyholders and federal income taxes	9,456,779	13,598,329	6,735,311
Dividends to policyholders	986,673	1,118,015	918,979
Net gain from operations before federal income taxes	8,470,106	12,480,314	5,816,332
Federal income tax	2,249,413	3,299,348	2,096,401
NET GAIN FROM OPERATIONS	6,220,693	9,180,966	3,719,931
Net realized capital gains, net of transfers to IMR and net of taxes	-	-	10
NET INCOME	<u>\$ 6,220,693</u>	<u>\$ 9,180,966</u>	<u>\$ 3,719,941</u>

See accompanying notes to statutory financial statements.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY
STATUTORY STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS
YEARS ENDED DECEMBER 31, 2018, 2017, AND 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
	(As Restated)	(As Restated)	(As Restated)
BALANCE AT BEGINNING OF YEAR	\$ 53,078,731	\$ 52,358,283	\$ 54,888,073
Net income	6,220,693	9,180,966	3,719,941
Change in Asset Valuation Reserve	(15,176)	(636,409)	(1,038,688)
Change in non-admitted assets	(2,333,508)	872,384	(1,203,160)
Change in net deferred income taxes	1,742,298	(3,596,493)	1,092,117
Dividends to stockholders	(5,000,000)	(5,100,000)	(5,100,000)
BALANCE AT END OF YEAR	<u>\$ 53,693,038</u>	<u>\$ 53,078,731</u>	<u>\$ 52,358,283</u>

See accompanying notes to statutory financial statements.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY
STATUTORY STATEMENTS OF CASH FLOW
YEARS ENDED DECEMBER 31, 2018, 2017 and 2016

	2018	2017	2016
	(As Restated)	(As Restated)	(As Restated)
Cash flows from operating activities:			
Premiums and other insurance amounts received	\$ 278,700,489	\$ 208,978,188	\$ 217,443,913
Investment income received	45,633,641	39,836,865	34,957,449
Other receipts	13,831,391	13,063,685	11,572,860
Benefits and contract liabilities paid	(124,695,664)	(102,701,991)	(98,118,520)
Commissions and general expenses paid	(36,289,072)	(33,929,426)	(36,582,548)
Net transfers from separate accounts	16,643,959	21,058,109	19,487,267
Dividends paid to policyholders	(972,174)	(899,789)	(902,898)
Federal income taxes paid	(4,400,000)	(4,400,000)	(2,600,000)
Net cash provided by operating activities	<u>188,452,570</u>	<u>141,005,641</u>	<u>145,257,523</u>
Cash flows from investing activities:			
Proceeds from maturities, repayments, and sale of investment securities	102,904,655	79,868,912	68,186,117
Purchase of investments securities	(275,997,815)	(203,552,299)	(183,984,526)
Purchase of furniture, equipment and other assets	(35,918)	-	(41,513)
Net increase in policy loans	(3,023,891)	(4,566,331)	(2,978,091)
Net cash used for investing activities	<u>(176,152,969)</u>	<u>(128,249,718)</u>	<u>(118,818,013)</u>
Cash flows from financing activities and miscellaneous sources:			
Net deposits on deposit-type contracts	208,364	1,015,594	99,810
Dividends paid	(5,000,000)	(5,100,000)	(5,100,000)
Other cash received (applied)	(1,068,693)	(603,936)	(1,294,268)
Net cash used for financing activities	<u>(5,860,329)</u>	<u>(4,688,342)</u>	<u>(6,294,458)</u>
Net (decrease) increase in cash, cash equivalents and short-term investments:	6,439,272	8,067,581	20,145,052
Cash, cash equivalents and short-term investments:			
Beginning of year	48,890,262	40,822,681	20,677,629
End of year	<u>\$ 55,329,534</u>	<u>\$ 48,890,262</u>	<u>\$ 40,822,681</u>

See accompanying notes to statutory financial statements.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

Notes to Statutory Financial Statements

December 31, 2018, 2017 and 2016

(in US Dollars)

(1) Nature of Operations

Foresters Life Insurance and Annuity Company (the "Company") is a wholly-owned subsidiary of Foresters Financial Holding Company, Inc. ("FFHC"). The Company predominately writes variable and fixed annuity and variable life insurance products along with traditional life insurance and other accident and health insurance. In addition, the Company sponsors segregated investment trusts registered under the Investment Company Act of 1940, which support the Company's variable life and annuity business. The principal affiliates of the Company are: Foresters Financial Services, Inc. ("Broker-Dealer"), Foresters Investment Management Company, Inc. ("Mutual Fund Management Company"), Foresters Investor Services, Inc. ("Transfer Agent"), and Foresters Advisory Services, LLC. FFHC is a wholly-owned subsidiary of The Independent Order of Foresters ("Foresters"), Canada.

On April 6, 2019, FFHC entered into separate agreements to sell the distribution business of the Company's affiliate, Foresters Financial Services and affiliated asset management business of Foresters Investment Management Company. The transaction related to the distribution business closed June 20, 2019 and the transaction related to the asset management business is expected to close in October 2019. In connection with the sale of the distribution business, the successor company entered into a selling and distribution agreement with the Company for its life products and a servicing agreement for its annuity products.

(2) Basis of Presentation

The financial statements of the Company are presented on the basis of accounting practices prescribed or permitted by the New York State Department of Financial Services ("NYDFS"). The NYDFS recognizes only statutory accounting practices prescribed or permitted by the state of New York for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the New York Insurance Law. The State of New York has adopted the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual.

Certain amounts in prior year financial statements have been reclassified to conform with the current year presentation.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

Notes to Statutory Financial Statements

December 31, 2018, 2017 and 2016

(in US Dollars)

This basis of presentation differs from U.S. generally accepted accounting principles ("GAAP") in that:

- (a) Life insurance policy reserves are computed on the statutory valuation basis using the 1958, 1980 or 2001 CSO Mortality Table with interest rates from 2.50% to 5.25% rather than according to the Company's estimates of mortality, investment yields, withdrawals and other benefits and expenses. The fixed deferred annuity is valued using CARVM at 3.50% – 5% and variable annuities are valued using VACARVM at 3.75% to 5.25%. On both a statutory and GAAP basis, the reserve held for old deferred annuities is equal to the funds accumulated at a current rate of 4% per annum;
- (b) certain expenditures, principally for furniture and equipment, agents' debit balances, and deferred tax assets, are not admissible and are therefore charged to surplus rather than recognized as assets;
- (c) commissions and other costs of acquiring new business are expensed as incurred rather than recognized as deferred acquisition costs and amortized over the premium paying period of policies and contracts;
- (d) under GAAP, current federal income taxes are recognized for the estimated taxes payable or refundable on tax returns for the current year. Deferred federal income taxes arise from the recognition of temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities. Both current and deferred income taxes are recognized in the statement of income. In accordance with NAIC SAP statutory net deferred tax assets are credited to surplus and are limited based on an admissibility test. Under GAAP, state taxes are included in the computation of deferred income taxes, while for NAIC SAP, state taxes are not taken into consideration;
- (e) the statutory asset valuation and interest maintenance reserves are recognized as liabilities;
- (f) On investment type contracts, the entire amount received from contract holders is recognized as revenue rather than just the portion of the payment deemed to be assessments against policyholder account balances;
- (g) investments in fixed maturities that are deemed to be available-for-sale for GAAP are recorded at amortized cost rather than estimated fair value;

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

Notes to Statutory Financial Statements

December 31, 2018, 2017 and 2016

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- (h) The statutory statements of cash flows do not classify cash flows in a manner which is consistent with GAAP. A reconciliation of net income to net cash provided by operating activities is not provided. There is no statement of comprehensive income prepared for statutory reporting purposes; and
- (i) The reserve for unpaid losses and loss expenses is reported net of reinsurance recoverable on losses and loss expenses and unearned premiums are reported net of ceded unearned premiums (prepaid reinsurance premiums). Under GAAP, these accounts are presented gross of the effects of reinsurance ceded in the balance sheet.

The effects of these variances on the accompanying statutory financial statements has not been determined, but are presumed to be material.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, August 12, 2019, have been evaluated in the preparation of the financial statements.

(3) Other Significant Accounting Practices

(a) Cash, Cash Equivalents and Short-term Investments

Cash and cash equivalents include investments with original maturities of three months or less and money market mutual funds. The carrying amounts for cash and cash equivalents approximate their fair values. Short-term investments include investments with original maturities of one year or less and are carried at amortized cost.

(b) Bonds

Bonds are, other than NAIC class 6, reported at amortized cost. Amortization of premiums and accretion of discounts on bonds are recognized using the scientific method that approximates level yield. Gains and losses on sales of investments are determined using the specific identification method. NAIC class 6 bonds are carried at lower of cost or fair value, with the change reflected in surplus.

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The fair values for bonds is based on quoted market prices, where available, or is estimated using values from independent pricing services.

(c) Fair Value Measurements

Management determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management utilizes valuation techniques that maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3) within the fair value hierarchy established by the Financial Accounting Standards Board ("FASB"). Financial assets and liabilities carried and disclosed at fair value are classified in one of the following three categories:

- Level 1: Fair value measurements using unadjusted quoted market prices in active markets for identical, unrestricted assets or liabilities.
- Level 2: Fair value measurements using correlation with (directly or indirectly) observable market based inputs, unobservable inputs that are corroborated by market data, or quoted prices in markets that are not active. These models are primarily standard models that consider various assumptions including time value, yield curve, and other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.
- Level 3: Fair value measurements using significant inputs that are not readily observable in the market and are based on internally developed models or methodologies utilizing significant inputs that are generally less readily observable.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

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(d) Impairment of Invested Assets

Management regularly reviews fixed maturity securities to evaluate unrealized losses for other-than-temporary declines in the fair value of these securities. Management considers various factors in assessing impairments, including but not limited to, the financial condition and near term prospects of the issuer, specific adverse conditions affecting an industry or region, a significant and prolonged decline in fair value below the amortized cost of the asset, bankruptcy or default of the issuer, and delinquency in payments of interest or principal.

Management considers the following factors in the evaluation of whether a noninterest related decline in value is other than temporary: (a) the Company's near-term intent to sell; (b) the Company's contractual and regulatory obligations; and (c) the Company's ability and intent not to sell the investment until anticipated recovery of the cost of the investment. In addition, management considers other qualitative and quantitative factors in determining the existence of possible other than temporary impairments including, but not limited to, unrealized loss trend analysis and significant short-term changes in value. For structured securities, if the present value of the cash-flows expected to be collected is less than the amortized cost basis, an other-than-temporary impairment shall be considered to have occurred for the difference due to a non-interest related decline. For structured securities, the Company analyzes discounted cash flows on a quarterly basis to determine if additional other-than-temporary impairment write downs are necessary.

The day to day management of the investment portfolio is performed by investment managers, who may, at a given point in time, believe that the preferred course of action is to hold securities with unrealized losses that are considered temporary until such losses are recovered, the dynamic nature of portfolio management may result in a subsequent decision to sell the security and realize the loss based upon a change in the market and other factors described above. Investment managers maintain a watchlist that identifies rating agency downgrades of securities as well as any potential investment valuation issues at the end of each quarter.

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(e) *Leasehold Improvements and Equipment*

Leasehold improvements and equipment are recorded as cost. These assets are treated as non-admitted assets with changes in the balance of these assets going through the change in nonadmitted assets, a component of capital and surplus.

Depreciation is recorded in net income on the statement of statutory income and is calculated on a straight-line basis over the estimated useful life of the asset, not to exceed 5 years, or the remaining term of the lease.

Depreciation of equipment of \$96,722, \$106,922, and \$102,961 was included in net income for 2018, 2017 and 2016, respectively. Depreciation of leasehold improvements of \$2,247 was included in net income for 2018, 2017 and 2016.

(f) *Policy loans*

Policy loans are stated at the unpaid balance due, which approximates fair value, since loans on policies have no defined maturity and reduce amounts payable at death or surrender. The excess of the unpaid balance of the policy loan that exceeds the cash surrender value is nonadmitted.

(g) *Interest Maintenance Reserve*

The Company maintains an interest maintenance reserve ("IMR") to stabilize net income against fluctuations in interest rates. After-tax realized capital gains (losses), which result from changes in the overall level of interest rates for all types of fixed-income investments and interest-related hedging activities, are deferred into the IMR and amortized into revenue using the grouped amortization method. The IMR at December 31, 2018 and December 31, 2017 are an asset of \$1,610,468 and \$1,057,097, respectively, which is non-admitted.

(h) *Asset Valuation Reserve*

The Company establishes an Asset Valuation Reserve ("AVR") to offset potential credit-related investment losses. Investments are assigned a NAIC rating which is used in the AVR computation.

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(i) *Recognition of Revenue and Related Expenses*

Premiums are reported as earned when due. Commissions, benefits and expenses are recognized when incurred rather than amortized over the life of the contracts.

(j) *Annuities*

Annuity considerations are recognized as revenue when received. The carrying value of fixed annuities reserves are equal to the policyholder account balances, which represent net premiums, received plus accumulated interest.

(k) *Policyholder Dividends*

The amount of dividends to be paid to policyholders is determined annually by the Company's Board of Directors. The aggregate amount of policyholders' dividends is related to actual interest, mortality, morbidity, and expense experience for the year, and judgment as to the appropriate level of statutory capital and surplus to be retained by the Company.

(l) *Business Risks and Uncertainties*

The Company's investments are primarily comprised of both short term and long term fixed maturity securities. Significant changes in prevailing interest rates and geographic conditions may adversely affect the timing and amount of cash flows on such investments and their related values. A significant decline in the fair values of these investments could have an adverse effect on the Company's ability to meet obligations including policyholder benefits.

Premiums and annuity considerations received from the Company's variable annuity and variable life products comprise approximately 33% and 34% in 2018 and 2017, respectively, of the Company's total premiums and annuity considerations received. The investment risk on this business is borne by the contract holder and is invested in the sub-account of the related separate account as directed by the contract holder.

(m) *Separate Accounts*

Separate account assets and the related liabilities represent segregated variable annuity and variable life contracts maintained in accounts to meet the specific investment objectives of Contractholders who bear the investment risk. The assets are carried at fair value and are reported as summary total separate account assets with an equivalent summary total reported for liabilities. All investment income (including realized and unrealized gains and losses on

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(in US Dollars)

investments held in these accounts) accrues directly to the Contractholders and therefore does not affect the net income of the Company.

(n) *Income Taxes*

The Company is included in the consolidated federal returns and certain state returns of the Parent, along with other wholly-owned subsidiaries of the Parent. The Parent calculates and allocates the applicable federal taxes (benefits) and related income tax payments and refunds to each subsidiary separately for financial reporting purposes. The provision for federal income taxes is determined on a separate company basis in accordance with a written tax sharing agreement between the Company and its parent.

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting basis and tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled and the effect of a change in tax rates is recognized in the period. A valuation allowance is recorded against deferred tax assets if management determines it is more likely than not, that such assets will not be realized. The tax effects of temporary differences that reverse within three years are treated as admitted assets, subject to a maximum of 15% of surplus.

Tax benefits from uncertain tax positions are recognized in the financial statements if management determines it is "more-likely-than-not" that the positions are sustainable, based on their technical merits. The term "more-likely-than-not" contemplates a likelihood of more than 50 percent and the determination of whether or not a tax position has met this recognition threshold depends on the facts, circumstances, and information available at the reporting date. If management cannot conclude this recognition threshold is met, none of the tax benefit provided by the position is recognized in the financial statements. Income tax liabilities for tax uncertainties are carried by the Company until such time that the statute of limitations or period under audit for the jurisdiction is settled.

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Notes to Statutory Financial Statements
December 31, 2018, 2017 and 2016
(in US Dollars)

(4) Restatement of Previously Issued Financial Statements

During the second quarter of 2019 an error in the reserve model for one of the Company's annuity products was discovered. The error resulted in an understatement of annuity reserves. Management concluded that the Company's previously issued statutory financial statements as of December 31, 2018 and 2017 and for each of the years in the three-year period ended December 31, 2018, needed to be restated due to the material error in reserves. As a result of the discovery of the error in reserves, FFHC infused \$17,000,000 million of capital into the Company on June 21, 2019.

Concurrent with restating the annuity reserves, management corrected understated commissions that stemmed from incorrect reporting from the Company's commission reporting system, whereby advanced commissions continued to accumulate but advances were not subsequently recorded as a commission expense when the premiums were collected. This error was originally corrected as an adjustment to opening unassigned surplus as of January 1, 2018, in accordance with the requirements of Statement of Statutory Accounting Practices (SSAP) No. 3. In addition, management corrected non-material accrual and tax items that had previously been identified during the audits of the statutory financial statements for the 2016, 2017 and 2018 periods.

The amount of the correction that related to periods prior to 2016 was \$5,429,700, net of income taxes, which is included as an adjustment to opening unassigned surplus as of January 1, 2016. The following tables summarize the impact of the corrections on our previously reported statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2018 and 2017, and on our previously reported statutory statements of income for the years ended December 31, 2018, 2017 and 2016:

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Balance Sheet - 2018

<u>Description</u>	<u>Originally filed</u>	<u>Correction</u>	<u>As Restated</u>
Admitted Deferred Tax Assets	2,738,000	211,000	2,949,000
Current Income Tax Recoverable	4,064,820	2,676,311	6,741,131
Other Assets	126,999	102,424	229,423
Total Admitted Assets	2,468,154,758	2,989,735	2,471,144,493
Annuity Reserves	757,753,320	17,116,761	774,870,081
Total Liabilities	2,400,334,694	17,116,761	2,417,451,455
Unassigned Surplus	58,785,722	(14,127,026)	44,658,696
Total Liabilities and Capital and Surplus	2,468,154,758	2,989,735	2,471,144,493

Income Statement - 2018

<u>Description</u>	<u>Originally filed</u>	<u>Correction</u>	<u>As Restated</u>
Policyholder Benefits and Changes in Contract Liabilities	125,358,524	(102,424)	125,256,100
Increase in Life and Annuity Reserves	174,996,696	4,264,439	179,261,135
Federal Income Tax	2,978,912	(729,499)	2,249,413
Net Income	9,653,209	(3,432,516)	6,220,693

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Balance Sheet - 2017

<u>Description</u>	<u>Originally filed</u>	<u>Correction</u>	<u>As Restated</u>
Current Income Tax Recoverable	1,945,490	2,489,297	4,434,787
Total Admitted Assets	2,463,426,497	2,489,297	2,465,915,794
Annuity Reserves	599,025,981	12,852,322	611,878,303
Total Liabilities	2,399,984,741	12,852,322	2,412,837,063
Unassigned Surplus	54,407,414	(10,363,025)	44,044,389
Total Liabilities and Capital and Surplus	2,463,426,497	2,489,297	2,465,915,794

Income Statement - 2017

<u>Description</u>	<u>Originally filed</u>	<u>Correction</u>	<u>As Restated</u>
Increase in Life and Annuity Reserves	131,342,050	3,964,891	135,306,941
Commissions and Expense Allowances	17,034,349	892,819	17,927,168
Federal Income Tax	4,663,184	(1,363,836)	3,299,348
Net Income	12,674,840	(3,493,874)	9,180,966

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Income Statement - 2016

<u>Description</u>	<u>Originally filed</u>	<u>Correction</u>	<u>As Restated</u>
Increase in Life and Annuity Reserves	139,103,864	2,583,731	141,687,595
Commissions and Expense Allowances	18,335,371	995,435	19,330,806
Federal Income Tax	2,347,862	(251,461)	2,096,401
Net Income	7,047,646	(3,327,705)	3,719,941

(5) Investments

Investment income for the years indicated consists of the following:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Interest on fixed maturities	\$ 35,868,158	\$ 30,309,245	\$ 26,008,677
Interest on short term investments	527,871	345,234	47,676
Interest on policy loans	<u>6,299,686</u>	<u>6,099,103</u>	<u>5,857,123</u>
Total investment income	42,695,715	36,753,582	31,913,476
Investment expense	<u>686,938</u>	<u>1,466,874</u>	<u>1,138,285</u>
Net investment income	<u>\$ 42,008,777</u>	<u>\$ 35,286,708</u>	<u>\$ 30,775,191</u>

No accrued investment income was excluded as non-admitted.

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The amortized cost and estimated fair value of bonds at December 31, 2018, and 2017 are as follows:

	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Estimated fair value</u>
December 31, 2018:				
U.S. Treasury securities and obligations of U.S. Gov't corps and agencies	\$ 42,063,479	\$ 409,955	\$ 13,277	\$ 42,460,157
Debt securities issued by states of the U.S.	254,691,974	5,179,279	2,380,430	257,490,823
Corporate debt securities	<u>667,723,660</u>	<u>2,827,460</u>	<u>20,754,766</u>	<u>649,796,354</u>
	<u>\$ 964,479,113</u>	<u>\$ 8,416,694</u>	<u>\$ 23,148,473</u>	<u>\$ 949,747,334</u>

	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Estimated fair value</u>
December 31, 2017:				
U.S. Treasury securities and obligations of U.S. Gov't corps and agencies	\$ 6,009,610	\$ 185,633	\$ 9,349	\$ 6,185,894
Debt securities issued by states of the U.S.	226,499,717	8,180,247	944,107	233,735,857
Corporate debt securities	<u>564,114,378</u>	<u>18,274,394</u>	<u>588,955</u>	<u>581,799,817</u>
	<u>\$ 796,623,705</u>	<u>\$ 26,640,274</u>	<u>\$ 1,542,411</u>	<u>\$ 821,721,568</u>

Securities in unrealized loss positions (fair value is less than amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss are:

	December 31, 2018		December 31, 2017	
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Less than 12 months	\$ 457,620,025	\$ 17,528,431	\$ 63,025,802	\$ 238,674
12 months or more	<u>110,937,333</u>	<u>5,620,042</u>	<u>56,108,979</u>	<u>1,303,737</u>
	<u>\$ 568,557,358</u>	<u>\$ 23,148,473</u>	<u>\$ 119,134,781</u>	<u>\$ 1,542,411</u>

Management considers the decline in fair values of the above securities to be interest related. Management intends to hold these securities until recovery or contractual maturity and therefore, no other-than-temporary impairment has been recognized.

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The amortized cost and estimated fair value of bonds at December 31, 2018, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized cost	Estimated fair value
Due in one year or less	\$ 15,904,570	\$ 15,943,728
Due after one year through five years	224,687,803	223,643,681
Due after five years through ten years	275,546,386	269,041,623
Due after ten years	407,838,611	400,275,279
Loan backed securities	40,501,743	40,843,023
	\$ 964,479,113	\$ 949,747,334

Proceeds from sales of investments in bonds were \$14,547,030, \$28,139,681, and \$25,229,066 in 2018, 2017, and 2016, respectively. Proceeds from disposals of investments in bonds were \$102,331,335, \$78,894,024, and \$68,104,692 in 2018, 2017 and 2016, respectively. Gross gains of \$215,658 and gross losses of \$957,357 were realized on those sales in 2018. Gross gains of \$614,811 and gross losses of \$1,002,697 were realized on those sales in 2017. Gross gains of \$895,224 and gross losses of \$801,262 were realized on those sales in 2016. Realized gains (losses) transferred to the IMR were (\$585,942) on 2018, (\$256,005) in 2017, and \$62,008 in 2016.

As of December 31, 2018, bonds with a fair value of \$3,240,690 were on deposit with regulatory authorities.

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(6) Fair Value of Financial Instruments

The following table presents the fair value of all financial assets, classified by the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>	<u>Total carrying value</u>
December 31, 2018					
Bonds	\$ -	\$ 949,747,334	\$ -	\$ 949,747,334	\$ 964,479,113
Short-term investments	44,974,839	-	-	44,974,839	44,974,839
Separate account assets	<u>1,316,692,839</u>	<u>-</u>	<u>-</u>	<u>1,316,692,839</u>	<u>1,316,692,839</u>
	<u>\$ 1,361,667,678</u>	<u>\$ 949,747,334</u>	<u>\$ -</u>	<u>\$ 2,311,415,012</u>	<u>\$ 2,326,146,791</u>
December 31, 2017					
Bonds	\$ -	\$ 821,721,568	\$ -	\$ 821,721,568	\$ 796,623,705
Short-term investments	41,179,113	-	-	41,179,113	41,179,113
Separate account assets	<u>1,492,359,315</u>	<u>-</u>	<u>-</u>	<u>1,492,359,315</u>	<u>1,492,359,315</u>
	<u>\$ 1,533,538,428</u>	<u>\$ 821,721,568</u>	<u>\$ -</u>	<u>\$ 2,355,259,996</u>	<u>\$ 2,330,162,133</u>

Separate account assets disclosed in the table above are the only assets carried at fair value. There were no transfers between levels during 2018 and 2017.

(7) Retirement Plans

The Company participates in a qualified, noncontributory profit sharing plan sponsored by FFHC, for the benefit of its employees and those of other wholly-owned subsidiaries of its parent. The Company has no legal obligation for benefits under this plan. Foresters Financial Holding Company, Inc. allocates amounts to the Company based on salary ratios. The Plan provides for retirement benefits based upon earnings. Vesting of benefits is based upon years of service. For the years ended December 31, 2018, 2017 and 2016, the Company charged operations \$34,390, \$52,327, and \$73,765, respectively, for its portion of the contribution.

In addition, the Company participates in a 401(K) savings plan covering all of its eligible employees and those of other wholly-owned subsidiaries of its parent whereby employees may voluntarily contribute a percentage of their compensation with the Company matching a portion of the contributions of certain employees. For the years ended December 31, 2018, 2017 and 2016, contributions to this plan were \$16,886, \$21,225, and \$19,612, respectively.

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(8) Reinsurance

The Company reinsures a portion of its risk with other insurance companies and reserves are reduced by the amount of reserves for such reinsured risks. The Company is liable for any obligations, which any reinsurance company may be unable to meet. Information with respect to reinsurance ceded by the Company is as follows:

	2018	2017	2016
Direct life insurance premiums	\$ 69,095,194	\$ 69,894,727	\$ 68,913,066
Life insurance premiums ceded	<u>7,540,845</u>	<u>6,800,567</u>	<u>6,211,032</u>
Net life insurance premiums	<u>\$ 61,554,349</u>	<u>\$ 63,094,160</u>	<u>\$ 62,702,034</u>
Life insurance reserves ceded	<u>\$ 19,024,236</u>	<u>\$ 19,383,574</u>	<u>\$ 19,566,561</u>
Direct accident and health premiums	\$ 2,193	\$ 1,834	\$ 2,208
Ceded accident and health premiums	<u>-</u>	<u>-</u>	<u>-</u>
Net accident and health premiums	<u>\$ 2,193</u>	<u>\$ 1,834</u>	<u>\$ 2,208</u>

The Company's maximum retention on any one life is \$250,000. The Company had reinsured 54.0% of its net life insurance in force in both December 31, 2018 and 2017. The Company does not (1) have any reinsurance agreements in effect which can be canceled unilaterally for reasons other than for nonpayment of premiums; (2) transact with reinsurers controlled directly or indirectly by the Company or affiliated persons or chartered in a country other than the United States; or (3) have any reinsurance agreements where the amount of losses may result in a payment to the reinsurer which exceeds the total direct premiums collected under such insurance policies. During 2018, 2017 and 2016, the Company did not write off any amounts receivable from reinsurers and no reinsurance contracts were commuted. None of the credit ratings of the Company's reinsurers were downgraded during 2018, 2017 and 2016.

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(9) Contingent Liabilities

The Company is subject to certain claims and lawsuits arising in the ordinary course of business. In the opinion of management, all such claims currently pending will not have a material adverse effect on the financial position of the Company or its results of operations.

(10) Related Party Transactions

The Company and certain affiliates, under various cost sharing allocation agreements, share office space, data processing and other facilities and management personnel. Charges for these services are based upon the Company's proportionate share of: space occupied, usage of data processing and other facilities and time allocated to management. During the years ended December 31, 2018, 2017 and 2016, the Company incurred approximately \$4,217,131, \$3,450,868, and \$3,331,014, respectively, for these services. The Company paid an affiliate \$20,845,800, \$17,886,446, and \$20,612,341 during 2018, 2017 and 2016, respectively for commissions relating to the sale of its products. In addition, the Company incurred \$525,000 annually during 2018 and 2017 for management fees paid to Foresters.

(11) Capital and Surplus

- (a) Participating business represented 1.1% of individual life insurance in force in both December 31, 2018 and 2017.

The portion of earnings of participating policies that can inure to the benefit of policyholders is limited to the larger of 10% of such earnings or \$0.50 per thousand dollars of participating insurance in force. Earnings in excess of that limit must be excluded from capital and surplus by a charge against operations. No such charge has been made, since participating business has operated at a loss to date on a statutory basis.

- (b) The maximum dividend to stockholder which can be made without prior approval from the Superintendent, which combined with all dividends declared or distributed during the next preceding twelve months, is limited to the lesser of (a) 10% of the Company's surplus to policyholders as shown by its statement on file with the Superintendent or (b) net gains from operations, exclusive of realized capital gains. New York State Insurance Law prohibits the payment of dividends to stockholders from any source other than the statutory unassigned surplus. The amount of said surplus was \$44,658,696 and

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\$44,044,389 at December 31, 2018 and 2017, respectively, and was earned partly by the participating account and partly by the nonparticipating account. Distributions are limited to prescribed percentages of policyholders' surplus as of the beginning of the current year and, in some instances, require pre-approval by the NYDFS.

During 2018 and 2017 the Company paid ordinary dividends of \$5,000,000 and \$5,100,000, respectively.

- (c) The NAIC has developed risk based capital formulas to be applied to all insurance companies. These formulas calculate a minimum required statutory net worth, based on the perceived degree of certain risks, such as asset, credit, interest rate, underwriting and other business risks inherent in an individual company's operations. Any insurance company that does not meet threshold risk based capital levels ultimately will be subject to regulatory proceedings. The Company was in excess of the minimum risk based capital as of December 31, 2018 and 2017.
- (d) The portion of unassigned surplus represented or (reduced by) each item below is as follows:

	<u>2018</u>	<u>2017</u>
Nonadmitted assets	\$ (9,894,765)	\$ (7,561,257)
Asset valuation reserve	(4,950,399)	(4,935,223)
Deferred tax assets	8,342,864	6,600,566

(12) Life and Annuities Reserves

- (a) The Company waives the deduction of the deferred fractional premiums upon the death of the insured and returns a pro-rata portion of premiums for any period beyond the end of the policy month in which the death occurred. Surrender values are not promised in excess of the legally computed reserves.
- (b) For policies issued subject to an extra premium, a reserve based on special tables prepared by the New York State Department of Financial Services was included in the statutory financial statements.
- (c) As of December 31, 2018 the Company has \$151,529,434 of insurance in force for which the gross premiums are less than the net premiums according to the standard valuation set by the State of New York.

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- (d) Tabular less Actual Reserves Released, and Tabular Cost has been determined by formula.
- (e) The Tabular interest on funds not involving life contingencies has been determined by formula. Tabular interest is equal to the mean reserves at year end plus payments incurred during the year less mean reserves at the prior year end, income earned during the year and other increases.
- (f) The Company holds additional reserves for substandard policies on behalf of those policyholders assigned lower underwriting classifications, such as those deemed to be more serious mortality risks.
- (g) There are no significant other increases (net).

(13) Analysis of Annuity Actuarial Reserves and Deposit Liabilities

Withdrawal characteristics and annuity actuarial reserves and deposit fund liabilities at December 31, 2018 are shown in the following table.

	<u>Amount</u>	<u>Percentage of total</u>
Subject to discretionary withdrawal at book value		
less surrender charge	\$ -	0.00%
Subject to discretionary withdrawal without adjustment:		
At market value	555,244,774	41.41%
At book value	589,903,208	44.00%
Not subject to discretionary withdrawal	<u>195,586,875</u>	<u>14.59%</u>
Total annuity and actuarial reserves and deposit fund liabilities (gross)	1,340,734,857	100.00%
Less reinsurance	<u>-</u>	<u>0.00%</u>
Total annuity and actuarial reserves and deposit fund liabilities (net)	<u>\$ 1,340,734,857</u>	<u>100.00%</u>

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Withdrawal characteristics and annuity actuarial reserves and deposit fund liabilities at December 31, 2017 are shown in the following table.

	<u>Amount</u>	<u>Percentage of total</u>
Subject to discretionary withdrawal at book value		
less surrender charge	\$ -	0.00%
Subject to discretionary withdrawal without adjustment:		
At market value	623,654,776	50.05%
At book value	475,490,259	38.16%
Not subject to discretionary withdrawal	<u>146,930,815</u>	<u>11.79%</u>
Total annuity and actuarial reserves and deposit fund liabilities (gross)	1,246,075,850	100.00%
Less reinsurance	<u>-</u>	<u>0.00%</u>
Total annuity and actuarial reserves and deposit fund liabilities (net)	<u>\$ 1,246,075,850</u>	<u>100.00%</u>

(14) Premium and Annuity Consideration Deferred and Uncollected

Deferred and uncollected life insurance premiums and annuity consideration at December 31, 2018 were:

	<u>Gross</u>	<u>Net</u>	<u>Loading</u>
Type:			
Ordinary new business	\$ 16,326	\$ 14,015	\$ 2,311
Ordinary renewal	<u>2,847,994</u>	<u>5,095,802</u>	<u>(2,247,808)</u>
Total	<u>\$ 2,864,320</u>	<u>\$ 5,109,817</u>	<u>\$ (2,245,497)</u>

Deferred and uncollected life insurance premiums and annuity consideration at December 31, 2017 were:

	<u>Gross</u>	<u>Net</u>	<u>Loading</u>
Type:			
Ordinary new business	\$ 98,269	\$ 80,380	\$ 17,889
Ordinary renewal	<u>3,057,443</u>	<u>5,003,828</u>	<u>(1,946,385)</u>
Total	<u>\$ 3,155,712</u>	<u>\$ 5,084,208</u>	<u>\$ (1,928,496)</u>

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(15) Separate Accounts

General Nature and Characteristics

The Company has two separate accounts which fund limited pay variable life insurance policies, single premium variable life policies, and flexible premium variable life policies and three separate accounts which fund deferred variable annuity contracts. For all separate accounts, the net investment experience of the separate account is credited directly to the policyholder and can be positive or negative.

Two of the variable annuities provide an incidental death benefit of the greater of the account value or premiums paid. The third provides an incidental death benefit equal to the greater of the account value, the premiums paid or the account value on specified anniversaries. Insurance contract liabilities for incidental death benefits are established in the general account. The account balance of contracts with guarantees totaled approximately \$560,000,000 and \$630,000,000 and was held in separate accounts at December 31, 2018 and 2017, respectively. The net amount at risk associated with these guarantees was approximately \$6,000,000 and \$340,000 at December 31, 2018 and 2017, respectively.

The three variable life policies are a fixed premium product, a single premium product with a minimum guaranteed death benefit, and a flexible premium product.

The contracts have a policy loan provision. Loan funds are credited with a guaranteed interest rate of 4% and are held in the general account.

The following table presents separate account premiums and considerations for the year ended December 31, 2018 and separate account reserves at December 31, 2018.

	<u>Variable life</u>	<u>Variable Annuities</u>	<u>Total</u>
Premiums and considerations	\$ 37,524,848	\$ 41,924,405	\$ 79,449,253
Reserves at December 31, 2018:			
With assets at market value	\$ 732,735,882	\$ 555,244,775	\$ 1,287,980,657
Subject to discretionary withdrawal at market value	\$ 732,735,882	\$ 555,244,775	\$ 1,287,980,657

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Reconciliation of net transfers to (from) separate accounts and amounts recognized in the statutory statement of income are as follows:

	<u>2018</u>	<u>2017</u>
Transfers to separate accounts as contained in the annual statement of the separate accounts	\$ 79,449,253	\$ 61,706,176
Transfers from separate accounts as contained in the annual statement of the separate accounts	<u>108,841,798</u>	<u>102,538,350</u>
	<u>\$ (29,392,545)</u>	<u>(40,832,174)</u>

(16) Federal Income Taxes

On December 22, 2017, the President signed the "Tax Cuts and Jobs Act" (H.R. 1) into law. This represents the first major overhaul of the federal income tax in more than 30 years. Among other effects, the bill lowers the corporate tax rate from 35% to 21% beginning in 2018. The change in the corporate tax rate is presumed to be permanent; as such we adjusted the value of our deferred tax items. The adjustment in the value of deferred tax items resulted in a decrease in surplus of approximately \$4.4 million from this rate change in 2017.

The "Tax Cuts and Jobs Act" also impacted the computation of life insurance tax reserves. The Act limits life reserves for tax purposes to the greater of net surrender value or 92.81% of NAIC's required reserves. Previously, for life and annuity contracts, the tax reserve was the greater of the contract's net surrender value (if any) or federally prescribed reserve. Management determined a \$23.1 million difference in the amount of the new tax basis reserve, which has been recognized as an additional tax asset with an offsetting deferred tax liability. The estimated transition adjustment amount is amortized on a straight-line basis over each of the eight taxable years from 2018-2025. As of December 31, 2018, \$2.7 million has been amortized. The transition adjustment increased by approximately \$4.0 million from the amount estimated at December 31, 2017, which was a provisional estimate as the Company did not have the information available in appropriate detail to analyze and calculate the amount required under the change in methodology. As of December 31, 2018, there are no provisional amounts related to the impact of the Tax Cuts and Jobs Act remaining in the Company's financial statements.

The Company's Parent files consolidated federal and certain state income tax returns which include certain other wholly-owned subsidiaries of the Parent (listed in footnote 1). The provision for federal income taxes is determined on a separate company basis in accordance with a written tax sharing agreement between the

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Company and its parent. Under the Internal Revenue Code, revised by the Tax Cuts and Jobs Act, life insurance entities are not permitted to carryback ordinary losses. As such, admittance of ordinary deferred tax assets for life entities will be limited to paragraph 11.b. and 11.c. Tax years of 2015 through 2017 are subject to federal, state or local examination by taxing authorities.

The net deferred tax asset/(liability) at December 31, 2018 and 2017, and the change from the prior year are comprised of the following components:

	2018		2017		Change
	<u>Ordinary</u>		<u>Ordinary</u>		<u>Ordinary</u>
Total gross deferred tax assets	\$ 12,797,000	\$	10,569,000	\$	2,228,000
Statutory Valuation Allowance	-		-		-
Adjusted gross deferred tax assets	<u>12,797,000</u>		<u>10,569,000</u>		<u>2,228,000</u>
Deferred tax assets nonadmitted	(5,393,864)		(3,866,566)		(1,527,298)
Subtotal net admitted deferred tax assets	<u>7,403,136</u>		<u>6,702,434</u>		<u>700,702</u>
Deferred tax liabilities	(4,454,136)		(3,968,434)		(485,702)
Net admitted deferred tax assets	<u>\$ 2,949,000</u>	\$	<u>2,734,000</u>	\$	<u>215,000</u>

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The amount of deferred tax assets admitted at December 31, 2018 and 2017 and changes thereon are as follows:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
	<u>Ordinary</u>	<u>Ordinary</u>	<u>Ordinary</u>
Federal income taxes paid in prior years recoverable through loss carrybacks (11.a.)	\$ -	\$ -	-
Admitted under paragraph (11.b.)	2,949,000	2,734,000	215,000
Adjusted gross DTAs offset by gross DTLs (11.c.)	<u>4,454,136</u>	<u>3,968,434</u>	<u>485,702</u>
Deferred tax assets admitted as the result of application of SSAP No. 101	<u>\$ 7,403,136</u>	<u>\$ 6,702,434</u>	<u>\$ 700,702</u>

The ratios used for the threshold limitation for 11.b. above are as follows:

	<u>2018</u>	<u>2017</u>
Ratio percentage used to determine recovery period and threshold limitation amount	575%	664%
Amount of adjusted capital and surplus used to determine recovery period threshold limitation	\$ 59,155,002	\$ 58,525,191

Tax planning strategies did not have an effect on the Company's net admitted deferred tax assets. In addition, there are no temporary differences for which deferred tax liabilities have not been recognized.

The Company did not have any deferred tax assets or liabilities that were classified as capital.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

Notes to Statutory Financial Statements

December 31, 2018, 2017 and 2016

(in US Dollars)

Deferred tax assets and deferred tax liabilities comprise the following:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Deferred tax assets:			
Policyholder dividend provision	\$ 215,000	\$ 215,000	\$ -
Deferred acquisition costs	3,672,000	3,399,000	273,000
Reserves	8,817,000	6,843,000	1,974,000
Deferred compensation	47,000	63,000	(16,000)
Other	46,000	49,000	(3,000)
	<u>12,797,000</u>	<u>10,569,000</u>	<u>2,228,000</u>
Nonadmitted deferred tax assets	<u>(5,393,864)</u>	<u>(3,866,566)</u>	<u>(1,527,298)</u>
	7,403,136	6,702,434	700,702
Deferred tax liabilities:			
Depreciation	11,000	17,000	(6,000)
Bond discount	199,136	150,434	48,702
Reserves (transition adjustment)	4,244,000	3,801,000	443,000
Net admitted deferred taxes	<u>\$ 2,949,000</u>	<u>\$ 2,734,000</u>	<u>\$ 215,000</u>

The change in deferred income taxes reported in surplus before consideration of nonadmitted assets is comprised of the following:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Total deferred tax assets	\$ 12,797,000	\$ 10,569,000	\$ 2,228,000
Total deferred tax liabilities	<u>(4,454,136)</u>	<u>(3,968,434)</u>	<u>(485,702)</u>
Net deferred tax assets (liabilities)	8,342,864	6,600,566	1,742,298
Tax-effect of unrealized gains and losses	-	-	-
Net tax effect without unrealized gains & losses	<u>\$ 8,342,864</u>	<u>\$ 6,600,566</u>	<u>\$ 1,742,298</u>

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

Notes to Statutory Financial Statements

December 31, 2018, 2017 and 2016

(in US Dollars)

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

	2018			2017		
	Amount	Tax effect 21%	Tax Rate	Amount	Tax effect 35%	Tax Rate
Income before taxes	\$ 8,470,106	1,778,722	21 %	\$ 12,480,314	4,368,110	35 %
Dividends received deduction	(5,639,491)	(1,184,293)	(14)%	(4,706,328)	(1,647,215)	(13)%
Deferred tax rate change:						
Admitted assets	-	-	— %	5,205,714	1,822,000	15 %
Non-admitted assets	-	-	— %	7,364,886	2,577,710	21 %
Other	(415,782)	(87,314)	(1)%	(642,182)	(224,764)	(2)%
Total	\$ 2,414,833	507,115	6 %	\$ 19,702,404	6,895,841	55 %

	2016		
	Amount	Tax effect 35%	Tax Rate
Income before taxes	\$ 5,816,332	2,035,716	35 %
Dividends received deduction	(2,878,215)	(1,007,375)	(17)%
Deferred tax rate change:			
Admitted assets	-	-	— %
Non-admitted assets	-	-	— %
Other	(68,737)	(24,058)	(0)%
Total	\$ 2,869,380	1,004,283	17 %

	2018	2017	2016
Current federal income taxes	\$ 2,249,413	\$ 3,299,348	\$ 2,096,401
Deferred taxes:			
Change from prior year	(1,742,298)	(803,667)	(1,092,118)
Rate change	-	4,400,160	-
Total tax provision	\$ 507,115	\$ 6,895,841	\$ 1,004,283
 Effective rate	 6%	 55%	 17%

There are no deposits at December 31, 2018 and 2017 admitted under Section 6603 of the Internal Revenue Code.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY
Notes to Statutory Financial Statements
December 31, 2018, 2017 and 2016
(in US Dollars)

(17) Reconciliation to Filed Annual Statement

The Company records corrections of errors, net of tax, in its Annual Statement as an adjustment to capital and surplus in the period the errors are detected in accordance with Statements of Statutory Accounting Practices (SSAP) No. 3. The accompanying statutory-basis financial statements have been restated for corrections of errors identified, with an adjustment to capital and surplus at the beginning of the earliest year presented. The corrections were as follows:

- The Company pays commissions to its distributor in advance of collection of the related premium. Advanced commissions are classified as a non-admitted asset. During 2018, Management identified errors in the Company's commission reporting system totaling \$2,037,410, net of \$542,485 of income taxes, whereby advanced commissions continued to accumulate but advances were not subsequently recorded as a commission expense when the premiums were collected.
- During 2019, a material error in the reserve model for one of the Company's products was discovered. The error resulted in an understatement of reserves. The amount of the correction that related to periods prior to 2019 was \$14,522,761, net of income taxes of \$2,594,000.
- Correction of non-material accrual and tax items previously identified during the audits of the statutory financial statements for 2016, 2017, and 2018.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY
Notes to Statutory Financial Statements
December 31, 2018, 2017 and 2016
(in US Dollars)

The following is a reconciliation of amounts as of and for the years ended December 31, 2018 and 2017 reported in the 2018 annual statement filed by the Company, to amounts included in the accompanying audited statutory-basis financial statements:

<u>Description</u>	<u>Annual Statement</u>	<u>Adjustment</u>	<u>Financial Statement</u>
2018			
Admitted assets	2,468,154,758	2,989,735	2,471,144,493
Total Liabilities	2,400,334,695	17,116,760	2,417,451,455
Capital and Surplus	67,820,064	(14,127,026)	53,693,038
Total Liabilities and Capital and Surplus	2,468,154,758	2,989,735	2,471,144,493
Income before Taxes	10,052,226	(1,582,120)	8,470,106
Provision for Income Taxes	(2,436,427)	187,014	(2,249,413)
Net Income	7,615,799	(1,395,106)	6,220,693
<u>Description</u>	<u>Annual Statement</u>	<u>Adjustment</u>	<u>Financial Statement</u>
2017			
Admitted assets	2,463,426,497	2,489,297	2,465,915,794
Total Liabilities	2,399,984,741	12,852,322	2,412,837,063
Capital and Surplus	63,441,756	(10,363,025)	53,078,731
Total Liabilities and Capital and Surplus	2,463,426,497	2,489,297	2,465,915,794
Income before Taxes	17,338,024	(4,857,710)	12,480,314
Provision for Income Taxes	(4,663,184)	1,363,836	(3,299,348)
Net Income	12,674,840	(3,493,874)	9,180,966

SUPPLEMENTAL INFORMATION

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

Supplementary Schedule

Summary of Investments – Other than Investments in Related Parties

December 31, 2018 and 2017

(in US Dollars)

	<u>Amortized cost</u>	<u>Estimated fair value</u>	<u>Amount shown in Balance Sheet</u>
December 31, 2018:			
U.S. Treasury securities and obligations of U.S. Gov't corps and agencies	\$ 42,063,479	\$ 42,460,157	\$ 42,063,479
Debt securities issued by states of the U.S.	254,691,974	257,490,823	254,691,974
Corporate debt securities	<u>667,723,660</u>	<u>649,796,354</u>	<u>667,723,660</u>
	<u>964,479,113</u>	<u>949,747,334</u>	<u>964,479,113</u>
Policy loans	105,567,441	XXX	105,567,441
Cash, cash equivalents and short-term investments	55,329,534	55,331,177	55,329,534
Receivable for securities	-	XXX	-
Total investments	\$ <u>1,125,376,088</u>		\$ <u>1,125,376,088</u>

	<u>Amortized cost</u>	<u>Estimated fair value</u>	<u>Amount shown in Balance Sheet</u>
December 31, 2017:			
U.S. Treasury securities and obligations of U.S. Gov't corps and agencies	\$ 6,009,610	\$ 6,185,894	\$ 6,009,610
Debt securities issued by states of the U.S.	226,499,717	233,735,857	226,499,717
Corporate debt securities	<u>564,114,378</u>	<u>581,799,817</u>	<u>564,114,378</u>
	<u>796,623,705</u>	<u>821,721,568</u>	<u>796,623,705</u>
Policy loans	102,543,550	XXX	102,543,550
Cash, cash equivalents and short-term investments	48,890,262	48,890,262	48,890,262
Receivable for securities	20,195	XXX	20,195
Total investments	\$ <u>948,077,712</u>		\$ <u>948,077,712</u>

See accompanying independent auditors' report.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY
Supplementary Insurance Information
For the years ended December 31, 2018, 2017 and 2016
(in US Dollars)

SUPPLEMENTARY INSURANCE INFORMATION

	As of December 31,		For the years ended December 31,			
	Future policy benefits losses, claims and loss expenses (As Restated)	Other policy claims and benefits payable	Premium revenue and annuity, pension and other contract considerations	Net investment income	Benefits, claims, losses and settlement expenses (As Restated)	Other operating expenses
2018:						
Life	\$ 330,332,141	\$ 12,132,147	\$ 61,554,348	\$ 13,500,066	\$ 49,259,556	\$ 12,182,356
Annuity	774,870,081	4,072,363	216,453,089	28,505,092	75,986,139	3,605,126
Accident and Health	31,412	2,195	2,193	3,619	10,405	624
Total	\$ 1,105,233,634	\$ 16,206,705	\$ 278,009,630	\$ 42,008,777	\$ 125,256,100	\$ 15,788,106
2017:						
Life	\$ 314,060,279	\$ 12,204,834	\$ 63,094,160	\$ 12,455,343	\$ 44,062,987	\$ 11,434,394
Annuity	611,878,303	2,548,226	146,170,852	22,827,286	59,457,585	4,489,862
Accident and Health	33,917	5,655	1,834	4,079	13,061	529
Total	\$ 925,972,499	\$ 14,758,715	\$ 209,266,846	\$ 35,286,708	\$ 103,533,633	\$ 15,924,785
2016:						
Life	\$ 295,736,757	\$ 11,288,795	\$ 62,702,034	\$ 13,637,080	\$ 43,503,314	\$ 12,545,416
Annuity	494,888,841	1,159,640	154,963,120	17,133,067	53,756,576	5,669,797
Accident and Health	39,959	3,568	2,208	5,044	10,827	626
Total	\$ 790,665,557	\$ 12,452,003	\$ 217,667,362	\$ 30,775,191	\$ 97,270,717	\$ 18,215,839

See accompanying independent auditors' report.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY
Supplementary Schedule - Reinsurance
For the years ended December 31, 2018, 2017 and 2016
(in US Dollars)

The amount of life insurance in force (in \$000's) as of December 31 is:

	Gross Amount	Reinsurance Ceded	Net Amount
2018	\$ 11,890,647	\$ 6,378,604	\$ 5,512,043
2017	\$ 12,083,402	\$ 6,541,538	\$ 5,541,864
2016	\$ 11,778,084	\$ 6,565,495	\$ 5,212,589

The premiums and annuity considerations for life and accident and health contracts for the years ended December 31 are:

	Gross Amount	Reinsurance Ceded	Net Amount
2018			
Life insurance	\$ 69,095,194	\$ 7,540,845	\$ 61,554,349
Annuity	216,453,088	-	216,453,088
Supplementary contracts	-	-	-
Accident and health	<u>2,193</u>	<u>-</u>	<u>2,193</u>
	<u>\$ 285,550,475</u>	<u>\$ 7,540,845</u>	<u>\$ 278,009,630</u>
2017			
Life insurance	\$ 69,894,727	\$ 6,800,567	\$ 63,094,160
Annuity	146,170,852	-	146,170,852
Supplementary contracts	-	-	-
Accident and health	<u>1,834</u>	<u>-</u>	<u>1,834</u>
	<u>\$ 216,067,413</u>	<u>\$ 6,800,567</u>	<u>\$ 209,266,846</u>
2016			
Life insurance	\$ 68,913,066	\$ 6,211,032	\$ 62,702,034
Annuity	154,963,120	-	154,963,120
Supplementary contracts	-	-	-
Accident and health	<u>2,208</u>	<u>-</u>	<u>2,208</u>
	<u>\$ 223,878,394</u>	<u>\$ 6,211,032</u>	<u>\$ 217,667,362</u>

See accompanying independent auditors' report.

**FIRST INVESTORS LIFE LEVEL PREMIUM VARIABLE
LIFE INSURANCE SEPARATE ACCOUNT B**

LEVEL PREMIUM VARIABLE LIFE INSURANCE POLICIES

OFFERED BY

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

Statement of Additional Information May 1, 2019

This Statement of Additional Information (“SAI”) is not a prospectus and should be read in conjunction with the prospectuses for the individual variable life insurance policies offered by Foresters Life Insurance and Annuity Company through First Investors Life Level Premium Variable Life Insurance Separate Account B (“Separate Account B” or the “Separate Account”), which may be obtained at no cost by writing to Foresters Life Insurance and Annuity Company, Raritan Plaza 1, Edison, New Jersey 08837, by telephoning (800) 832-7783, or by visiting our website at www.foresters.com. Separate Account B currently funds three level premium variable life insurance policies called Insured Series Policy, with a prospectus dated May 1, 2019, ISP Choice-with four premium payment options (ISPC-10, ISPC-20, ISPC-65, ISP10 Express and ISPC-WL), with a prospectus dated May 1, 2019, and ISP Choice-with two premium payment options (ISPC-15 and ISPC-WL), with a prospectus dated May 1, 2019.

Unless otherwise noted, the terms used in this SAI have the same meanings as in each prospectus.

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GENERAL DESCRIPTION

Foresters Life Insurance and Annuity Company. Foresters Life Insurance and Annuity Company, 40 Wall Street, New York, New York 10005 (“FLIAC”), a stock life insurance company incorporated under the laws of the State of New York in 1962, writes life insurance and annuities. Foresters Financial Holding Company, Inc. (“FFHC”), a holding company, owns all of the voting common stock of Foresters Investment Management Company, Inc. (“FIMCO” or “Adviser”) and all of the outstanding stock of FLIAC, Foresters Financial Services, Inc. (“FFS” or “Underwriter”) and Foresters Investor Services, Inc. (“FIS”), the transfer agent for First Investors Life Series Funds (“Life Series Funds”). The Independent Order of Foresters (“Foresters”) controls FFHC and, therefore, the Adviser and FLIAC. Foresters is a Canadian fraternal benefit society with operations in Canada, the United States and the United Kingdom and its principal business address is 789 Don Mills Road, Toronto, Canada M3C 1T9.

The following chart provides information about the Officers and Directors of FLIAC.

Name	FLIAC Office	Principal Occupation for Last Five Years
Matt Berman	President	Matt was appointed President of FLIAC in 2019. Prior to his appointment, Matt has been the Chief Distribution Officer for the Foresters Life and Annuity sales across the United States and Canada since May 2018.
Sonia A. Baxendale	Director	Senior Executive Vice-President, CIBC Wealth Management, Executive Vice-President, Asset Management, Card Products and Collections, and Executive Vice-President of Global Private Banking and Investment Management Services 1992-2011. Board of Director of CI Financial and Laurentian Bank; Co-Interim President and CEO of FFHC 2017 through 2018. Independent Director of FFHC and FLIAC effective 2018. Chair of the Human Capital and Governance Committee, Independent Order of Foresters.
James R. Boyle	Director	James (Jim) Boyle was appointed CEO of the Independent Order of Foresters since 2018; Director and formerly President of FLIAC since 2018. President and CEO of John Hancock 2008 - 2012.
Carol Lerner Brown	Secretary	Assistant Secretary FFS since 1989; Secretary FLIAC and FIMCO since 1989; Assistant Secretary FFHC since 2011; Secretary FIS since 1989; and Secretary Foresters Advisory Services, LLC since 2012.
Francis X. Gannon	Chief Financial Officer and Treasurer	Chief Financial Officer and Treasurer, Foresters Asset Management, Inc. since 2016. Chief Financial Officer and Treasurer FLIAC, FFS, FIS and FFHC since 2013; Chief Financial Officer FIMCO since 2013; Chief Financial Officer Foresters Advisory Services, LLC since 2013; Principal FX Capital LLC 2009-2013; Corporate Comptroller AlliedBarton 2010-2011; and Director Jefferson Wells International 2008-2009.
Jason Helbraun	Assistant	Assistant Vice President FLIAC since 2006.

	Vice President	
Mehul N. Kapadia	Chief Information Officer	Chief Information Officer since 2016, Vice President, IT Business Transformation through 2016. Vice President – Systems & Operations, Individual Life Liberty Mutual Insurance, Dover, NH. 2013 – 2015; Business Program Manager – Life Works, Individual Life 2011– 2013.
Martha E. Marcon	Director	Director FLIAC and FFHC since 2011; Director Independent Order of Foresters since 2009; Director Mercury General Corp. 2008-present; and Director NIA Group 2006-present.
J. Steven McDonald	International Finance Officer	Vice President and International Financial Officer, The Independent Order of Foresters 1997 - present; Assistant Treasurer, The Independent Order of Foresters, 1995 - 1997; Senior Audit Manager at KPMG 1985-1995.
E. Blake Moore, Jr.	Director	President and Director FIMCO since 2018; President and Director FFHC since 2018; Director FLIAC since 2018; Director FFS since 2018; Chairman and President FFS since 2018; Director FIS since 2018, Chairman since 2018; Board Manager of FAS since 2018, President since 2018. UBS Asset Management, New York, NY 2015-2017; MD, Head of Americas (through 2016) Mackenzie Investments, Toronto, ON, Canada 2011-2014.
Jeremy W. Ragsdale	Vice President, Product Development and Pricing	Vice President, Product Development and Pricing of FLIAC as of 2017.
David Schimmel	Vice President	Vice President since 2011 and Assistant Vice President 2006-2011 of FLIAC.
John Shey	Assistant Vice President	Assistant Vice President FLIAC since 2006.
Sonal Vyas	Assistant Vice President, US Statutory Reporting	2018-Present Assistant Vice President US Statutory Reporting. The Independent Order of Foresters; 2017-2014 Assistant Vice President Wealth and Asset Management Transformation– Manulife Financial.
Greg Walter	Senior Vice President, Insurance Operations	Senior Vice President, Insurance Operations of FLIAC since 2019; Senior Vice President, Foresters Investor Services, Inc. (FIS), Transfer Agency Operations since 2013. Consultant to FIS (2012). Prior to joining Foresters, Mr. Walter spent twenty-five years with AllianceBernstein L.P. as Senior Vice President, Head of Non-U.S. Transfer Agent Operations and preceded by

		Vice President, Director of U.S. Transfer Agency Operations.
Wendy Watson	Director	Director FLIAC since 2019; Director EMPATH - Economical Mobility Pathways since 2018; Director MD Private Trust since 2014; Director Community Service Committee Children's Hospital Boston since 2011; Director Citizens Financial Group since 2010.
René Zanin	Director	Global Chief Legal Officer, Chief Compliance Officer and Corporate Secretary (2018) of the Independent Order of Foresters 2015 to present; served as General Counsel for Toshiba of Canada Limited 2008 – 2014.

On April 9, 2019, Foresters announced that it has entered into the two definitive purchase agreements described below that, once completed, will result in the sale of its U.S. asset management businesses.

First, FIMCO has entered into an Asset Purchase Agreement with Macquarie Management Holdings, Inc. ("Macquarie") whereby Macquarie, a global investment management firm headquartered in Philadelphia, Pennsylvania, will purchase FIMCO's assets related to the mutual fund management business, including the Funds (the "FIMCO Transaction"). The FIMCO Transaction is not expected to result in any material changes to the Funds' investment objectives or principal investment strategies. However, upon the completion of the FIMCO Transaction, Macquarie expects that each Fund will be reorganized into a substantially similar fund that is managed by Delaware Management Company, a subsidiary of Macquarie (the "Reorganizations"). The FIMCO Transaction is expected to be completed during the fourth calendar quarter of 2019, pending the satisfaction of certain closing conditions and approvals, including approvals of the Reorganizations by the Funds' Board of Trustees and Fund shareholders at a special shareholder meeting.

Second, FFS and Foresters Advisory Services, LLC ("FAS"), an investment advisory affiliate of FIMCO, FFS and FIS, have entered into an Asset Purchase Agreement with Cetera Financial Group, Inc. ("Cetera"), a U.S.-based wealth management firm headquartered in Denver, Colorado, whereby Cetera will purchase FFS' retail brokerage business and FAS' retail advisory business (the "FFS Transaction"). The FFS Transaction is expected to be completed in the second calendar quarter of 2019.

FLIAC will continue to administer and provide all contractual benefits of your Policy. The terms, benefits and features of your Policy will not change as a result of the FIMCO Transaction or the FFS Transaction.

Separate Account Assets. First Investors Life Level Premium Variable Life Insurance Separate Account B ("Separate Account B") was established on June 4, 1985 under the provisions of the New York Insurance Law. The assets of Separate Account B are segregated from the assets of FLIAC, and that portion of such assets having a value equal to, or approximately equal to, the reserves and contract liabilities under a Policy is not chargeable with liabilities arising out of any other business of FLIAC. Separate Account B is registered with the Securities and Exchange Commission ("SEC") as a unit investment trust under the Investment Company Act of 1940, as amended (the "1940 Act"), but such registration does not involve any supervision by the SEC of the management or investment practices or policies of Separate Account B.

SERVICES

Custodian. FLIAC, subject to applicable laws and regulations, is the custodian of the securities of the Subaccounts of Separate Account B. FLIAC maintains the records and accounts of Separate Account B.

Independent Registered Public Accounting Firm. KPMG LLP, 345 Park Avenue, New York, NY 10154, is the independent registered public accounting firm for Separate Account B and FLIAC.

Underwriter. FLIAC and Separate Account B have entered into an Underwriting Agreement with FFS. FFS, an affiliate of FLIAC and of the Adviser, has its principal business address at 40 Wall Street, New York, New York 10005. FFS distributes the ISP CHOICE – with two premium payment options Policy in a continuous offering. FLIAC anticipates continuing to offer the ISP CHOICE – with two premium payment options Policy, but reserves the right to discontinue the offering. New ISP CHOICE – with four premium payment options Policies and new Insured Series Policies are not currently being offered for sale; however, existing holders of ISP CHOICE – with four premium payment options Policies and Insured Series Policies may continue to make additional payments under their policies. For the fiscal years ended December 31, 2016, 2017 and 2018, FFS received underwriting commissions of \$3,442,996, \$2,968,442 and \$2,334,837 respectively, in connection with the distribution of the ISP CHOICE Policies. For the fiscal years ended December 31, 2016, 2017 and 2018, FFS received underwriting commissions of \$402,353, \$293,850 and \$125,719 respectively, in connection with the distribution of the Insured Series Policy. FFS is a registered broker-dealer under the Securities Exchange Act of 1934, and a member of the Financial Industry Regulatory Authority.

Distribution of Policy. The Policies are sold by insurance agents licensed to sell variable life insurance policies, who are registered representatives of FFS or by other broker-dealers who have selling agreements with FFS.

FLIAC pays FFS a commission on policies sold. Commissions paid to FFS for ISP CHOICE-10, ISP CHOICE-20, ISP CHOICE-65, ISP 10 Express and, for ISP CHOICE-Whole Life issued before January 29, 2018, generally will not exceed 60% of the premiums you pay in your policy's first year, 16% in policy years two and three and 5% of all other premiums you pay in policy years four and later. Commissions paid to FFS under the ISP CHOICE Policy for ISP CHOICE-15, and for ISP CHOICE-WL issued on or after January 29, 2018, generally will not exceed 60% of the premiums you pay in your policy's first year, 20% in year two, 12.5% in year three, and 7.5% of all other premiums you pay in policy years four and later. Commissions paid to FFS under the Insured Series Policy generally will not exceed 31.25% of the first year premium payment and 5% of the premium payments for years two through twelve. Commissions paid on the Policies are not charged directly to Policyowners or the Separate Account. FFS is, in turn, responsible for paying FFS representatives all commissions and other compensation that may be due to them for selling the policies. FFS representatives and representatives of other broker-dealers who have selling agreements with FFS may sell other variable life insurance and annuity products as to which they receive more or less compensation than they do for selling the policies.

FLIAC offers the ISP CHOICE – with two premium payment options Policy for sale in Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Hampshire, New York, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and Wyoming. FLIAC does not sell new ISP Choice – with

four premium payment options Policies or new Insured Series Policies; however, existing holders of Insured Series Policies may continue to make additional payments under their policies.

OTHER INFORMATION

Reports. At least once each Policy year, FLIAC mails a report to the Policyowner within 31 days after the Policy anniversary. FLIAC mails the report to the last address known to us. The report shows (1) the death benefit, (2) the cash value, (3) the policy debt on the anniversary, (4) any loan interest for the prior year and (5) other information as may be required by applicable law or regulation. The report also shows your allocation among the Subaccounts on that anniversary. FLIAC will not send a report if the Policy is continued as reduced paid-up or extended term insurance.

State Regulation. FLIAC is subject to the laws of the State of New York governing insurance companies and to regulations of the New York State Department of Financial Services (the “Department”). FLIAC files an annual statement in a prescribed form with the Department each year covering our operations for the preceding year and our financial condition as of the end of such year.

Our books and accounts are subject to review by the Department at any time. The Department conducts a full examination of our operations periodically. The Department does not engage in any supervision of our management or investment practices or policies, except to determine compliance with the requirements of the New York Insurance Law. FLIAC also is subject to regulation under the insurance laws of other jurisdictions in which FLIAC may operate.

Time of Payments. All benefits payable due under the Policy will ordinarily be made within seven days of the due date or within seven days after the date of receipt of a request for partial surrender or termination. However, FLIAC reserves the right to suspend or postpone the date of any payment due under the Policy (1) for any period during which the New York Stock Exchange (“NYSE”) is closed (other than customary weekend and holiday closings) or during which trading on the NYSE, as determined by the SEC, is restricted; (2) for any period during which an emergency, as determined by the SEC, exists as a result of which disposal of securities held by the Fund is not reasonably practical or it is not reasonably practical to determine the value of the Fund’s net assets; or (3) for such other periods as the SEC may by order permit for the protection of security holders or as may be permitted under the 1940 Act.

VALUATION INFORMATION

Value of a Unit. For each Subaccount of Separate Account B, the value of a unit initially was set arbitrarily at \$10.00. The value of a unit for any subsequent Valuation Period (the period starting on the day after any Business Day as defined in the prospectus and ending on the next such day) is determined by multiplying the value of a unit for the immediately preceding Valuation Period by the Net Investment Factor for the Valuation Period for which the unit value is being calculated. The investment performance of each Fund, and expenses and deductions of certain charges, affect the unit value. The value of a unit for the Subaccounts may increase or decrease from Valuation Period to Valuation Period.

Net Investment Factor. The Net Investment Factor for each Subaccount for any Valuation Period is determined by dividing (a) by (b) and subtracting (c) from the result, where:

(a) is the net result of:

- (1) the net asset value per share of the applicable Fund determined at the end of the current Valuation Period, plus
 - (2) the per share amount of any dividend or capital gains distributions made by the applicable Fund if the “ex-dividend” date occurs during the current Valuation Period.
- (b) is the net asset value per share of the applicable Fund determined as of the end of the immediately preceding Valuation Period.
- (c) is a factor representing the charges deducted for mortality and expense risks. For Policies issued on or after January 29, 2018 under the ISP Choice-with two premium payment options (ISPC-15 and ISPC-WL): such factor on an annual basis is equal to 0.50% of the daily net asset value of the applicable Subaccount in the first 15 years for the 15-year payment period ISP CHOICE and 0.25% thereafter; and for the paid-to-age-100 ISP CHOICE, this factor is equal to 0.50% in the first 20 years and 0.25% thereafter. (ISPC-15 and ISPC-WL were issued after January 29, 2018 in states where approved). For Policies issued prior to January 29, 2018 under ISP Choice-with four premium payment options (ISPC-10, ISPC-20, ISPC-65, and ISPC-WL) such factor on an annual basis is equal to 0.50% (1.50% for ISP 10 Express) of the daily net asset value of the applicable Subaccount.¹ This percentage represents the mortality and expense risk assumed.

The Net Investment Factor may be greater or less than one, and therefore, the unit value of any Subaccount may increase or decrease.

RELEVANCE OF FINANCIAL STATEMENTS

The values of the interests of Policyowners under the Policies will be affected solely by the investment results of the Subaccounts. The financial statements of FLIAC as contained herein should be considered only as bearing upon FLIAC’s ability to meet its obligations to Policyowners under the Policies, and they should not be considered as bearing on the investment performance of the Subaccounts.

¹ ISP-Choice with four premium payment options was issued in New York until June 15, 2018.

**FIRST INVESTORS LIFE
LEVEL PREMIUM VARIABLE LIFE INSURANCE SEPARATE ACCOUNT B**

Financial Statements

December 31, 2018

(With Report of Independent Registered Public Accounting Firm Thereon)

**FIRST INVESTORS LIFE
LEVEL PREMIUM VARIABLE LIFE INSURANCE SEPARATE ACCOUNT B**

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Statement of Assets and Liabilities	3
Statement of Operations	5
Statements of Changes in Net Assets	7
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Report of Independent Registered Public Accounting Firm

To the Board of Directors of Foresters Life Insurance and Annuity Company and Contract Owners of First Investors Life Level Premium Variable Life Insurance Separate Account B:

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities of the sub-accounts listed in the Appendix that comprise the First Investors Life Level Premium Variable Life Insurance Separate Account B (the Separate Account) as of December 31, 2018, the related statements of operations for the year or period listed in the Appendix and changes in net assets for the years or periods listed in the Appendix, and the related notes including the financial highlights in Note 6 (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of each subaccount as of December 31, 2018, the results of its operations for the year or period listed in the Appendix, changes in its net assets for the years or periods listed in the Appendix, and the financial highlights for each of the years or periods indicated in Note 6, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Separate Account's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Separate Account in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Such procedures also included confirmation of securities owned as of December 31, 2018, by correspondence with the transfer agent of the underlying mutual funds. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the auditor of one or more of Foresters Life Insurance and Annuity Company's separate accounts since 2011.

New York, New York
April 22, 2019

Appendix

Statement of assets and liabilities as of December 31, 2018, the related statement of operations for the year then ended, and the statements of changes in net assets for each of the years in the two-year period then ended.

- Government Cash Management
- Fund for Income
- Growth & Income
- Special Situations
- International
- Select Growth
- Investment Grade
- Limited Duration High Quality Bond
- Opportunity
- Total Return
- Covered Call Strategy
- Equity Income

Statements of operations for the period from January 1, 2018 to December 14, 2018 (closure) and changes in net assets for the period from January 1, 2018 to December 14, 2018 (closure) and the year ended December 31, 2017.

- Government
- Balanced Income

Statements of operations for the period from January 1, 2018 to August 17, 2018 (closure) and changes in net assets for the period from January 1, 2018 to August 17, 2018 (closure) and the year ended December 31, 2017.

- Real Estate

FIRST INVESTORS LIFE
LEVEL PREMIUM VARIABLE LIFE INSURANCE SEPARATE ACCOUNT B
 Statement of Assets and Liabilities
 December 31, 2018

	<u>Government Cash Management</u>	<u>Fund for Income</u>	<u>Growth & Income</u>	<u>Special Situations</u>	<u>International</u>	<u>Select Growth</u>
Assets:						
Investments at net asset value (note 3):						
Number of shares	1,991,185	6,803,608	6,608,157	4,675,746	3,822,170	1,959,684
Cost	<u>\$ 1,989,786</u>	<u>\$ 46,709,955</u>	<u>\$ 217,362,634</u>	<u>\$ 128,528,710</u>	<u>\$ 70,441,044</u>	<u>\$ 20,486,960</u>
First Investors Life Series Fund	\$ 1,991,185	\$ 40,549,503	\$ 276,485,272	\$ 134,942,027	\$ 84,393,512	\$ 27,709,934
Liabilities:						
Payable to Foresters Life Insurance and Annuity Company	<u>42,239</u>	<u>376,299</u>	<u>2,283,525</u>	<u>1,129,797</u>	<u>688,956</u>	<u>261,776</u>
Net assets	<u>1,948,946</u>	<u>40,173,204</u>	<u>274,201,747</u>	<u>133,812,230</u>	<u>83,704,556</u>	<u>27,448,158</u>
Net assets represented by contracts in accumulation period	<u>\$ 1,948,946</u>	<u>\$ 40,173,204</u>	<u>\$ 274,201,747</u>	<u>\$ 133,812,230</u>	<u>\$ 83,704,556</u>	<u>\$ 27,448,158</u>
Outstanding Units:						
ISP and ISP Choice	95,780	634,258	2,118,698	1,152,073	1,475,148	1,398,065
ISP 10 Express	8,170	78,777	221,540	144,423	102,716	57,151
Unit Value:						
ISP and ISP Choice	\$ 20.036	\$ 62.469	\$ 128.828	\$ 115.231	\$ 56.355	\$ 19.047
ISP 10 Express	\$ 9.235	\$ 11.409	\$ 15.368	\$ 14.666	\$ 11.826	\$ 18.635

(Continued)

FIRST INVESTORS LIFE
LEVEL PREMIUM VARIABLE LIFE INSURANCE SEPARATE ACCOUNT B
 Statement of Assets and Liabilities
 December 31, 2018

	Investment Grade	Limited Duration High Quality Bond	Opportunity	Total Return	Covered Call Strategy	Equity Income
Assets:						
Investments at net asset value (note 3):						
Number of shares	1,436,567	721,186	661,324	382,162	146,072	2,226,598
Cost	<u>\$ 15,430,560</u>	<u>\$ 6,689,230</u>	<u>\$ 10,206,964</u>	<u>\$ 4,711,894</u>	<u>\$ 1,585,083</u>	<u>\$ 34,559,849</u>
First Investors Life Series Fund	\$ 14,624,254	\$ 6,735,874	\$ 10,303,422	\$ 4,777,029	\$ 1,514,762	\$ 45,890,186
Liabilities:						
Payable to Foresters Life Insurance and Annuity Company	<u>186,092</u>	<u>52,351</u>	<u>82,185</u>	<u>37,947</u>	<u>12,158</u>	<u>464,459</u>
Net assets	<u>14,438,162</u>	<u>6,683,523</u>	<u>10,221,237</u>	<u>4,739,082</u>	<u>1,502,604</u>	<u>45,425,727</u>
Net assets represented by contracts in accumulation period	<u>\$ 14,438,162</u>	<u>\$ 6,683,523</u>	<u>\$ 10,221,237</u>	<u>\$ 4,739,082</u>	<u>\$ 1,502,604</u>	<u>\$ 45,425,727</u>
Outstanding Units:						
ISP and ISP Choice	391,977	681,725	472,233	297,086	136,221	1,077,774
ISP 10 Express	37,474	13,906	194,479	75,135	9,776	46,819
Unit Value:						
ISP and ISP Choice	\$ 36,266	\$ 9,634	\$ 15,619	\$ 12,933	\$ 10,388	\$ 41,876
ISP 10 Express	\$ 10,321	\$ 9,205	\$ 14,693	\$ 12,166	\$ 10,111	\$ 15,267

See accompanying notes to financial statements

FIRST INVESTORS LIFE
LEVEL PREMIUM VARIABLE LIFE INSURANCE SEPARATE ACCOUNT B
Statement of Operations
Year ended December 31, 2018

	<u>Government Cash Management</u>	<u>Fund for Income</u>	<u>Growth & Income</u>	<u>Special Situations</u>	<u>International</u>	<u>Select Growth</u>	<u>Government**</u>
Investment income:							
Income:							
Dividends	\$ 22,740	\$ 2,214,670	\$ 4,392,841	\$ 762,239	\$ 770,314	\$ 99,452	\$ 239,354
Expenses:							
Mortality and expense risks (note 5)	9,477	220,962	1,599,136	835,042	485,611	161,018	32,177
Net investment income (loss)	13,263	1,993,708	2,793,705	(72,803)	284,703	(61,566)	207,177
Realized gain on investments:							
Realized gain distributions	—	—	14,010,267	21,221,282	4,426,530	2,047,945	—
Realized gain (loss) on investments	—	(254,706)	4,264,791	1,489,066	800,130	347,439	(683,748)
Realized gains (losses)	—	(254,706)	18,275,058	22,710,348	5,226,660	2,395,384	(683,748)
Change in unrealized appreciation (depreciation) on investments	—	(3,013,011)	(54,043,962)	(50,305,704)	(17,740,189)	(3,601,865)	362,904
Net increase (decrease) in net assets resulting from operations	\$ 13,263	\$ (1,274,009)	\$ (32,975,199)	\$ (27,668,159)	\$ (12,228,826)	\$ (1,268,047)	\$ (113,667)

(Continued)

FIRST INVESTORS LIFE
LEVEL PREMIUM VARIABLE LIFE INSURANCE SEPARATE ACCOUNT B
Statement of Operations
Year ended December 31, 2018

	Investment Grade	Limited Duration High Quality Bond	Opportunity	Real Estate*	Total Return	Balanced Income**	Covered Call Strategy	Equity Income
Investment income:								
Income:								
Dividends	\$ 557,769	\$ 10,938	\$ 53,213	\$ 12,975	\$ 65,550	\$ 23,098	\$ 13,710	\$ 930,604
Expenses:								
Mortality and expense risks (note 5)	76,752	3,585	53,792	2,642	21,013	2,736	7,640	261,265
Net investment income (loss)	481,017	7,353	(579)	10,333	44,537	20,362	6,070	669,339
Realized gain on investments:								
Realized gain distributions	—	—	133,280	—	19,674	13,977	—	1,514,539
Realized gain (loss) on investments	(31,898)	(3,123)	21,536	11,825	11,600	(20,215)	10,832	641,151
Realized gains (losses)	(31,898)	(3,123)	154,816	11,825	31,274	(6,238)	10,832	2,155,690
Change in unrealized appreciation (depreciation) on investments	(837,664)	49,910	(2,013,697)	(9,994)	(446,528)	(40,148)	(179,898)	(7,308,958)
Net increase (decrease) in net assets resulting from operations	\$ (388,545)	\$ 54,140	\$ (1,859,460)	\$ 12,164	\$ (370,717)	\$ (26,024)	\$ (162,996)	\$ (4,483,929)

* For period January 1, 2018 to August 17, 2018.

** For period January 1, 2018 to December 14, 2018.

See accompanying notes to financial statements

FIRST INVESTORS LIFE
LEVEL PREMIUM VARIABLE LIFE INSURANCE SEPARATE ACCOUNT B
 Statements of Changes in Net Assets
 Years ended December 31, 2018 and 2017

	Government		Fund for Income		Growth & Income		Special Situations	
	Cash Management 2018	2017	2018	2017	2018	2017	2018	2017
Increase (decrease) in net assets:								
From operations:								
Net investment income (loss)	\$ 13,263	\$ (4,643)	\$ 1,993,708	\$ 1,937,687	\$ 2,793,705	\$ 3,019,732	\$ (72,803)	\$ 612,019
Realized gain distributions	—	—	(254,706)	(168,896)	14,010,267	11,249,765	21,221,282	1,841,443
Change in unrealized appreciation (depreciation) on investments	—	—	(3,013,011)	794,943	(54,043,962)	31,296,886	1,489,066	1,564,743
Net increase (decrease) in net assets resulting from operations	13,263	(4,643)	(1,274,009)	2,563,734	(32,975,199)	49,114,363	(27,668,159)	25,521,220
From contract transactions:								
Net insurance premiums from contract owners	3,500	47,102	1,229,147	1,246,936	5,709,019	6,465,512	3,699,596	3,856,803
Cost of insurance (note 5)	(42,588)	(27,373)	(696,005)	(599,021)	(4,014,437)	(3,561,234)	(1,984,400)	(1,799,965)
Transfers upon closing of sub-accounts	537,278	—	—	—	—	—	—	—
Transfers between sub-accounts	(170,901)	69,751	(260,538)	250,402	(1,590,016)	(1,057,917)	(17,301)	(513,526)
Transfers for contract benefits and terminations	(167,139)	(204,032)	(1,859,050)	(1,971,094)	(12,780,060)	(12,256,046)	(7,092,545)	(6,332,102)
Increase (decrease) in net assets derived from contract transactions	160,150	(114,552)	(1,586,446)	(1,072,777)	(12,675,494)	(10,409,685)	(5,394,650)	(4,788,790)
Net increase (decrease) in net assets	173,413	(119,195)	(2,860,455)	1,490,957	(45,650,693)	38,704,678	(33,062,809)	20,732,430
Net assets:								
Beginning of year	1,775,533	1,894,728	43,033,659	41,542,702	319,852,440	281,147,762	166,875,039	146,142,609
End of year	<u>\$ 1,948,946</u>	<u>\$ 1,775,533</u>	<u>\$ 40,173,204</u>	<u>\$ 43,033,659</u>	<u>\$ 274,201,747</u>	<u>\$ 319,852,440</u>	<u>\$ 133,812,230</u>	<u>\$ 166,875,039</u>

(Continued)

FIRST INVESTORS LIFE
LEVEL PREMIUM VARIABLE LIFE INSURANCE SEPARATE ACCOUNT B
 Statements of Changes in Net Assets
 Years ended December 31, 2018 and 2017

	International		Select Growth		Government		Investment Grade	
	2018	2017	2018	2017	2018	2017	2018	2017
Increase (decrease) in net assets:								
From operations:								
Net investment income (loss)	\$ 284,703	\$ 501,118	\$ (61,566)	\$ (7,711)	\$ 207,177	\$ 93,873	\$ 481,017	\$ 483,096
Realized gain distributions	4,426,530	—	2,047,945	2,335,639	—	—	—	—
Realized gain (loss) on investments	800,130	859,755	347,439	236,209	(683,748)	(21,361)	(31,898)	(5,807)
Change in unrealized appreciation (depreciation) on investments	(17,740,189)	23,156,892	(3,601,865)	4,360,542	362,904	(1,129)	(837,664)	126,262
Net increase (decrease) in net assets resulting from operations	(12,228,826)	24,517,765	(1,268,047)	6,924,679	(113,667)	71,383	(388,545)	603,551
From contract transactions:								
Net insurance premiums from contract owners	2,802,337	3,142,330	1,744,994	1,662,579	420,462	348,489	725,545	777,015
Cost of insurance (note 5)	(1,203,726)	(1,150,016)	(450,055)	(371,983)	(61,818)	(105,663)	(255,561)	(221,150)
Transfers upon closing of sub-accounts	—	—	—	—	(6,344,433)	—	—	—
Transfers between sub-accounts	506,014	(723,394)	821,816	(109,395)	(214,432)	61,865	107,109	279,515
Transfers for contract benefits and terminations	(4,166,347)	(3,961,583)	(1,612,612)	(1,202,429)	(228,235)	(360,443)	(591,246)	(629,295)
Increase (decrease) in net assets derived from contract transactions	(2,061,722)	(2,692,663)	504,143	(21,228)	(6,428,456)	(55,752)	(14,153)	206,085
Net increase (decrease) in net assets	(14,290,548)	21,825,102	(763,904)	6,903,451	(6,542,123)	15,631	(402,698)	809,636
Net assets:								
Beginning of year	97,995,104	76,170,002	28,212,062	21,308,611	6,542,123	6,526,492	14,840,860	14,031,224
End of year	<u>\$ 83,704,556</u>	<u>\$ 97,995,104</u>	<u>\$ 27,448,158</u>	<u>\$ 28,212,062</u>	<u>\$ —</u>	<u>\$ 6,542,123</u>	<u>\$ 14,438,162</u>	<u>\$ 14,840,860</u>

(Continued)

FIRST INVESTORS LIFE
LEVEL PREMIUM VARIABLE LIFE INSURANCE SEPARATE ACCOUNT B
 Statements of Changes in Net Assets
 Years ended December 31, 2018 and 2017

	High Quality Bond		Opportunity		Real Estate		Total Return	
	2018	2017	2018	2017	2018	2017	2018	2017
Increase (decrease) in net assets:								
From operations:								
Net investment income (loss)	\$ 7,353	\$ 3,531	\$ (579)	\$ 6,506	\$ 10,333	\$ 4,341	\$ 44,537	\$ 34,182
Realized gain distributions	(3,123)	(507)	133,280	15,006	11,825	11,652	19,674	—
Change in unrealized appreciation (depreciation) on investments	49,910	(1,008)	(2,013,697)	1,410,724	(9,994)	(9,492)	(446,528)	14,543
Net increase (decrease) in net assets resulting from operations	54,140	2,016	(1,859,460)	1,432,236	12,164	6,845	(370,717)	319,397
From contract transactions:								
Net insurance premiums from contract owners	(16,939)	25,538	2,519,251	2,240,560	102,977	136,060	815,312	812,691
Cost of insurance (note 5)	(61,727)	(8,083)	(339,160)	(301,843)	(8,360)	(19,718)	(147,589)	(132,338)
Transfers upon closing of sub-accounts	6,344,433	—	—	—	(537,278)	—	561,997	—
Transfers between sub-accounts	(20,230)	38,244	535,942	510,716	(190,632)	87,895	214,227	152,561
Transfers for contract benefits and terminations	(18,167)	(19,347)	(620,524)	(529,657)	(49,193)	(51,224)	(252,038)	(238,814)
Increase (decrease) in net assets derived from contract transactions	6,227,370	36,352	2,095,509	1,919,776	(682,486)	153,013	1,191,909	594,100
Net increase (decrease) in net assets	6,281,510	38,368	236,049	3,352,012	(670,322)	159,858	821,192	962,222
Net assets:								
Beginning of year	402,013	363,645	9,985,188	6,633,176	670,322	510,464	3,917,890	2,955,668
End of year	<u>\$ 6,683,523</u>	<u>\$ 402,013</u>	<u>\$ 10,221,237</u>	<u>\$ 9,985,188</u>	<u>\$ —</u>	<u>\$ 670,322</u>	<u>\$ 4,739,082</u>	<u>\$ 3,917,890</u>

(Continued)

FIRST INVESTORS LIFE
LEVEL PREMIUM VARIABLE LIFE INSURANCE SEPARATE ACCOUNT B
Statements of Changes in Net Assets
Years ended December 31, 2018 and 2017

	Balanced Income		Covered Call Strategy		Equity Income	
	2018**	2017	2018	2017	2018	2017
Increase (decrease) in net assets:						
From operations:						
Net investment income (loss)	\$ 20,362	\$ 1,792	\$ 6,070	\$ (1,801)	\$ 669,339	\$ 656,059
Realized gain distributions	13,977	3,845	—	—	1,514,539	1,080,920
Realized gain (loss) on investments	(20,215)	445	10,832	2,434	641,151	452,973
Change in unrealized appreciation (depreciation) on investments	(40,148)	33,455	(179,898)	95,474	(7,308,958)	4,581,440
Net increase (decrease) in net assets resulting from operations	(26,024)	39,537	(162,996)	96,107	(4,483,929)	6,771,392
From contract transactions:						
Net insurance premiums from contract owners	34,267	22,040	206,389	90,896	1,525,200	1,652,715
Cost of insurance (note 5)	(7,493)	(9,011)	(40,026)	(19,565)	(694,130)	(594,137)
Transfers upon closing of sub-accounts	(561,997)	—	—	—	—	—
Transfers between sub-accounts	70,807	177,299	347,783	551,301	(141,518)	222,329
Transfers for contract benefits and terminations	(43,950)	(6,827)	(74,487)	(45,008)	(2,135,798)	(1,947,387)
Increase (decrease) in net assets derived from contract transactions	(508,366)	183,501	439,659	577,624	(1,446,246)	(666,480)
Net increase (decrease) in net assets	(534,390)	223,038	276,663	673,731	(5,930,175)	6,104,912
Net assets:						
Beginning of year	534,390	311,352	1,225,941	552,210	51,355,902	45,250,990
End of year	—	534,390	1,502,604	1,225,941	45,425,727	51,355,902

* For period January 1, 2018 to August 17, 2018.

** For period January 1, 2018 to December 14, 2018.

See accompanying notes to financial statements

FIRST INVESTORS LIFE
LEVEL PREMIUM VARIABLE LIFE INSURANCE SEPARATE ACCOUNT B

Notes to Financial Statements

December 31, 2018

(1) Organization

First Investors Life Level Premium Variable Life Insurance Separate Account B (Separate Account B), a unit investment trust registered under the Investment Company Act of 1940 (the 1940 Act), is a segregated investment account established by Foresters Life Insurance and Annuity Company (FLIAC), formerly First Investors Life Insurance Company, and exists in accordance with the regulations of the New York State Department of Financial Services. Assets of the Separate Account B have been used to purchase shares of First Investors Life Series Funds (the Funds), an open-end diversified management investment company registered under the 1940 Act. The Funds are managed by Foresters Investment Management Company (FIMCO), an affiliate of FLIAC. On April 6, 2019, FLIAC's parent entered into an agreement to sell the mutual fund management business of FIMCO and the transaction is expected to be completed during the fourth calendar quarter of 2019.

FLIAC offers a level premium variable life insurance policy through Separate Account B with either a fully underwritten option or a non-medically underwritten option. A fully underwritten policy offers six premium payment periods: a 12-year option (Insured Series Policy or ISP), a 10-year option (ISP Choice 10), a 15-year option (ISP Choice 15), a 20-year option (ISP Choice 20), an option to pay until age 65 (ISP Choice 65), and an option to pay until age 100 (ISP Choice Whole Life), collectively, ISP Choice. A non-medically underwritten policy is only available in a 10-year premium payment option, referred to as ISP10 Express. New policies of ISP, ISP Choice 10, ISP10 Express, ISP Choice 20 and ISP Choice 65 are no longer available for sale. ISP and ISP Choice 10 were retired in previous years. ISP10 Express, ISP Choice 20 and ISP Choice 65 were retired during the course of the year. Policyholders may continue to make additional payments under their respective Policy.

The contract holder directs the deposits into the sub-accounts that comprise Separate Account B and bears the investment risk if the sub-accounts do not meet their stated investment objectives. The sub-accounts invest in the following underlying Fund portfolios: Government Cash Management, Fund for Income, Growth & Income, Special Situations, International, Select Growth, Investment Grade, Limited Duration High Quality Bond, Opportunity, Total Return, Covered Call Strategy, and Equity Income.

The Real Estate sub-account was closed on August 17, 2018. The Government and Balanced Income sub-accounts were closed on December 14, 2018. Shares of the Government and Balanced Income sub-accounts were exchanged for shares of the Limited Duration High Quality Bond and Total Return sub-accounts, respectively, with the same aggregate net asset value on the closing date.

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(2) Significant Accounting Policies

(a) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Fair Value Measurements

Investments are valued using Level 1 inputs, as defined within the fair value hierarchy established by the Financial Accounting Standards Board (FASB).

Management determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management utilizes valuation techniques that maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3) within the fair value hierarchy established by the FASB. The three levels of inputs are described below:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities that Separate Account B has the ability to access.

Level 2 – observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – unobservable inputs for the asset and liability, to the extent relevant inputs are not available, representing Separate Account B's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

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The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement, which amends ASC 820 to add, remove, and modify fair value measurement disclosure requirements. The guidance is effective for all entities for fiscal years beginning after December 15, 2019. The Company will adopt the provisions of this guidance for its fiscal year beginning January 1, 2020 and management is currently evaluating the impact that ASU 2018-13 will have on its related disclosures.

(c) Subsequent Events

Management has evaluated events subsequent to the balance sheet date through April 22, 2019, the date that the financial statements were available for issuance.

(d) Investments

Shares of the Funds held by each of the sub-accounts of Separate Account B are valued at net asset value per share of such Funds, which value its investment securities at fair value on a daily basis. All distributions received from the Funds are reinvested to purchase additional shares of the Funds at net asset value. Investment transactions are accounted for on a trade date basis and average cost is the basis followed in determining the cost of investments sold for financial statement purposes.

(e) Investment Income

Investment income consists of dividends declared by the Funds and is recognized on the ex-dividend date. Realized gains and losses are recorded on a trade date basis. Reinvested realized gain distributions are recorded when received. Average cost is used as the basis of investments held and sold. The change in the value of the Funds is recorded as unrealized appreciation or depreciation and is included in the accompanying statement of operations.

(f) Federal Income Taxes

Separate Account B is not taxed separately because its operations are part of the total operations of FLIAC, which is taxed as a life insurance company under the Internal Revenue Code. Separate Account B is not taxed as a regulated investment company under Subchapter M of the Code. Under existing Federal income tax law, no taxes are payable on the investment income or on the capital gains of Separate Account B.

**FIRST INVESTORS LIFE
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(3) Investments

At December 31, 2018, investments in Funds in which the sub-accounts of the Separate Account invest in were presented at fair value determined by management using the net asset value of the Funds. Management determined that the investments in Funds are fair valued using Level 1 inputs since there is a readily determinable market, there are no restrictions on the Funds' redemption and sufficient transaction volume exists. There were no transfers between the Levels in fair value hierarchy during the year ended December 31, 2018.

Investments consist of the following as of December 31, 2018:

	<u>Shares</u>	<u>Net asset value</u>	<u>Fair value</u>	<u>Cost</u>
First Investors Life Series Fund:				
Government Cash Management	1,991,185	\$ 1.00	\$ 1,991,185	\$ 1,989,786
Fund for Income	6,803,608	\$ 5.96	\$ 40,549,503	\$ 46,709,955
Growth & Income	6,608,157	\$ 41.84	\$ 276,485,272	\$ 217,362,634
Special Situations	4,675,746	\$ 28.86	\$ 134,942,027	\$ 128,528,710
International	3,822,170	\$ 22.08	\$ 84,393,512	\$ 70,441,044
Select Growth	1,959,684	\$ 14.14	\$ 27,709,934	\$ 20,486,960
Investment Grade	1,436,567	\$ 10.18	\$ 14,624,254	\$ 15,430,560
Limited Duration High Quality Bond	721,186	\$ 9.34	\$ 6,735,874	\$ 6,689,230
Opportunity	661,324	\$ 15.58	\$ 10,303,422	\$ 10,206,964
Total Return	382,162	\$ 12.50	\$ 4,777,029	\$ 4,711,894
Covered Call Strategy	146,072	\$ 10.37	\$ 1,514,762	\$ 1,585,083
Equity Income	2,226,598	\$ 20.61	\$ 45,890,185	\$ 34,559,849

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The cost of purchases and proceeds from sales of investments for the year ended December 31, 2018 were as follows:

	<u>Purchases</u>	<u>Sales</u>
Government Cash Management	\$ 589,853	\$ 385,389
Fund for Income	\$ 2,574,623	\$ 2,151,530
Growth & Income	\$ 18,518,931	\$ 14,207,300
Special Situations	\$ 22,326,677	\$ 6,537,173
International	\$ 5,771,040	\$ 3,059,610
Select Growth	\$ 3,497,410	\$ 964,866
Government	\$ 455,604	\$ 6,756,243
Investment Grade	\$ 1,092,616	\$ 583,132
Limited Duration High Quality Bond	\$ 6,425,390	\$ 140,870
Opportunity	\$ 2,366,870	\$ 119,336
Real Estate	\$ 112,714	\$ 789,153
Total Return	\$ 1,439,993	\$ 170,592
Balanced Income	\$ 172,674	\$ 650,084
Covered Call Strategy	\$ 604,178	\$ 154,047
Equity Income	\$ 2,821,990	\$ 2,049,393

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(4) Changes in Units

(a) The changes in units outstanding for ISP and ISP Choice for the years ended December 31, 2018 and 2017 were as follows:

	2018			2017		
	Units issued	Units redeemed	Net increase (decrease)	Units issued	Units redeemed	Net increase (decrease)
Government Cash Management	42,414	(35,813)	6,601	12,373	(19,032)	(6,659)
Fund for Income Growth & Income	5,042	(31,918)	(26,876)	6,728	(26,704)	(19,976)
Special Situations	844	(92,945)	(92,101)	1,399	(84,940)	(83,541)
International	1,710	(44,916)	(43,206)	1,130	(42,113)	(40,983)
Select Growth	7,396	(43,951)	(36,555)	6,394	(54,712)	(48,318)
Government	58,561	(45,115)	13,446	32,910	(43,025)	(10,115)
Investment Grade	7,948	(239,154)	(231,206)	9,925	(12,120)	(2,195)
Limited Duration High Quality Bond	14,262	(15,499)	(1,237)	14,238	(10,669)	3,569
Opportunity	655,679	(13,974)	641,705	12,012	(9,174)	2,838
Real Estate	78,395	(7,161)	71,234	77,489	(7,737)	69,752
Total Return	7,863	(63,586)	(55,723)	19,872	(9,796)	10,076
Balanced Income	85,328	(13,386)	71,942	40,585	(14,812)	25,773
Covered Call Strategy	11,349	(57,803)	(46,454)	17,843	(1,133)	16,710
Equity Income	47,011	(13,696)	33,315	54,764	(4,067)	50,697
	6,854	(41,559)	(34,705)	12,598	(30,669)	(18,071)

(b) The changes in units outstanding for ISP10 Express for the years ended December 31, 2018 and 2017 were as follows:

	2018			2017		
	Units issued	Units redeemed	Net increase (decrease)	Units issued	Units redeemed	Net increase (decrease)
Government Cash Management	12,170	(5,815)	6,355	7,980	(7,222)	758
Fund for Income Growth & Income	16,994	(4,145)	12,849	20,442	(1,650)	18,792
Special Situations	45,151	(3,392)	41,759	50,650	(1,854)	48,796
International	39,300	(1,806)	37,494	32,119	(2,082)	30,037
Select Growth	25,770	(1,743)	24,027	19,132	(2,179)	16,953
Government	15,480	(1,756)	13,724	13,344	(1,250)	12,094
Investment Grade	3,565	(13,028)	(9,463)	3,536	(996)	2,540
Limited Duration High Quality Bond	9,779	(2,938)	6,841	10,061	(1,199)	8,862
Opportunity	13,013	(822)	12,191	971	(87)	884
Real Estate	51,500	(2,248)	49,252	49,217	(1,104)	48,113
Total Return	2,937	(9,866)	(6,929)	5,138	(547)	4,591
Balanced Income	21,027	(2,596)	18,431	21,574	(1,425)	20,149
Covered Call Strategy	1,246	(2,101)	(855)	753	(190)	563
Equity Income	6,597	(300)	6,297	2,932	(207)	2,725
	11,409	(1,477)	9,932	11,403	(580)	10,823

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(5) Mortality and Expense Risks and Deductions

Mortality and expense risk charges vary by product. In consideration for its assumption of the mortality and expense risks connected with the Variable Life Contracts, FLIAC deducts an amount equal on an annual basis to 0.50% of the daily net asset value of each sub-account for ISP and ISP Choice. Both ISP Choice 15 and ISP Choice WL will assume a charge reduction from 0.50% to 0.25% after the conclusion of the 15th and 20th year, respectively. For ISP10 Express, FLIAC deducts an amount equal on an annual basis to 1.50% of the daily net asset value of each sub-account. This deduction is assessed through a reduction of unit values.

A monthly charge is also made to Separate Account B for the cost of insurance protection. This amount varies with the age and sex of the insured and the net amount of insurance at risk and is assessed through the redemption of units on the anniversary date of the policy.

There is a 15-year surrender charge period on both ISP Choice 15 and ISP Choice WL. This charge is calculated based upon each \$1,000 of face amount surrendered or partially surrendered and may vary with the age and sex of the insured. It is assessed through the redemption of units.

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(6) Financial Highlights

(a) ISP and ISP Choice:

	Net assets			Investment income ratio (%) ²	Expense ratio (%) ³	Total return (%) ⁴
	Units ¹	Unit value (\$)	(\$000s)			
Government Cash Management:						
December 31:						
2018	95,780	20.036	1,874	1.23	0.50	0.74
2017	89,179	19.889	1,759	0.26	0.50	(0.24)
2016	95,838	19.937	1,885	—	0.50	(0.50)
2015	88,546	20.037	1,760	—	0.50	(0.50)
2014	101,560	20.137	2,031	—	0.50	(0.50)
Fund for Income:						
December 31:						
2018	634,258	62.469	39,274	5.24	0.50	(3.07)
2017	661,134	64.445	42,250	5.03	0.50	6.29
2016	681,110	60.630	41,010	5.45	0.50	10.57
2015	701,424	54.835	38,105	5.46	0.50	(2.34)
2014	727,242	56.147	40,523	5.32	0.50	0.29
Growth & Income:						
December 31:						
2018	2,118,698	128.828	270,797	1.41	0.50	(10.61)
2017	2,210,799	144.127	316,730	1.51	0.50	17.69
2016	2,294,341	122.464	279,195	1.42	0.50	9.33
2015	2,383,690	112.011	265,136	1.17	0.50	(3.60)
2014	2,473,137	116.198	285,616	1.16	0.50	7.11
Special Situations:						
December 31:						
2018	1,152,073	115.231	131,694	0.47	0.50	(17.01)
2017	1,195,278	138.850	164,966	0.90	0.50	17.68
2016	1,236,262	117.993	144,965	0.54	0.50	15.52
2015	1,285,718	102.137	130,429	0.63	0.50	(1.02)
2014	1,330,888	103.188	136,486	0.47	0.50	5.77
International:						
December 31:						
2018	1,475,148	56.355	82,490	0.82	0.50	(12.60)
2017	1,511,703	64.475	96,919	1.05	0.50	32.30
2016	1,560,021	48.734	75,526	1.24	0.50	(4.68)
2015	1,601,523	51.127	81,303	1.09	0.50	2.98
2014	1,639,272	49.648	80,842	1.09	0.50	1.88
Select Growth:						
December 31:						
2018	1,398,065	19.047	26,383	0.33	0.50	(4.27)
2017	1,384,619	19.896	27,358	0.49	0.50	32.14
2016	1,394,735	15.057	20,838	0.62	0.50	3.52
2015	1,368,709	14.545	19,687	0.36	0.50	2.70
2014	1,351,055	14.163	18,965	0.34	0.50	12.96
Government: ⁵						
December 31:						
2018	—	—	—	3.68	0.50	(1.66)
2017	231,207	28.211	6,452	1.93	0.50	1.03
2016	233,402	27.924	6,460	2.08	0.50	(0.02)
2015	229,657	27.929	6,339	2.26	0.50	(0.45)
2014	231,465	28.057	6,431	2.58	0.50	2.63

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	Net assets			Investment income ratio (%) ²	Expense ratio (%) ³	Total return (%) ⁴
	Units ¹	Unit value (\$)	(\$000s)			
Investment Grade:						
December 31:						
2018	391,977	36.266	14,051	3.82	0.50	(2.51)
2017	393,214	37.201	14,513	3.83	0.50	4.20
2016	389,644	35.701	13,805	4.03	0.50	4.13
2015	383,526	34.285	13,025	4.17	0.50	(0.85)
2014	385,991	34.578	13,227	3.96	0.50	5.33
Limited Duration High Quality Bond: ⁵						
December 31:						
2018	681,725	9.634	6,556	1.15	0.50	(0.71)
2017	40,020	9.703	386	1.55	0.50	0.75
2016	37,182	9.631	355	0.74	0.50	0.14
2015	7,839	9.618	75	—	0.50	(1.01)
2014	1,169	9.716	12	—	0.50	(2.84)
Opportunity:						
December 31:						
2018	472,233	15.619	7,364	0.50	0.50	(15.80)
2017	400,998	18.551	7,425	0.58	0.50	18.41
2016	331,245	15.667	5,172	0.39	0.50	7.72
2015	238,626	14.545	3,455	0.17	0.50	(1.30)
2014	158,032	14.737	2,320	—	0.50	5.21
Real Estate: ⁵						
December 31:						
2018	—	—	—	1.93	0.50	1.24
2017	55,723	10.809	597	1.36	0.50	0.76
2016	45,647	10.728	485	0.40	0.50	6.04
2015	11,904	10.116	119	—	0.50	1.16
Total Return:						
December 31:						
2018	297,086	12.933	3,825	1.56	0.50	(8.11)
2017	225,143	14.075	3,160	1.51	0.50	11.19
2016	199,371	12.658	2,512	1.33	0.50	6.09
2015	152,384	11.932	1,805	0.91	0.50	(2.10)
2014	107,779	12.188	1,305	0.08	0.50	5.44
Balanced Income: ⁵						
December 31:						
2018	—	—	—	4.25	0.50	(4.47)
2017	46,454	11.371	524	0.91	0.50	9.03
2016	29,745	10.429	308	—	0.50	6.18
2015	620	9.822	6	—	0.50	(1.78)
Covered Call Strategy: ⁵						
December 31:						
2018	136,221	10.388	1,404	0.99	0.50	(10.44)
2017	102,906	11.599	1,186	0.33	0.50	10.51
2016	52,209	10.495	544	—	0.50	4.95
Equity Income:						
December 31:						
2018	1,077,774	41.876	44,711	1.84	0.50	(8.87)
2017	1,112,479	45.953	50,732	1.86	0.50	14.94
2016	1,130,550	39.979	44,863	1.95	0.50	12.71
2015	1,155,391	35.471	40,700	1.67	0.50	(1.52)
2014	1,167,132	36.018	41,783	1.64	0.50	7.72

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(b) ISP10 Express:

	Net assets			Investment income ratio (%) ²	Expense ratio (%) ³	Total return (%) ⁴
	Units ¹	Unit value (\$)	(\$000s)			
Government Cash Management:						
December 31:						
2018	8,170	9.235	75	1.44	1.50	(0.28)
2017	1,815	9.261	17	0.29	1.50	(1.24)
2016	1,056	9.378	10	—	1.50	(1.50)
2015	1,642	9.521	16	—	1.50	(1.50)
2014	2,117	9.666	20	—	1.50	(1.50)
Fund for Income:						
December 31:						
2018	78,777	11.409	899	4.82	1.50	(4.04)
2017	65,929	11.890	784	4.42	1.50	5.22
2016	47,137	11.300	533	4.64	1.50	9.45
2015	31,937	10.324	330	4.29	1.50	(3.32)
2014	17,172	10.679	183	3.58	1.50	(0.72)
Growth & Income:						
December 31:						
2018	221,540	15.368	3,405	1.29	1.50	(11.52)
2017	179,781	17.368	3,122	1.32	1.50	16.50
2016	130,985	14.907	1,953	1.16	1.50	8.23
2015	81,497	13.774	1,122	0.89	1.50	(4.58)
2014	40,542	14.434	585	0.78	1.50	6.03
Special Situations:						
December 31:						
2018	144,423	14.666	2,118	0.42	1.50	(17.85)
2017	106,929	17.853	1,909	0.78	1.50	16.49
2016	76,892	15.325	1,178	0.44	1.50	14.36
2015	47,846	13.401	641	0.49	1.50	(2.02)
2014	24,549	13.677	336	0.31	1.50	4.70
International:						
December 31:						
2018	102,716	11.826	1,215	0.74	1.50	(13.48)
2017	78,689	13.668	1,076	0.98	1.50	30.97
2016	61,736	10.436	644	1.01	1.50	(5.64)
2015	37,108	11.060	410	0.85	1.50	1.94
2014	19,613	10.849	213	0.72	1.50	0.85
Select Growth:						
December 31:						
2018	57,151	18.635	1,065	0.30	1.50	(5.24)
2017	43,427	19.664	854	0.43	1.50	30.81
2016	31,332	15.033	471	0.50	1.50	2.48
2015	17,756	14.670	260	0.29	1.50	1.66
2014	9,451	14.430	136	0.24	1.50	11.83
Government: ⁵						
December 31:						
2018	—	—	—	3.70	1.50	(2.61)
2017	9,462	9.465	90	1.70	1.50	0.01
2016	6,922	9.464	66	1.81	1.50	(1.03)
2015	4,849	9.563	46	1.93	1.50	(1.46)
2014	3,070	9.704	30	1.81	1.50	1.59

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	Net assets			Investment income ratio (%) ²	Expense ratio (%) ³	Total return (%) ⁴
	Units ¹	Unit value (\$)	(\$000s)			
Investment Grade:						
December 31:						
2018	37,474	10.321	387	3.53	1.50	(3.50)
2017	30,633	10.695	328	3.41	1.50	3.15
2016	21,770	10.368	226	3.47	1.50	3.08
2015	14,512	10.058	146	3.39	1.50	(1.85)
2014	8,451	10.247	87	2.89	1.50	4.27
Limited Duration High Quality Bond: ⁵						
December 31:						
2018	13,906	9.205	128	1.70	1.50	(1.72)
2017	1,715	9.365	16	1.23	1.50	(0.26)
2016	831	9.390	9	0.50	1.50	(0.87)
2015	246	9.473	2	—	1.50	(2.01)
2014	30	9.666	—	—	1.50	(3.34)
Opportunity:						
December 31:						
2018	194,479	14.693	2,857	0.48	1.50	(16.65)
2017	145,228	17.628	2,560	0.54	1.50	17.22
2016	97,115	15.039	1,461	0.34	1.50	6.63
2015	52,130	14.104	735	0.14	1.50	(2.30)
2014	21,955	14.436	317	—	1.50	4.15
Real Estate: ⁵						
December 31:						
2018	—	—	—	1.76	1.50	0.60
2017	6,929	10.521	73	0.92	1.50	(0.25)
2016	2,338	10.548	25	0.27	1.50	4.97
2015	359	10.048	4	—	1.50	0.48
Total Return:						
December 31:						
2018	75,135	12.166	914	1.49	1.50	(9.04)
2017	56,704	13.375	758	1.34	1.50	10.07
2016	36,555	12.151	444	1.11	1.50	5.01
2015	20,439	11.571	237	0.74	1.50	(3.09)
2014	8,719	11.940	104	0.06	1.50	4.37
Balanced Income: ⁵						
December 31:						
2018	—	—	—	4.13	1.50	(5.38)
2017	855	11.124	10	0.55	1.50	7.93
2016	292	10.307	3	—	1.50	5.11
2015	23	9.806	—	—	1.50	(1.94)
Covered Call Strategy: ⁵						
December 31:						
2018	9,776	10.111	99	0.70	1.50	(11.34)
2017	3,479	11.405	40	0.20	1.50	9.40
2016	754	10.425	8	—	1.50	4.25
Equity Income:						
December 31:						
2018	46,819	15.267	715	1.67	1.50	(9.79)
2017	36,886	16.924	624	1.62	1.50	13.79
2016	26,063	14.874	388	1.60	1.50	11.57
2015	16,520	13.331	220	1.31	1.50	(2.51)
2014	8,633	13.675	118	1.16	1.50	6.63

FIRST INVESTORS LIFE
LEVEL PREMIUM VARIABLE LIFE INSURANCE SEPARATE ACCOUNT B

Notes to Financial Statements

December 31, 2018

1. These units include units held for certain direct charges to contract owner accounts through the redemption of units.
2. These amounts represent the dividends, excluding distributions of capital gains, received by the sub-account from the underlying mutual fund, divided by the average net assets. These ratios exclude those expenses, such as mortality and expense charges, that are assessed against contract owner accounts either through reductions in unit values or redemption of units. The recognition of investment income by the sub-account is affected by the timing of the declaration of dividends by the underlying fund in which the sub-account invests.
3. These amounts represent the annualized contract expenses of the separate account, consisting primarily of mortality and expense charges, for the period indicated. These ratios include only those expenses that result in a direct reduction to unit values. Charges made directly to contract owner accounts through redemption of units and expenses of the underlying fund have been excluded.
4. These amounts represent the total return for the periods indicated, including changes in value of the underlying fund, and expenses assessed through the reduction of unit values. These ratios do not include any expenses assessed through the redemption of units.
5. The Limited Duration High Quality Bond sub-account was launched on July 1, 2014. The total return for the Limited Duration High Quality Bond sub-account for 2014 was calculated for the period July 1, 2014 to December 31, 2014. The Real Estate and the Balanced Income sub-accounts were launched on May 1, 2015 and November 2, 2015, respectively. The total return for the Real Estate and the Balanced Income sub-accounts for 2015 were calculated for the period May 1, 2015 to December 31, 2015 and November 2, 2015 to December 31, 2015, respectively. The Covered Call Strategy sub-account was launched on May 2, 2016. The total return for the Covered Call Strategy sub-account was calculated for the period May 2, 2016 to December 31, 2016. The Real Estate sub-account was closed on August 17, 2018. The total return for the Real Estate sub-account was calculated for the period January 1, 2018 to August 17, 2018. The Government and Balanced Income sub-accounts were closed on December 14, 2018. The total return for the Government and Balanced Income sub-accounts were calculated for the period January 1, 2018 to December 14, 2018.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

Statutory Financial Statements

December 31, 2018, 2017 and 2016

(With Independent Auditors' Report Thereon)

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

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Independent Auditors' Report

The Board of Directors
Foresters Life Insurance and Annuity Company:

Report on the Financial Statements

We have audited the accompanying financial statements of Foresters Life Insurance and Annuity Company, which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2018 and 2017, and the related statutory statements of income, changes in capital and surplus, and cash flow for each of the years in the three-year period ended December 31, 2018, and the related notes to statutory financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to statutory financial statements, the financial statements are prepared by Foresters Life Insurance and Annuity Company using statutory accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than U.S. generally accepted accounting principles. Accordingly, the financial statements are not intended to be presented in accordance with U.S. generally accepted accounting principles.

The effects on the financial statements of the variances between the statutory accounting practices described in Note 2 and U.S. generally accepted accounting principles, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the variances between statutory accounting practices and U.S. generally accepted accounting principles discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with U.S. generally accepted accounting principles, the financial position of Foresters Life Insurance and Annuity Company as of December 31, 2018 and 2017 or the results of its operations or its cash flows for each of the years in the three-year period ended December 31, 2018.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of Foresters Life Insurance and Annuity Company as of December 31, 2018 and 2017 and the results of its operations and its cash flow for each of the years in the three-year period ended December 31, 2018, in accordance with the statutory accounting practices prescribed or permitted by the New York State Department of Financial Services described in Note 2.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the financial statement schedules Supplemental Schedule Summary of Investments – Other than Investments in Related Parties, Supplementary Insurance Information, and Supplementary Schedule Reinsurance, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by Regulation S-X Rule 7-05 of the Securities and Exchange Commission. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ KPMG LLP

New York, New York
April 22, 2019

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY
STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND CAPITAL AND SURPLUS
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and invested assets		
Bonds, at amortized cost (fair value: 2018 - \$949,747,334; 2017 - \$821,721,568)	\$ 964,479,113	\$ 796,623,705
Cash, cash equivalents and short-term investments	55,329,534	48,890,262
Receivable for securities	-	20,195
Policy loans	105,567,441	102,543,550
	1,125,376,088	948,077,712
Total Cash and Invested Assets		
Deferred and uncollected premiums	5,109,817	5,084,208
Accrued investment income	14,046,195	12,554,222
Admitted deferred tax assets	2,738,000	2,734,000
Current income tax recoverable	4,064,820	1,945,490
Other assets	126,999	671,550
	1,151,461,919	971,067,182
TOTAL ASSETS EXCLUDING SEPARATE ACCOUNTS		
Separate account assets	1,316,692,839	1,492,359,315
	\$ 2,468,154,758	\$ 2,463,426,497
LIABILITIES AND CAPITAL AND SURPLUS		
LIABILITIES		
Life and accident and health reserves	\$ 330,363,553	\$ 314,094,196
Annuity reserves	757,753,320	599,025,981
Claims and other contract liabilities	16,206,705	14,758,715
Interest Maintenance Reserve	-	-
Asset Valuation Reserve	4,950,400	4,935,223
Accounts payable and accrued liabilities	3,126,258	4,469,523
Net transfers due from separate accounts	(28,758,382)	(29,658,212)
	1,083,641,854	907,625,426
TOTAL LIABILITIES EXCLUDING SEPARATE ACCOUNTS		
Separate account liabilities	1,316,692,840	1,492,359,315
	2,400,334,694	2,399,984,741
TOTAL LIABILITIES		
CAPITAL AND SURPLUS		
Common Stock, par value \$4.75; authorized, issued and outstanding 534,350 shares	2,538,162	2,538,162
Additional paid in capital	6,496,180	6,496,180
Unassigned surplus	58,785,722	54,407,414
	67,820,064	63,441,756
TOTAL CAPITAL AND SURPLUS		
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	\$ 2,468,154,758	\$ 2,463,426,497

See accompanying notes to statutory financial statements.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY
STATUTORY STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2018, 2017, AND 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
REVENUES			
Premiums and annuity considerations	\$ 278,009,630	\$ 209,266,846	\$ 217,667,362
Investment income	42,008,777	35,286,708	30,775,191
Amortization of interest maintenance reserve	(32,571)	719,667	766,483
Income from fees associated with investment management, administration & contract guarantees from separate accounts	13,648,416	12,878,224	11,377,482
Other income	<u>182,975</u>	<u>185,461</u>	<u>195,378</u>
TOTAL REVENUES	<u>333,817,227</u>	<u>258,336,906</u>	<u>260,781,896</u>
BENEFITS AND EXPENSES			
Policyholder benefits and changes in contract liabilities	125,358,524	103,533,633	97,270,717
Increase in life and annuity reserves	174,996,696	131,342,050	139,103,864
Net transfers (from) to separate accounts	(15,744,129)	(27,953,950)	(22,458,372)
Commissions and expense allowances	19,799,236	17,034,349	18,335,371
Operating expenses	<u>15,788,106</u>	<u>15,924,785</u>	<u>18,215,839</u>
TOTAL BENEFITS AND EXPENSES	<u>320,198,433</u>	<u>239,880,867</u>	<u>250,467,419</u>
Net gain from operations before dividends to policyholders and federal income taxes	13,618,794	18,456,039	10,314,477
Dividends to policyholders	<u>986,673</u>	<u>1,118,015</u>	<u>918,979</u>
Net gain from operations before federal income taxes	12,632,121	17,338,024	9,395,498
Federal income tax	<u>2,978,912</u>	<u>4,663,184</u>	<u>2,347,862</u>
NET GAIN FROM OPERATIONS	9,653,209	12,674,840	7,047,636
Net realized capital gains, net of transfers to IMR and net of taxes	<u>-</u>	<u>-</u>	<u>10</u>
NET INCOME	<u>\$ 9,653,209</u>	<u>\$ 12,674,840</u>	<u>\$ 7,047,646</u>

See accompanying notes to statutory financial statements.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY
STATUTORY STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS
YEARS ENDED DECEMBER 31, 2018, 2017, AND 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
BALANCE AT BEGINNING OF YEAR	\$ 63,441,756	\$ 60,120,253	\$ 60,317,773
Correction of an error	(2,037,410)	-	-
Net income	9,653,209	12,674,840	7,047,646
Change in Asset Valuation Reserve	(15,176)	(636,409)	(1,038,688)
Change in non-admitted assets	124,309	162,300	(2,086,204)
Change in net deferred income taxes	1,653,376	(3,779,228)	979,726
Dividends to stockholders	(5,000,000)	(5,100,000)	(5,100,000)
BALANCE AT END OF YEAR	<u>\$ 67,820,064</u>	<u>\$ 63,441,756</u>	<u>\$ 60,120,253</u>

See accompanying notes to statutory financial statements.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY
STATUTORY STATEMENTS OF CASH FLOW
YEARS ENDED DECEMBER 31, 2018, 2017 and 2016

	2018	2017	2016
Cash flows from operating activities:			
Premiums and other insurance amounts received	\$ 281,280,384	\$ 208,085,369	\$ 216,448,478
Investment income received	45,633,641	39,836,865	34,957,449
Other receipts	13,831,391	13,063,685	11,572,860
Benefits and contract liabilities paid	(124,695,664)	(102,701,991)	(98,118,520)
Commissions and general expenses paid	(38,868,967)	(33,036,607)	(35,587,113)
Net transfers from separate accounts	16,643,959	21,058,109	19,487,267
Dividends paid to policyholders	(972,174)	(899,789)	(902,898)
Federal income taxes paid	(4,400,000)	(4,400,000)	(2,600,000)
Net cash provided by operating activities	188,452,570	141,005,641	145,257,523
Cash flows from investing activities:			
Proceeds from maturities, repayments, and sale of investment securities	102,904,655	79,868,912	68,186,117
Purchase of investments securities	(275,997,815)	(203,552,299)	(183,984,526)
Purchase of furniture, equipment and other assets	(35,918)	-	(41,513)
Net increase in policy loans	(3,023,891)	(4,566,331)	(2,978,091)
Net cash used for investing activities	(176,152,969)	(128,249,718)	(118,818,013)
Cash flows from financing activities and miscellaneous sources:			
Net deposits on deposit-type contracts	208,364	1,015,594	99,810
Dividends paid	(5,000,000)	(5,100,000)	(5,100,000)
Other cash received (applied)	(1,068,693)	(603,936)	(1,294,268)
Net cash used for financing activities	(5,860,329)	(4,688,342)	(6,294,458)
Net (decrease) increase in cash, cash equivalents and short-term investments:	6,439,272	8,067,581	20,145,052
Cash, cash equivalents and short-term investments:			
Beginning of year	48,890,262	40,822,681	20,677,629
End of year	\$ 55,329,534	\$ 48,890,262	\$ 40,822,681

See accompanying notes to statutory financial statements.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

Notes to Statutory Financial Statements

December 31, 2018, 2017 and 2016

(in US Dollars)

(1) Nature of Operations

Foresters Life Insurance and Annuity Company (the "Company") is a wholly-owned subsidiary of Foresters Financial Holding Company, Inc. ("FFHC"). The Company predominately writes variable and fixed annuity and variable life insurance products along with traditional life insurance and other accident and health insurance. In addition, the Company sponsors segregated investment trusts registered under the Investment Company Act of 1940, which support the Company's variable life and annuity business. The principal affiliates of the Company are: Foresters Financial Services, Inc. ("Broker-Dealer"), Foresters Investment Management Company, Inc. ("Mutual Fund Management Company"), Foresters Investor Services, Inc. ("Transfer Agent"), and Foresters Advisory Services, LLC. FFHC is a wholly-owned subsidiary of The Independent Order of Foresters ("Foresters"), Canada.

(2) Basis of Presentation

The financial statements of the Company are presented on the basis of accounting practices prescribed or permitted by the New York State Department of Financial Services ("NYDFS"). The NYDFS recognizes only statutory accounting practices prescribed or permitted by the state of New York for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the New York Insurance Law. The State of New York has adopted the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual.

Certain amounts in prior year financial statements have been reclassified to conform with the current year presentation.

This basis of presentation differs from U.S. generally accepted accounting principles ("GAAP") in that:

- (a) Life insurance policy reserves are computed on the statutory valuation basis using the 1958, 1980 or 2001 CSO Mortality Table with interest rates from 2.50% to 5.25% rather than according to the Company's estimates of mortality, investment yields, withdrawals and other benefits and expenses. The fixed deferred annuity is valued using CARVM at 3.50% – 5% and variable annuities are valued using VACARVM at 3.75% to 5.25%. On both a statutory and GAAP basis, the reserve held for old deferred annuities is equal to the funds accumulated at a current rate of 4% per annum;
- (b) certain expenditures, principally for furniture and equipment, agents' debit balances, and deferred tax assets, are not admissible and are therefore charged to surplus rather than recognized as assets;

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

Notes to Statutory Financial Statements

December 31, 2018, 2017 and 2016

(in US Dollars)

- (c) commissions and other costs of acquiring new business are expensed as incurred rather than recognized as deferred acquisition costs and amortized over the premium paying period of policies and contracts;
- (d) under GAAP, current federal income taxes are recognized for the estimated taxes payable or refundable on tax returns for the current year. Deferred federal income taxes arise from the recognition of temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities. Both current and deferred income taxes are recognized in the statement of income. In accordance with NAIC SAP statutory net deferred tax assets are credited to surplus and are limited based on an admissibility test. Under GAAP, state taxes are included in the computation of deferred income taxes, while for NAIC SAP, state taxes are not taken into consideration;
- (e) the statutory asset valuation and interest maintenance reserves are recognized as liabilities;
- (f) On investment type contracts, the entire amount received from contract holders is recognized as revenue rather than just the portion of the payment deemed to be assessments against policyholder account balances;
- (g) investments in fixed maturities that are deemed to be available-for-sale for GAAP are recorded at amortized cost rather than estimated fair value;
- (h) The statutory statements of cash flows do not classify cash flows in a manner which is consistent with GAAP. A reconciliation of net income to net cash provided by operating activities is not provided. There is no statement of comprehensive income prepared for statutory reporting purposes; and
- (i) The reserve for unpaid losses and loss expenses is reported net of reinsurance recoverable on losses and loss expenses and unearned premiums are reported net of ceded unearned premiums (prepaid reinsurance premiums). Under GAAP, these accounts are presented gross of the effects of reinsurance ceded in the balance sheet.

The effects of these variances on the accompanying statutory financial statements has not been determined, but are presumed to be material.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

Notes to Statutory Financial Statements

December 31, 2018, 2017 and 2016

(in US Dollars)

(3) Other Significant Accounting Practices

(a) Cash, Cash Equivalents and Short-term Investments

Cash and cash equivalents include investments with original maturities of three months or less and money market mutual funds. The carrying amounts for cash and cash equivalents approximate their fair values. Short-term investments include investments with original maturities of one year or less and are carried at amortized cost.

(b) Bonds

Bonds are, other than NAIC class 6, reported at amortized cost. Amortization of premiums and accretion of discounts on bonds are recognized using the scientific method that approximates level yield. Gains and losses on sales of investments are determined using the specific identification method. NAIC class 6 bonds are carried at lower of cost or fair value, with the change reflected in surplus.

The fair values for bonds is based on quoted market prices, where available, or is estimated using values from independent pricing services.

(c) Fair Value Measurements

Management determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management utilizes valuation techniques that maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3) within the fair value hierarchy established by the Financial Accounting Standards Board ("FASB"). Financial assets and liabilities carried and disclosed at fair value are classified in one of the following three categories:

- Level 1: Fair value measurements using unadjusted quoted market prices in active markets for identical, unrestricted assets or liabilities.
- Level 2: Fair value measurements using correlation with (directly or indirectly) observable market based inputs, unobservable inputs that are corroborated by market data, or quoted prices in markets that are not active. These models are primarily standard models that consider various assumptions including time value, yield curve, and other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

Notes to Statutory Financial Statements

December 31, 2018, 2017 and 2016

(in US Dollars)

- Level 3: Fair value measurements using significant inputs that are not readily observable in the market and are based on internally developed models or methodologies utilizing significant inputs that are generally less readily observable.

(d) Impairment of Invested Assets

Management regularly reviews fixed maturity securities to evaluate unrealized losses for other-than-temporary declines in the fair value of these securities. Management considers various factors in assessing impairments, including but not limited to, the financial condition and near term prospects of the issuer, specific adverse conditions affecting an industry or region, a significant and prolonged decline in fair value below the amortized cost of the asset, bankruptcy or default of the issuer, and delinquency in payments of interest or principal.

Management considers the following factors in the evaluation of whether a noninterest related decline in value is other than temporary: (a) the Company's near-term intent to sell; (b) the Company's contractual and regulatory obligations; and (c) the Company's ability and intent not to sell the investment until anticipated recovery of the cost of the investment. In addition, management considers other qualitative and quantitative factors in determining the existence of possible other than temporary impairments including, but not limited to, unrealized loss trend analysis and significant short-term changes in value. For structured securities, if the present value of the cash-flows expected to be collected is less than the amortized cost basis, an other-than-temporary impairment shall be considered to have occurred for the difference due to a non-interest related decline. For structured securities, the Company analyzes discounted cash flows on a quarterly basis to determine if additional other-than-temporary impairment write downs are necessary.

The day to day management of the investment portfolio is performed by investment managers, who may, at a given point in time, believe that the preferred course of action is to hold securities with unrealized losses that are considered temporary until such losses are recovered, the dynamic nature of portfolio management may result in a subsequent decision to sell the security and realize the loss based upon a change in the market and other factors described above. Investment managers maintain a watchlist that identifies rating agency downgrades of securities as well as any potential investment valuation issues at the end of each quarter.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

Notes to Statutory Financial Statements

December 31, 2018, 2017 and 2016

(in US Dollars)

(e) Leasehold Improvements and Equipment

Leasehold improvements and equipment are recorded as cost. These assets are treated as non-admitted assets with changes in the balance of these assets going through the change in nonadmitted assets, a component of capital and surplus.

Depreciation is recorded in net income on the statement of statutory income and is calculated on a straight-line basis over the estimated useful life of the asset, not to exceed 5 years, or the remaining term of the lease.

Depreciation of equipment of \$96,722, \$106,922, and \$102,961 was included in net income for 2018, 2017 and 2016, respectively. Depreciation of leasehold improvements of \$2,247 was included in net income for 2018, 2017 and 2016.

(f) Policy loans

Policy loans are stated at the unpaid balance due, which approximates fair value, since loans on policies have no defined maturity and reduce amounts payable at death or surrender. The excess of the unpaid balance of the policy loan that exceeds the cash surrender value is nonadmitted.

(g) Interest Maintenance Reserve

The Company maintains an interest maintenance reserve ("IMR") to stabilize net income against fluctuations in interest rates. After-tax realized capital gains (losses), which result from changes in the overall level of interest rates for all types of fixed-income investments and interest-related hedging activities, are deferred into the IMR and amortized into revenue using the grouped amortization method. The IMR at December 31, 2018 and December 31, 2017 are an asset of \$1,610,468 and \$1,057,097, respectively, which is non-admitted.

(h) Asset Valuation Reserve

The Company establishes an Asset Valuation Reserve ("AVR") to offset potential credit-related investment losses. Investments are assigned a NAIC rating which is used in the AVR computation.

(i) Recognition of Revenue and Related Expenses

Premiums are reported as earned when due. Commissions, benefits and expenses are recognized when incurred rather than amortized over the life of the contracts.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

Notes to Statutory Financial Statements

December 31, 2018, 2017 and 2016

(in US Dollars)

(j) Annuities

Annuity considerations are recognized as revenue when received. The carrying value of fixed annuities reserves are equal to the policyholder account balances, which represent net premiums, received plus accumulated interest.

(k) Policyholder Dividends

The amount of dividends to be paid to policyholders is determined annually by the Company's Board of Directors. The aggregate amount of policyholders' dividends is related to actual interest, mortality, morbidity, and expense experience for the year, and judgment as to the appropriate level of statutory capital and surplus to be retained by the Company.

(l) Business Risks and Uncertainties

The Company's investments are primarily comprised of both short term and long term fixed maturity securities. Significant changes in prevailing interest rates and geographic conditions may adversely affect the timing and amount of cash flows on such investments and their related values. A significant decline in the fair values of these investments could have an adverse effect on the Company's ability to meet obligations including policyholder benefits.

Premiums and annuity considerations received from the Company's variable annuity and variable life products comprise approximately 33% and 34% in 2018 and 2017, respectively, of the Company's total premiums and annuity considerations received. The investment risk on this business is borne by the contract holder and is invested in the sub-account of the related separate account as directed by the contract holder.

(m) Separate Accounts

Separate account assets and the related liabilities represent segregated variable annuity and variable life contracts maintained in accounts to meet the specific investment objectives of Contractholders who bear the investment risk. The assets are carried at fair value and are reported as summary total separate account assets with an equivalent summary total reported for liabilities. All investment income (including realized and unrealized gains and losses on investments held in these accounts) accrues directly to the Contractholders and therefore does not affect the net income of the Company.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

Notes to Statutory Financial Statements

December 31, 2018, 2017 and 2016

(in US Dollars)

(n) *Income Taxes*

The Company is included in the consolidated federal returns and certain state returns of the Parent, along with other wholly-owned subsidiaries of the Parent. The Parent calculates and allocates the applicable federal taxes (benefits) and related income tax payments and refunds to each subsidiary separately for financial reporting purposes. The provision for federal income taxes is determined on a separate company basis in accordance with a written tax sharing agreement between the Company and its parent.

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting basis and tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled and the effect of a change in tax rates is recognized in the period. A valuation allowance is recorded against deferred tax assets if management determines it is more likely than not, that such assets will not be realized. The tax effects of temporary differences that reverse within three years are treated as admitted assets, subject to a maximum of 15% of surplus.

Tax benefits from uncertain tax positions are recognized in the financial statements if management determines it is "more-likely-than-not" that the positions are sustainable, based on their technical merits. The term "more-likely-than-not" contemplates a likelihood of more than 50 percent and the determination of whether or not a tax position has met this recognition threshold depends on the facts, circumstances, and information available at the reporting date. If management cannot conclude this recognition threshold is met, none of the tax benefit provided by the position is recognized in the financial statements. Income tax liabilities for tax uncertainties are carried by the Company until such time that the statute of limitations or period under audit for the jurisdiction is settled.

(o) *Correction of Errors*

The Company records corrections of errors, net of tax, as an adjustment to capital and surplus in the period the errors are detected in accordance with Statements of Statutory Accounting Practices (SSAP) No. 3. The corrections are included in the statements of changes in capital and surplus.

During 2018, Management identified errors in the Company's commission reporting system, whereby advanced commissions continued to accumulate but advances were not subsequently recorded as a commission expense when the

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premiums were collected. The amount of the correction that related to periods prior to 2018 was \$2,037,410, net of income taxes of \$542,485.

(4) Investments

Investment income for the years indicated consists of the following:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Interest on fixed maturities	\$ 35,868,158	\$ 30,309,245	\$ 26,008,677
Interest on short term investments	527,871	345,234	47,676
Interest on policy loans	<u>6,299,686</u>	<u>6,099,103</u>	<u>5,857,123</u>
Total investment income	42,695,715	36,753,582	31,913,476
Investment expense	<u>686,938</u>	<u>1,466,874</u>	<u>1,138,285</u>
Net investment income	<u>\$ 42,008,777</u>	<u>\$ 35,286,708</u>	<u>\$ 30,775,191</u>

No accrued investment income was excluded as non-admitted.

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The amortized cost and estimated fair value of bonds at December 31, 2018, and 2017 are as follows:

	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Estimated fair value</u>
December 31, 2018:				
U.S. Treasury securities and obligations of U.S. Gov't corps and agencies	\$ 42,063,479	\$ 409,955	\$ 13,277	\$ 42,460,157
Debt securities issued by states of the U.S.	254,691,974	5,179,279	2,380,430	257,490,823
Corporate debt securities	<u>667,723,660</u>	<u>2,827,460</u>	<u>20,754,766</u>	<u>649,796,354</u>
	<u>\$ 964,479,113</u>	<u>\$ 8,416,694</u>	<u>\$ 23,148,473</u>	<u>\$ 949,747,334</u>
	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Estimated fair value</u>
December 31, 2017:				
U.S. Treasury securities and obligations of U.S. Gov't corps and agencies	\$ 6,009,610	\$ 185,633	\$ 9,349	\$ 6,185,894
Debt securities issued by states of the U.S.	226,499,717	8,180,247	944,107	233,735,857
Corporate debt securities	<u>564,114,378</u>	<u>18,274,394</u>	<u>588,955</u>	<u>581,799,817</u>
	<u>\$ 796,623,705</u>	<u>\$ 26,640,274</u>	<u>\$ 1,542,411</u>	<u>\$ 821,721,568</u>

Securities in unrealized loss positions (fair value is less than amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss are:

	December 31, 2018		December 31, 2017	
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Less than 12 months	\$ 457,620,025	\$ 17,528,431	\$ 63,025,802	\$ 238,674
12 months or more	110,937,333	5,620,042	56,108,979	1,303,737
	<u>\$ 568,557,358</u>	<u>\$ 23,148,473</u>	<u>\$ 119,134,781</u>	<u>\$ 1,542,411</u>

Management considers the decline in fair values of the above securities to be interest related. Management intends to hold these securities until recovery or contractual maturity and therefore, no other-than-temporary impairment has been recognized.

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The amortized cost and estimated fair value of bonds at December 31, 2018, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized cost	Estimated fair value
Due in one year or less	\$ 15,904,570	\$ 15,943,728
Due after one year through five years	224,687,803	223,643,681
Due after five years through ten years	275,546,386	269,041,623
Due after ten years	407,838,611	400,275,279
Loan backed securities	40,501,743	40,843,023
	\$ 964,479,113	\$ 949,747,334

Proceeds from sales of investments in bonds were \$14,547,030, \$28,139,681, and \$25,229,066 in 2018, 2017, and 2016, respectively. Proceeds from disposals of investments in bonds were \$102,331,335, \$78,894,024, and \$68,104,692 in 2018, 2017 and 2016, respectively. Gross gains of \$215,658 and gross losses of \$957,357 were realized on those sales in 2018. Gross gains of \$614,811 and gross losses of \$1,002,697 were realized on those sales in 2017. Gross gains of \$895,224 and gross losses of \$801,262 were realized on those sales in 2016. Realized gains (losses) transferred to the IMR were (\$585,942) on 2018, (\$256,005) in 2017, and \$62,008 in 2016.

As of December 31, 2018, bonds with a fair value of \$3,240,690 were on deposit with regulatory authorities.

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(5) Fair Value of Financial Instruments

The following table presents the fair value of all financial assets, classified by the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>	<u>Total carrying value</u>
December 31, 2018					
Bonds	\$ -	\$ 949,747,334	\$ -	\$ 949,747,334	\$ 964,479,113
Short-term investments	44,974,839	-	-	44,974,839	44,974,839
Separate account assets	<u>1,316,692,839</u>	<u>-</u>	<u>-</u>	<u>1,316,692,839</u>	<u>1,316,692,839</u>
	<u>\$ 1,361,667,678</u>	<u>\$ 949,747,334</u>	<u>\$ -</u>	<u>\$ 2,311,415,012</u>	<u>\$ 2,326,146,791</u>
December 31, 2017					
Bonds	\$ -	\$ 821,721,568	\$ -	\$ 821,721,568	\$ 796,623,705
Short-term investments	41,179,113	-	-	41,179,113	41,179,113
Separate account assets	<u>1,492,359,315</u>	<u>-</u>	<u>-</u>	<u>1,492,359,315</u>	<u>1,492,359,315</u>
	<u>\$ 1,533,538,428</u>	<u>\$ 821,721,568</u>	<u>\$ -</u>	<u>\$ 2,355,259,996</u>	<u>\$ 2,330,162,133</u>

Separate account assets disclosed in the table above are the only assets carried at fair value. There were no transfers between levels during 2018 and 2017.

(6) Retirement Plans

The Company participates in a qualified, noncontributory profit sharing plan sponsored by FFHC, for the benefit of its employees and those of other wholly-owned subsidiaries of its parent. The Company has no legal obligation for benefits under this plan. Foresters Financial Holding Company, Inc. allocates amounts to the Company based on salary ratios. The Plan provides for retirement benefits based upon earnings. Vesting of benefits is based upon years of service. For the years ended December 31, 2018, 2017 and 2016, the Company charged operations \$34,390, \$52,327, and \$73,765, respectively, for its portion of the contribution.

In addition, the Company participates in a 401(K) savings plan covering all of its eligible employees and those of other wholly-owned subsidiaries of its parent whereby employees may voluntarily contribute a percentage of their compensation with the Company matching a portion of the contributions of certain employees. For the years ended December 31, 2018, 2017 and 2016, contributions to this plan were \$16,886, \$21,225, and \$19,612, respectively.

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(7) Reinsurance

The Company reinsures a portion of its risk with other insurance companies and reserves are reduced by the amount of reserves for such reinsured risks. The Company is liable for any obligations, which any reinsurance company may be unable to meet. Information with respect to reinsurance ceded by the Company is as follows:

	2018	2017	2016
Direct life insurance premiums	\$ 69,095,194	\$ 69,894,727	\$ 68,913,066
Life insurance premiums ceded	<u>7,540,845</u>	<u>6,800,567</u>	<u>6,211,032</u>
Net life insurance premiums	\$ <u>61,554,349</u>	\$ <u>63,094,160</u>	\$ <u>62,702,034</u>
Life insurance reserves ceded	\$ <u>19,024,236</u>	\$ <u>19,383,574</u>	\$ <u>19,566,561</u>
Direct accident and health premiums	\$ 2,193	\$ 1,834	\$ 2,208
Ceded accident and health premiums	<u>-</u>	<u>-</u>	<u>-</u>
Net accident and health premiums	\$ <u>2,193</u>	\$ <u>1,834</u>	\$ <u>2,208</u>

The Company's maximum retention on any one life is \$250,000. The Company had reinsured 54.0% of its net life insurance in force in both December 31, 2018 and 2017. The Company does not (1) have any reinsurance agreements in effect which can be canceled unilaterally for reasons other than for nonpayment of premiums; (2) transact with reinsurers controlled directly or indirectly by the Company or affiliated persons or chartered in a country other than the United States; or (3) have any reinsurance agreements where the amount of losses may result in a payment to the reinsurer which exceeds the total direct premiums collected under such insurance policies. During 2018, 2017 and 2016, the Company did not write off any amounts receivable from reinsurers and no reinsurance contracts were commuted. None of the credit ratings of the Company's reinsurers were downgraded during 2018, 2017 and 2016.

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(8) Contingent Liabilities

The Company is subject to certain claims and lawsuits arising in the ordinary course of business. In the opinion of management, all such claims currently pending will not have a material adverse effect on the financial position of the Company or its results of operations.

(9) Related Party Transactions

The Company and certain affiliates, under various cost sharing allocation agreements, share office space, data processing and other facilities and management personnel. Charges for these services are based upon the Company's proportionate share of: space occupied, usage of data processing and other facilities and time allocated to management. During the years ended December 31, 2018, 2017 and 2016, the Company incurred approximately \$4,217,131, \$3,450,868, and \$3,331,014, respectively, for these services. The Company paid an affiliate \$20,845,800, \$17,886,446, and \$20,612,341 during 2018, 2017 and 2016, respectively for commissions relating to the sale of its products. In addition, the Company incurred \$525,000 annually during 2018 and 2017 for management fees paid to Foresters.

(10) Capital and Surplus

- (a) Participating business represented 1.1% of individual life insurance in force in both December 31, 2018 and 2017.

The portion of earnings of participating policies that can inure to the benefit of policyholders is limited to the larger of 10% of such earnings or \$0.50 per thousand dollars of participating insurance in force. Earnings in excess of that limit must be excluded from capital and surplus by a charge against operations. No such charge has been made, since participating business has operated at a loss to date on a statutory basis.

- (b) The maximum dividend to stockholder which can be made without prior approval from the Superintendent, which combined with all dividends declared or distributed during the next preceding twelve months, is limited to the lesser of (a) 10% of the Company's surplus to policyholders as shown by its statement on file with the Superintendent or (b) net gains from operations, exclusive of realized capital gains. New York State Insurance Law prohibits the payment of dividends to stockholders from any source other than the statutory unassigned surplus. The amount of said surplus was \$58,785,722 and

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\$54,407,414 at December 31, 2018 and 2017, respectively, and was earned partly by the participating account and partly by the nonparticipating account. Distributions are limited to prescribed percentages of policyholders' surplus as of the beginning of the current year and, in some instances, require pre-approval by the NYDFS.

During 2018 and 2017 the Company paid ordinary dividends of \$5,000,000 and \$5,100,000, respectively.

- (c) The NAIC has developed risk based capital formulas to be applied to all insurance companies. These formulas calculate a minimum required statutory net worth, based on the perceived degree of certain risks, such as asset, credit, interest rate, underwriting and other business risks inherent in an individual company's operations. Any insurance company that does not meet threshold risk based capital levels ultimately will be subject to regulatory proceedings. The Company was in excess of the minimum risk based capital as of December 31, 2018 and 2017.
- (d) The portion of unassigned surplus represented or (reduced by) each item below is as follows:

	<u>2018</u>	<u>2017</u>
Nonadmitted assets	\$ (9,030,076)	\$ (9,154,385)
Asset valuation reserve	(4,950,400)	(4,935,223)
Deferred tax assets	8,264,281	6,610,905

(11) Life and Annuities Reserves

- (a) The Company waives the deduction of the deferred fractional premiums upon the death of the insured and returns a pro-rata portion of premiums for any period beyond the end of the policy month in which the death occurred. Surrender values are not promised in excess of the legally computed reserves.
- (b) For policies issued subject to an extra premium, a reserve based on special tables prepared by the New York State Department of Financial Services was included in the statutory financial statements.
- (c) As of December 31, 2018 the Company has \$151,529,434 of insurance in force for which the gross premiums are less than the net premiums according to the standard valuation set by the State of New York.

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- (d) Tabular less Actual Reserves Released, and Tabular Cost has been determined by formula.
- (e) The Tabular interest on funds not involving life contingencies has been determined by formula. Tabular interest is equal to the mean reserves at year end plus payments incurred during the year less mean reserves at the prior year end, income earned during the year and other increases.
- (f) The Company holds additional reserves for substandard policies on behalf of those policyholders assigned lower underwriting classifications, such as those deemed to be more serious mortality risks.
- (g) There are no significant other increases (net).

(12) Analysis of Annuity Actuarial Reserves and Deposit Liabilities

Withdrawal characteristics and annuity actuarial reserves and deposit fund liabilities at December 31, 2018 are shown in the following table.

	Amount	Percentage of total
Subject to discretionary withdrawal at book value less surrender charge	\$ -	0.00%
Subject to discretionary withdrawal without adjustment:		
At market value	555,244,774	41.95%
At book value	589,903,208	44.57%
Not subject to discretionary withdrawal	178,470,114	13.48%
Total annuity and actuarial reserves and deposit fund liabilities (gross)	1,323,618,096	100.00%
Less reinsurance	-	0.00%
Total annuity and actuarial reserves and deposit fund liabilities (net)	\$ 1,323,618,096	100.00%

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Withdrawal characteristics and annuity actuarial reserves and deposit fund liabilities at December 31, 2017 are shown in the following table.

	<u>Amount</u>	<u>Percentage of total</u>
Subject to discretionary withdrawal at book value less surrender charge	\$ -	0.00%
Subject to discretionary withdrawal without adjustment:		
At market value	623,654,776	50.58%
At book value	475,490,259	38.56%
Not subject to discretionary withdrawal	<u>133,942,493</u>	<u>10.86%</u>
Total annuity and actuarial reserves and deposit fund liabilities (gross)	1,233,087,528	100.00%
Less reinsurance	<u>-</u>	<u>0.00%</u>
Total annuity and actuarial reserves and deposit fund liabilities (net)	<u>\$ 1,233,087,528</u>	<u>100.00%</u>

(13) Premium and Annuity Consideration Deferred and Uncollected

Deferred and uncollected life insurance premiums and annuity consideration at December 31, 2018 were:

	<u>Gross</u>	<u>Net</u>	<u>Loading</u>
Type:			
Ordinary new business	\$ 16,326	\$ 14,015	\$ 2,311
Ordinary renewal	<u>2,847,994</u>	<u>5,095,802</u>	<u>(2,247,808)</u>
Total	<u>\$ 2,864,320</u>	<u>\$ 5,109,817</u>	<u>\$ (2,245,497)</u>

Deferred and uncollected life insurance premiums and annuity consideration at December 31, 2017 were:

	<u>Gross</u>	<u>Net</u>	<u>Loading</u>
Type:			
Ordinary new business	\$ 98,269	\$ 80,380	\$ 17,889
Ordinary renewal	<u>3,057,443</u>	<u>5,003,828</u>	<u>(1,946,385)</u>
Total	<u>\$ 3,155,712</u>	<u>\$ 5,084,208</u>	<u>\$ (1,928,496)</u>

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(14) Separate Accounts

General Nature and Characteristics

The Company has two separate accounts which fund limited pay variable life insurance policies, single premium variable life policies, and flexible premium variable life policies and three separate accounts which fund deferred variable annuity contracts. For all separate accounts, the net investment experience of the separate account is credited directly to the policyholder and can be positive or negative.

Two of the variable annuities provide an incidental death benefit of the greater of the account value or premiums paid. The third provides an incidental death benefit equal to the greater of the account value, the premiums paid or the account value on specified anniversaries. Insurance contract liabilities for incidental death benefits are established in the general account. The account balance of contracts with guarantees totaled approximately \$560,000,000 and \$630,000,000 and was held in separate accounts at December 31, 2018 and 2017, respectively. The net amount at risk associated with these guarantees was approximately \$6,000,000 and \$340,000 at December 31, 2018 and 2017, respectively.

The three variable life policies are a fixed premium product, a single premium product with a minimum guaranteed death benefit, and a flexible premium product.

The contracts have a policy loan provision. Loan funds are credited with a guaranteed interest rate of 4% and are held in the general account.

The following table presents separate account premiums and considerations for the year ended December 31, 2018 and separate account reserves at December 31, 2018.

	<u>Variable life</u>	<u>Variable Annuities</u>	<u>Total</u>
Premiums and considerations	\$ 37,524,848	\$ 41,924,405	\$ 79,449,253
Reserves at December 31, 2018:			
With assets at market value	\$ 732,735,882	\$ 555,244,775	\$ 1,287,980,657
Subject to discretionary withdrawal at market value	\$ 732,735,882	\$ 555,244,775	\$ 1,287,980,657

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Reconciliation of net transfers to (from) separate accounts and amounts recognized in the statutory statement of income are as follows:

	2018	2017
Transfers to separate accounts as contained in the annual statement of the separate accounts	\$ 79,449,253	\$ 61,706,176
Transfers from separate accounts as contained in the annual statement of the separate accounts	108,841,798	102,538,350
	\$ (29,392,545)	(40,832,174)

(15) Federal Income Taxes

On December 22, 2017, the President signed the “Tax Cuts and Jobs Act” (H.R. 1) into law. This represents the first major overhaul of the federal income tax in more than 30 years. Among other effects, the bill lowers the corporate tax rate from 35% to 21% beginning in 2018. The change in the corporate tax rate is presumed to be permanent; as such we adjusted the value of our deferred tax items. The adjustment in the value of deferred tax items resulted in a decrease in surplus of approximately \$4.4 million from this rate change in 2017.

The “Tax Cuts and Jobs Act” also impacted the computation of life insurance tax reserves. The Act limits life reserves for tax purposes to the greater of net surrender value or 92.81% of NAIC’s required reserves. Previously, for life and annuity contracts, the tax reserve was the greater of the contract’s net surrender value (if any) or federally prescribed reserve. Management determined a \$22.1 million difference in the amount of the new tax basis reserve, which has been recognized as an additional tax asset with an offsetting deferred tax liability. The estimated transition adjustment amount is amortized on a straight-line basis over each of the eight taxable years from 2018-2025. As of December 31, 2018, \$2.7 million has been amortized. The transition adjustment increased by \$4.0 million from the amount estimated at December 31, 2017, which was a provisional estimate as the Company did not have the information available in appropriate detail to analyze and calculate the amount required under the change in methodology. As of December 31, 2018, there are no provisional amounts related to the impact of the Tax Cuts and Jobs Act remaining in the Company’s financial statements.

The Company’s Parent files consolidated federal and certain state income tax returns which include certain other wholly-owned subsidiaries of the Parent (listed in footnote 1). The provision for federal income taxes is determined on a separate company basis in accordance with a written tax sharing agreement between the Company and its parent. Under the Internal Revenue Code, revised by the Tax Cuts

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and Jobs Act, life insurance entities are not permitted to carryback ordinary losses. As such, admittance of ordinary deferred tax assets for life entities will be limited to paragraph 11.b. and 11.c. Tax years of 2015 through 2017 are subject to federal, state or local examination by taxing authorities.

The net deferred tax asset/(liability) at December 31, 2018 and 2017, and the change from the prior year are comprised of the following components:

	2018	2017	Change
	<u>Ordinary</u>	<u>Ordinary</u>	<u>Ordinary</u>
Total gross deferred tax assets	\$ 12,539,000	\$ 10,579,000	\$ 1,960,000
Statutory Valuation Allowance	-	-	-
Adjusted gross deferred tax assets	<u>12,539,000</u>	<u>10,579,000</u>	<u>1,960,000</u>
Deferred tax assets nonadmitted	(5,526,281)	(3,876,905)	(1,649,376)
Subtotal net admitted deferred tax assets	<u>7,012,719</u>	<u>6,702,095</u>	<u>310,624</u>
Deferred tax liabilities	(4,274,719)	(3,968,095)	(306,624)
Net admitted deferred tax assets	<u>\$ 2,738,000</u>	<u>\$ 2,734,000</u>	<u>\$ 4,000</u>

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The amount of deferred tax assets admitted at December 31, 2018 and 2017 and changes thereon are as follows:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
	<u>Ordinary</u>	<u>Ordinary</u>	<u>Ordinary</u>
Federal income taxes paid in prior years recoverable through loss carrybacks (11.a.)	\$ -	\$ -	-
Admitted under paragraph (11.b.)	2,738,000	2,734,000	4,000
Adjusted gross DTAs offset by gross DTLs (11.c.)	<u>4,274,719</u>	<u>3,968,095</u>	<u>306,624</u>
Deferred tax assets admitted as the result of application of SSAP No. 101	<u>\$ 7,012,719</u>	<u>\$ 6,702,095</u>	<u>\$ 310,624</u>

The ratios used for the threshold limitation for 11.b. above are as follows:

	<u>2018</u>	<u>2017</u>
Ratio percentage used to determine recovery period and threshold limitation amount	724%	788%
Amount of adjusted capital and surplus used to determine recovery period threshold limitation	\$ 70,544,026	\$ 66,154,217

Tax planning strategies did not have an effect on the Company's net admitted deferred tax assets. In addition, there are no temporary differences for which deferred tax liabilities have not been recognized.

The Company did not have any deferred tax assets or liabilities that were classified as capital.

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Deferred tax assets and deferred tax liabilities comprise the following:

	<u>2018</u>		<u>2017</u>		<u>Change</u>
Deferred tax assets:					
Policyholder dividend provision	\$ 215,000	\$	215,000	\$	-
Deferred acquisition costs	3,672,000		3,399,000		273,000
Reserves	8,559,000		6,853,000		1,706,000
Deferred compensation	47,000		63,000		(16,000)
Other	46,000		49,000		(3,000)
	<u>12,539,000</u>		<u>10,579,000</u>		<u>1,960,000</u>
Nonadmitted deferred tax assets	<u>(5,526,281)</u>		<u>(3,876,905)</u>		<u>(1,649,376)</u>
	7,012,719		6,702,095		310,624
Deferred tax liabilities:					
Depreciation	11,000		17,000		(6,000)
Bond discount	199,719		150,095		49,624
Reserves (transition adjustment)	4,064,000		3,801,000		263,000
Net admitted deferred taxes	<u>\$ 2,738,000</u>	\$	<u>2,734,000</u>	\$	<u>4,000</u>

The change in deferred income taxes reported in surplus before consideration of nonadmitted assets is comprised of the following:

	<u>2018</u>		<u>2017</u>		<u>Change</u>
Total deferred tax assets	\$ 12,539,000	\$	10,579,000	\$	1,960,000
Total deferred tax liabilities	<u>(4,274,719)</u>		<u>(3,968,095)</u>		<u>(306,624)</u>
Net deferred tax assets (liabilities)	8,264,281		6,610,905		1,653,376
Tax-effect of unrealized gains and losses	-		-		-
Net tax effect without unrealized gains & losses	<u>\$ 8,264,281</u>	\$	<u>6,610,905</u>	\$	<u>1,653,376</u>

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The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

	2018			2017		
	Amount	Tax effect 21%	Tax Rate	Amount	Tax effect 35%	Tax Rate
Income before taxes	\$ 12,632,121	2,652,745	21 %	\$ 17,338,024	6,068,308	35 %
Dividends received deduction	(6,388,604)	(1,341,607)	(11)%	(5,409,620)	(1,893,367)	(11)%
Deferred tax rate change:						
Admitted assets	-	-	— %	5,205,714	1,822,000	11 %
Non-admitted assets	-	-	— %	7,384,583	2,584,604	15 %
Other	68,559	14,397	— %	(397,521)	(139,133)	(1)%
Total	\$ 6,312,076	1,325,535	10 %	\$ 24,121,180	8,442,412	49 %

	2016		
	Amount	Tax effect 35%	Tax Rate
Income before taxes	\$ 9,395,498	3,288,424	35 %
Dividends received deduction	(4,549,277)	(1,592,247)	(17)%
Deferred tax rate change:			
Admitted assets	\$ -	-	— %
Non-admitted assets	-	-	— %
Other	(937,260)	(328,041)	(3)%
Total	\$ 3,908,961	1,368,136	15 %

	2018	2017	2016
Current federal income taxes	\$ 2,978,912	\$ 4,663,184	\$ 2,347,862
Deferred taxes:			
Change from prior year	(1,653,376)	(627,376)	(979,726)
Rate change	-	4,406,604	-
Total tax provision	\$ 1,325,536	\$ 8,442,412	\$ 1,368,136
Effective rate	10%	49%	15%

There are no deposits at December 31, 2018 and 2017 admitted under Section 6603 of the Internal Revenue Code.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

Notes to Statutory Financial Statements

December 31, 2018, 2017 and 2016

(in US Dollars)

(16) Reconciliation to Filed Annual Statement

The Company pays commissions to its distributor in advance of collection of the related premium. Advanced commissions are classified as a non-admitted asset. During 2018, Management identified errors in the Company's commission reporting system, whereby advanced commissions continued to accumulate but advances were not subsequently recorded as a commission expense when the premiums were collected. The amount of the correction that related to periods prior to 2018 was \$2,037,410, net of income taxes of \$542,485.

The following is a reconciliation of amounts as of and for the year ended December 31, 2018 reported in the annual statement filed by the Company, to amounts included in the accompanying audited statutory-basis financial statements:

	<u>Annual Statement</u>	<u>Adjustment</u>	<u>Accompanying Financial Statements</u>
Capital and surplus	\$ 67,820,064	\$ -	\$ 67,820,064
Net Income	\$ 7,615,799	\$ 2,037,410	\$ 9,653,209

There were no adjustments to the amounts reported in the annual statements for the years ended December 31, 2017 and 2016 filed by the Company.

(17) Subsequent Events

On April 6, 2019, Foresters entered into separate agreements to sell the distribution business of the Company's affiliate, Foresters Financial Services and affiliated asset management business of Foresters Investment Management Company. The transactions are expected to close in June and October 2019, respectively. One of the conditions of closing of the sale of the distribution business is the successor agrees to enter into a selling and distribution agreement with the Company for its products.

SUPPLEMENTAL INFORMATION

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY

Supplementary Schedule

Summary of Investments – Other than Investments in Related Parties

December 31, 2018 and 2017

(in US Dollars)

	<u>Amortized cost</u>	<u>Estimated fair value</u>	<u>Amount shown in Balance Sheet</u>
December 31, 2018:			
U.S. Treasury securities and obligations of U.S. Gov't corps and agencies	\$ 42,063,479	\$ 42,460,157	\$ 42,063,479
Debt securities issued by states of the U.S.	254,691,974	257,490,823	254,691,974
Corporate debt securities	<u>667,723,660</u>	<u>649,796,354</u>	<u>667,723,660</u>
	<u>964,479,113</u>	<u>949,747,334</u>	<u>964,479,113</u>
Policy loans	105,567,441	XXX	105,567,441
Cash, cash equivalents and short-term investments	55,329,534	55,331,177	55,329,534
Receivable for securities	-	XXX	-
Total investments	\$ <u>1,125,376,088</u>		\$ <u>1,125,376,088</u>

	<u>Amortized cost</u>	<u>Estimated fair value</u>	<u>Amount shown in Balance Sheet</u>
December 31, 2017:			
U.S. Treasury securities and obligations of U.S. Gov't corps and agencies	\$ 6,009,610	\$ 6,185,894	\$ 6,009,610
Debt securities issued by states of the U.S.	226,499,717	233,735,857	226,499,717
Corporate debt securities	<u>564,114,378</u>	<u>581,799,817</u>	<u>564,114,378</u>
	<u>796,623,705</u>	<u>821,721,568</u>	<u>796,623,705</u>
Policy loans	102,543,550	XXX	102,543,550
Cash, cash equivalents and short-term investments	48,890,262	48,890,262	48,890,262
Receivable for securities	20,195	XXX	20,195
Total investments	\$ <u>948,077,712</u>		\$ <u>948,077,712</u>

See accompanying independent auditors' report.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY
Supplementary Insurance Information
For the years ended December 31, 2018, 2017 and 2016
(in US Dollars)

	As of December 31,		For the years ended December 31,			
	Future policy benefits losses, claims and loss expenses	Other policy claims and benefits payable	Premium revenue and annuity, pension and other contract considerations	Net investment income	Benefits, claims, losses and settlement expenses	Other operating expenses
2018:						
Life	\$ 330,332,141	\$ 12,132,147	\$ 61,554,348	\$ 13,500,066	\$ 49,361,978	\$ 12,182,356
Annuity	757,753,320	4,072,363	216,453,089	28,505,092	75,986,139	3,605,126
Accident and Health	31,412	2,195	2,193	3,619	10,405	624
Total	\$ 1,088,116,873	\$ 16,206,705	\$ 278,009,630	\$ 42,008,777	\$ 125,358,522	\$ 15,788,106
2017:						
Life	\$ 314,060,279	\$ 12,204,834	\$ 63,094,160	\$ 12,455,343	\$ 44,062,987	\$ 11,434,394
Annuity	599,025,981	2,548,226	146,170,852	22,827,286	59,457,585	4,489,862
Accident and Health	33,917	5,655	1,834	4,079	13,061	529
Total	\$ 913,120,177	\$ 14,758,715	\$ 209,266,846	\$ 35,286,708	\$ 103,533,633	\$ 15,924,785
2016:						
Life	\$ 295,736,757	\$ 11,288,795	\$ 62,702,034	\$ 13,637,080	\$ 43,503,314	\$ 12,545,416
Annuity	486,001,410	1,159,640	154,963,120	17,133,067	53,756,576	5,669,797
Accident and Health	39,959	3,568	2,208	5,044	10,827	626
Total	\$ 781,778,126	\$ 12,452,003	\$ 217,667,362	\$ 30,775,191	\$ 97,270,717	\$ 18,215,839

See accompanying independent auditors' report.

FORESTERS LIFE INSURANCE AND ANNUITY COMPANY
Supplementary Schedule - Reinsurance
For the years ended December 31, 2018, 2017 and 2016
(in US Dollars)

The amount of life insurance in force (in \$000's) as of December 31 is:

	Gross Amount		Reinsurance Ceded		Net Amount
2018	\$ 11,890,647	\$	6,378,604	\$	5,512,043
2017	\$ 12,083,402	\$	6,541,538	\$	5,541,864
2016	\$ 11,778,084	\$	6,565,495	\$	5,212,589

The premiums and annuity considerations for life and accident and health contracts for the years ended December 31 are:

	Gross Amount		Reinsurance Ceded		Net Amount
2018					
Life insurance	\$ 69,095,194	\$	7,540,845	\$	61,554,349
Annuity	216,453,088		-		216,453,088
Supplementary contracts	-		-		-
Accident and health	<u>2,193</u>		<u>-</u>		<u>2,193</u>
	<u>\$ 285,550,475</u>	\$	<u>7,540,845</u>	\$	<u>278,009,630</u>
2017					
Life insurance	\$ 69,894,727	\$	6,800,567	\$	63,094,160
Annuity	146,170,852		-		146,170,852
Supplementary contracts	-		-		-
Accident and health	<u>1,834</u>		<u>-</u>		<u>1,834</u>
	<u>\$ 216,067,413</u>	\$	<u>6,800,567</u>	\$	<u>209,266,846</u>
2016					
Life insurance	\$ 68,913,066	\$	6,211,032	\$	62,702,034
Annuity	154,963,120		-		154,963,120
Supplementary contracts	-		-		-
Accident and health	<u>2,208</u>		<u>-</u>		<u>2,208</u>
	<u>\$ 223,878,394</u>	\$	<u>6,211,032</u>	\$	<u>217,667,362</u>

See accompanying independent auditors' report.