NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

FIDELITY & GUARANTY LIFE INSURANCE COMPANY OF NEW YORK

CONDITION: DECEMBER 31, 2017

DATE OF REPORT: FEBRUARY 4, 2020

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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AS OF

DECEMBER 31, 2017

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EXAMINER:	JOSHUA J. JOHNSON, CFE

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Linda A. Lacewell
Superintendent

February 5, 2020

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

Madam:

In accordance with instructions contained in Appointment No. 31799, dated June 26, 2018, and annexed hereto, an examination has been made into the condition and affairs of Fidelity & Guaranty Life Insurance Company of New York, hereinafter referred to as "the Company," at its administrative offices located at 1001 Fleet Street; Baltimore, MD 21202, and 601 Locust Street, Des Moines, IA 50309. The Company's home office is located at 445 Park Avenue, 9th Floor, New York, NY 10022.

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

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

1. SCOPE OF EXAMINATION

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

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

The examination was conducted and coordinated with the examination of the Company's parent, Fidelity & Guaranty Life Insurance Company ("F&G Life"). The examination was led by the State of Iowa, with participation from the State of New York. Since the lead and participating state are both accredited by the NAIC, both states deemed it appropriate to rely on each other's work.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories.

These categories are as follows:

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

The Company was audited annually, for the years 2013 through 2017, by the accounting firm of KPMG, LLP. The Company received an unqualified opinion in all the years under examination. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company's ultimate parent, Fidelity & Guaranty Holdings, Inc., has an internal audit department that was given the task of assessing the Company's internal control structure and compliance with the Sarbanes-Oxley Act of 2002 ("SOX") and the Model Audit Rule ("MAR"). Where applicable, SOX and MAR workpapers and reports were reviewed and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the financial condition violations and recommendations contained in the prior report on examination. The results of the examiner's review are contained in item 7 of this report.

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

2. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of the State of New York on January 23, 1962, under the name of General Economics Life Insurance Company of New York. The Company was licensed and commenced business on November 26, 1962. Initial resources of $300,000 were provided through the sale of 60,000 shares of common stock (with a par value of $2 each) for $5 per share. The Company changed its name to Thomas Jefferson Life Insurance Company on January 21, 1965.

In August 1969, the Company became a wholly owned subsidiary of F&G Life, which in turn was wholly owned by United States Fidelity and Guaranty Company ("USF&G"), an underwriter of multiple lines of property and casualty insurance.

On October 1, 1981, USF&G became a subsidiary of United States Fidelity and Guaranty Corporation ("USF&G Corporation"), a newly formed holding company.

On January 19, 1998, The St. Paul Companies, Inc. ("St. Paul") and USF&G Corporation entered into an agreement and a plan of merger whereby St. Paul acquired USF&G Corporation through a stock exchange in which each share of USF&G Corporation stock was converted into 0.2821 of a share of St. Paul stock.

On September 28, 2001, F&G Life and its subsidiaries were purchased by Old Mutual U.S. Life Holdings, Inc. ("OMUSLH"), a wholly owned subsidiary of Old Mutual U.S. Holdings, Inc. ("OMUSH"), which in turn is a wholly owned subsidiary of Old Mutual plc of London, England ("OM"). The Company adopted its present name on March 28, 2002.

On January 1, 2007, F&G Life changed its name to OM Financial Life Insurance Company ("OMFLIC"), and the Company changed its name to OM Financial Life Insurance Company of New York.

On August 6, 2010, OM announced that it had entered into an agreement with Harbinger Capital Partners, LLC to sell its U.S. life operations, including the Company and its parent, OMFLIC. The transaction was approved by the Department on April 1, 2011. On April 6, 2011, Harbinger Group Inc. ("HRG") acquired OMUSLH and its subsidiaries from OM through a stock purchase agreement. The Company reverted to its present name on April 11, 2011.

On February 1, 2013, the Company's parent, F&G Life, contributed $17,856,250, in commercial mortgage loans to the Company. All the commercial mortgage loans were ultimately sold later that year to unrelated third parties. The commercial mortgage loans were sold on April 17, 2013; April 25, 2013; and July 27, 2013.

FGL Holdings ("FGLH," formerly known as CF Corporation "CF Corp."), a Cayman exempted company, was originally incorporated in the Cayman Islands on February 26, 2016, as a special purpose acquisition company for effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, and other similar business combination with one or more target businesses. Prior to November 30, 2017, CF Corp. was a shell company with no operations. On November 30, 2017, pursuant to an agreement and plan of merger (the "Merger Agreement") between Fidelity & Guaranty Life Holdings, Inc. ("FGL"); CF Corp; FGL US Holdings ("FGL US"); and FGL Merger Sub Inc. ("Merger Sub"), CF Corp. acquired the outstanding shares of capital stock of FGL. Subject to the terms and conditions of the Merger Agreement, Merger Sub merged with and into FGL, with FGL being the surviving entity, which then became a wholly owned indirect subsidiary of CF Corp. Subsequently, FGL merged with and into FGLH, with FGLH being the surviving entity. The Department approved the transaction on November 8, 2017.

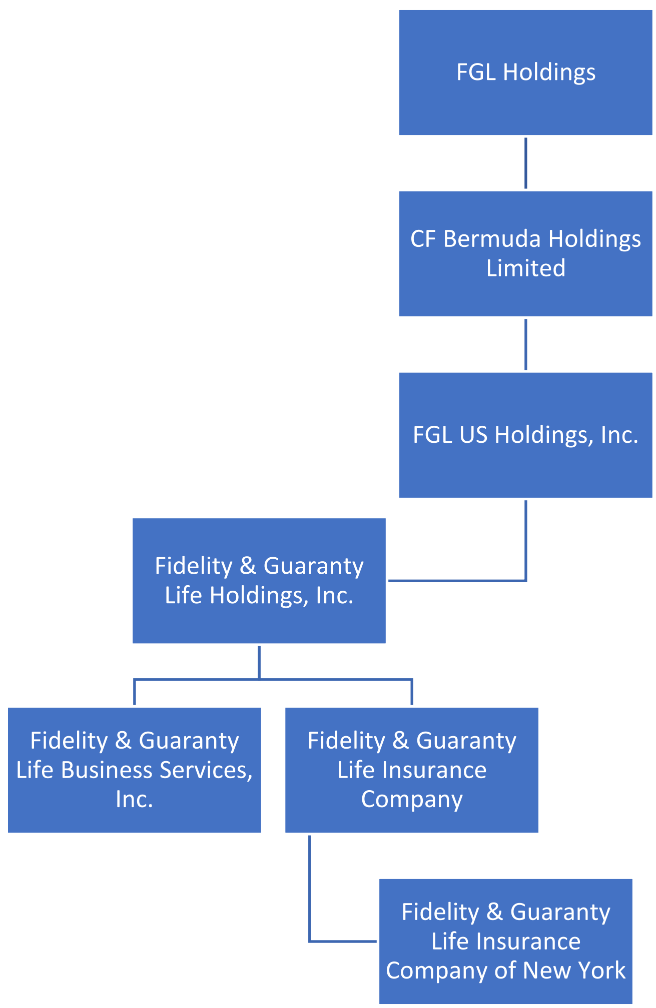
As a result of the merger transaction, FGL and its former parent, HRG, agreed to make a unilateral election under Section 338(h)(10) of the Internal Revenue Code to treat the merger as an asset acquisition for U.S. tax purposes. The Company and its affiliates filed a separate final short-period return for the period ending November 30, 2017, which reflected the loss from the deemed asset sale. The Company recognized a loss of $105,827,603. The reported loss associated with the asset sale resulted in the Company recording a tax benefit, which contributed to the Company reporting net income in the amount of $41,017,676 and net change in capital and surplus in the amount of $24,399,290 as of December 31, 2017.

B. Holding Company

The Company is a wholly owned subsidiary of F&G Life, an Iowa domiciled life insurance company, which in turn is a wholly owned subsidiary of FGL, a Delaware domiciled holding company. The ultimate parent of the Company is FGL Holdings, a Cayman domiciled public corporation.

C. Organizational Chart

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



D. Service Agreements

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

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipient of Services	Specific Service(s) Covered	Expense For Each Year of the Examination
Management Services Agreement File No. 29826 Amendment File No. 29826A Amendment File No. 48229	11/01/2001 05/01/2003 03/01/2014	Fidelity & Guaranty Life Business Services, Inc.	The Company	Administrative support services	2013 $(1,552,731) 2014 $(1,392,502) 2015 $(1,701,129) 2016 $(1,424,053) 2017 $(1,904,062)
Investment Management Agreement (Dept. File Number 47348)	8/01/2013	Fidelity & Guaranty Life Business Services, Inc.	The Company	Investment management and advisory services	2013 $(88,472) 2014 $(113,861) 2015 $(117,415) 2016 $(166,840) 2017 $(319,955)

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

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 7 and not more than 21 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in May of each year. As of December 31, 2017, the board of directors consisted of nine members. Meetings of the board are held quarterly.

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

Name and Residence	Principal Business Affiliation	Year First Elected
Keith W. Abell* New York, New York	Co-Founder and Managing Director Sungate Properties, LLC	2017
Patrick S. Baird* Cedar Rapids, Iowa	Retired (Former President and CEO) AEGON USA, LLC	2017
Menes O. Chee New York, New York	Senior Managing Director Blackstone Tactical Opportunities Group	2017
Chinh E. Chu New York, New York	Founder and Managing Partner CC Capital Management, LLC	2017
William P. Foley, II Las Vegas, Nevada	Non-Executive Chairman of the Board Fidelity National Financial, Inc.	2017
Christopher J. Littlefield Waukee, Iowa	President and Chief Executive Officer Fidelity & Guaranty Life Insurance Company of New York	2015
Richard N. Massey* Little Rock, Arkansas	Partner Westrock Capital, LLC	2017
James A. Quella* Sharon, Connecticut	Senior Advisor The Blackstone L.P.	2017
Timothy M. Walsh* Crown Point, Indiana	Director of Strategic Relationships Owl Rock Capital Partners LP	2017

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

On February 28, 2018, Mr. Thomas J. Sanzone was elected to the board and subsequently resigned on November 20, 2018; on August 1, 2019, Mr. William P. Foley, II resigned from the board; and on December 19, 2018, Mr. Christopher O. Blunt was appointed to the board, succeeding Mr. Christopher J. Littlefield.

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

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

Name	Title
Christopher J. Littlefield	President and Chief Executive Officer
Dennis R. Vigneau	Executive Vice President and Chief Financial Officer
Rajesh Krishnan	Chief Investment Officer
Eric L. Marhoun	Executive Vice President, General Counsel and Secretary
Christopher S. Fleming	Senior Vice President, Operations and Information Technology
John D. Currier, Jr.	Senior Vice President, Chief Actuary
John A. Phelps, II	Senior Vice President and Chief Distribution Officer
Wendy J. Bitner Young	Senior Vice President and Chief Risk Officer
Mark L. Wiltse	Vice President and Chief Accounting Officer
Michael P. Spurbeck	Vice President and Appointed Actuary
Sean M. O'Connell	Illustration Actuary
David V. Rinehart*	Director Agent Monitoring and Anti-Fraud Officer

*Designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64)

On December 19, 2018, Mr. Christopher O. Blunt was appointed as President and Chief Executive Officer, succeeding Mr. Christopher J. Littlefield; on May 23, 2019, Ms. Bonnie Wasgatt was appointed as Executive Vice President, Chief Operating Officer; on June 28, 2019, Mr. Christopher S. Fleming resigned as Senior Vice President, Operations and Information Technology; on August 7, 2019, Mr. Wesley H. Siebrass was appointed as Vice President, Appointed Actuary, succeeding Mr. Michael P. Spurbeck; and on November 6, 2019, Mr. John T. Fleurant was appointed as Executive Vice President, Chief Financial Officer, succeeding Mr. Dennis R. Vigneau.

3. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life insurance, annuities, and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law and is only licensed to transact business in New York. In 2017, 100% of life premiums annuity considerations were received from New York. Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2017, the Company had $375,000 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company.

B. Direct Operations

The Company writes individual life and annuity products through independent agents, managing general agents and specialty brokers. The Company's principal products are fixed indexed, deferred and immediate annuities, universal and traditional life products. The Company did not issue any individual life products in New York during the examination period. The amounts reported on the Company's annual statement represent premiums received for legacy policies that were issued before 2013. In 2017, premium income was comprised of 80% ordinary annuities and 20% individual life. All annuity contracts issued were fixed indexed annuities.

C. Reinsurance

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

The maximum retention limit for individual life contracts is $500,000. The total face amount of life insurance ceded as of December 31, 2017, was $223,108,474, which represents 53% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $426,467, was supported by funds withheld.

4. SIGNIFICANT OPERATING RESULTS

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

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

	December 31, 2012	December 31, 2017	Increase
Admitted assets	$472,682,394	$548,890,410	$76,208,016
Liabilities	$431,575,253	$460,332,682	$28,757,429
Common capital stock	$ 440,000	$ 440,000	$ 0
Gross paid in and contributed surplus	36,241,340	54,097,590	17,856,250
Unassigned funds (surplus)	4,425,801	34,020,136	29,594,335
Total capital and surplus	$ 41,107,141	$ 88,557,726	$47,450,585
Total liabilities, capital and surplus	$472,682,394	$548,890,408	$76,208,014

The Company's invested assets as of December 31, 2017, mainly comprised bonds (78%) and preferred stocks (5%). The majority of the Company's bond portfolio (95.5 %), as of December 31, 2017, comprised investment grade obligations.

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

	Individual Whole Life		Individual Term	
Year	Issued	In Force	Issued	In Force
2013	$0	$138,137	$0	$380,351
2014	$0	$130,269	$0	$364,975
2015	$0	$120,192	$0	$351,399
2016	$0	$112,965	$0	$340,583
2017	$0	$107,755	$0	$315,353

The Company did not issue any life contracts during the examination period.

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

	Ordinary Annuities				
	2013	2014	2015	2016	2017
Outstanding, end of previous year	5,990	5,862	5,837	5,469	5,185
Issued during the year	280	254	229	95	88
Other net changes during the year	(408)	(279)	(597)	(379)	(387)
Outstanding, end of current year	5,862	5,837	5,469	5,185	4,886

The decrease in ordinary annuities was primarily attributed to a decrease in the sales of the "FGNY Index-Choice 10" fixed indexed annuity product.

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

	2013	2014	2015	2016	2017
Ordinary:					
Life insurance	$ 937,176	$ 565,182	$ 1,133,337	$ 765,175	$ 3,405,900
Individual annuities	341,970	931,749	(1,942,139)	3,010,964	36,560,480
Supplementary contracts	(9,578)	271,703	(348,033)	(283,461)	994,662
Total ordinary	$1,269,568	$1,768,634	$(1,156,835)	$3,492,678	$40,961,042
Group:					
Life	$ 3,923	$ 102,203	$ 0	$ 0	$ 0
Total group	$ 3,923	$ 102,203	$ 0	$ 0	$ 0
Total	$1,273,492	$1,870,837	$(1,156,835)	$3,492,678	$40,961,042

The decrease in ordinary life insurance net gain from operations in 2014 compared with 2013 was primarily attributable to an increase in death benefits, which was partially offset by a decrease in surrender benefits and aggregate reserves for life contracts. The increase in 2015 was primarily attributed to a decrease in aggregate reserves for life contracts, and the decrease in 2016 was primarily attributed to an increase in aggregate reserves for life contracts. The increase in 2017 compared with 2016 was attributed to a decrease in death benefits and in aggregate reserves for life contracts. The decrease in death benefits resulted from lower period universal life mortality experience, and the decrease in reserves resulted from lower sales.

The increase in individual annuities net gain from operations in 2014 compared with 2013 was primarily attributed to a decrease in surrender benefits and in federal income tax benefit. The Company had lower surrenders in deferred annuities. The decrease in surrender benefits was offset by an increase in aggregate reserves, which resulted from an increase in single premium immediate annuities' reserves because of an asset adequacy analysis that resulted in additional reserves, combined with a reclassification of asset adequacy reserve in 2014 that was recorded in 2013 to immediate annuities from deposit-type and miscellaneous reserves.

The decrease in individual annuities net gain from operations in 2015 compared with 2014 was primarily attributed to lower sales of the fixed indexed annuity products, specifically "FGNY Index-Choice 10" and "FGNY Index-Safety 7." The Company had also an increase in annuity and surrender benefits, which was offset by a decrease in aggregate reserves for annuity contracts. The increase in annuity benefits was primarily affected by higher deferred annuity deaths, and the increase in surrender benefits was due to a block of policies reaching the end of its surrender charge period. The decrease in aggregate reserves was driven by a decrease in deferred annuity reserves because of higher surrender and annuity benefits.

The increase in individual annuities net gain from operations in 2016 compared with 2015 was primarily attributed to a decrease in annuity and surrender benefits and in aggregate reserves for annuity contracts. The decrease in annuity benefits was primarily affected by lower deferred annuitization in 2016 compared with the prior period. The decrease in reserves was primarily attributed to the decline in sales of fixed indexed annuities. The increase in 2017 was primarily attributed to the tax benefit the Company received from the reported loss associated with the asset sale that resulted from the Merger Agreement.

The increase in supplementary contracts net gain from operations in 2014 compared with 2013 was entirely attributed to a decrease in interest and adjustments on deposit-type contract funds. The decrease in 2015 was attributed to an increase aggregate reserves for supplementary contracts, and the increase in 2016 was attributed to a decrease in aggregate reserves for supplementary contracts. The increase in 2017 was primarily attributed to the tax benefit the Company received from the reported loss associated with the asset sale that resulted from the Merger Agreement.

5. FINANCIAL STATEMENTS

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

A. Independent Accountants

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

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

B. Net Admitted Assets

Bonds	$430,066,953
Preferred stocks	28,283,076
Cash, cash equivalents and short term investments	24,277,343
Contract loans	1,169,751
Derivatives	4,018,188
Other invested assets	20,229,557
Receivable for securities	612,509
Investment income due and accrued	5,054,677
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	(104,488)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	221,702
Reinsurance:	
Amounts recoverable from reinsurers	184,410
Other amounts receivable under reinsurance contracts	72,910
Current federal and foreign income tax recoverable and interest thereon	34,701,563
Receivables from parent, subsidiaries and affiliates	160
Premium tax receivable	102,031
Other receivables	68
Total admitted assets	$548,890,410

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$398,144,010
Liability for deposit-type contracts	25,603,043
Contract claims:	
Life	201,997
Policyholders' dividends and coupons due and unpaid	184
Provision for policyholders' dividends and coupons payable in following calendar year—estimated amounts:	
Dividends apportioned for payment	2,840
Dividends not yet apportioned	8,442
Premiums and annuity considerations for life and accident and health contracts received in advance	47,146
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	61,449
Interest maintenance reserve	9,416,326
Commissions to agents due or accrued	387
General expenses due or accrued	94,586
Taxes, licenses and fees due or accrued, excluding federal income taxes	606,031
Net deferred tax liability	16,700,765
Amounts withheld or retained by company as agent or trustee	18,586
Remittances and items not allocated	24,183
Miscellaneous liabilities:	
Asset valuation reserve	3,615,596
Funds held under reinsurance treaties with unauthorized reinsurers	540,000
Payable to parent, subsidiaries and affiliates	377,114
Payable for Securities	196,917
Unpresented drafts pending escheatment	293,080
Option collateral liabilities	4,380,000
Total liabilities	$460,332,682
Common capital stock	440,000
Gross paid in and contributed surplus	54,097,590
Unassigned funds (surplus)	34,020,136
Surplus	$ 88,117,726
Total capital and surplus	$ 88,557,726
Total liabilities, capital and surplus	$548,890,408

D. Condensed Summary of Operations

	2013	2014	2015	2016	2017
Premiums and considerations	$33,508,999	$31,641,902	$30,301,697	$14,214,187	$ 10,380,507
Investment income	25,363,930	27,418,738	25,170,803	25,072,127	29,656,499
Net gain from operations from Separate Accounts	0	0	0	0	0
Commissions and reserve adjustments on reinsurance ceded	111,777	109,637	92,124	75,924	82,758
Miscellaneous income	828	77	118	7,245	73
Total income	$58,985,534	$59,170,354	$55,564,742	$39,369,483	$ 40,119,837
Benefit payments	$40,626,462	$32,555,190	$47,804,963	$38,121,683	$ 42,472,560
Increase in reserves	11,958,945	22,167,213	4,209,511	(6,057,809)	(12,429,664)
Commissions	1,905,479	1,523,714	1,287,239	554,331	385,073
General expenses and taxes	2,365,326	2,897,391	2,794,369	2,390,299	2,750,115
Increase in loading on deferred and uncollected premiums	(5,454)	18,396	(1,333)	(2,961)	19,402
Miscellaneous deductions	465	60,161	30,156	1,000	12
Total deductions	$56,851,223	$59,222,065	$56,124,905	$35,006,543	$ 33,197,498
Net gain (loss)	$ 2,134,311	$ (51,711)	$ (560,163)	$ 4,362,940	$ 6,922,339
Dividends	10,363	10,497	10,805	11,458	11,125
Federal and foreign income taxes incurred	850,457	(1,933,045)	585,866	858,805	(34,049,826)
Net gain (loss) from operations before net realized capital gains	$ 1,273,491	$ 1,870,837	$ (1,156,834)	$ 3,492,677	$ 40,961,040
Net realized capital gains (losses)	0	32,513	747	610,817	56,636
Net income	$ 1,273,492	$ 1,903,350	$ (1,156,087)	$ 4,103,494	$ 41,017,676

The significant decrease in premiums and considerations from 2015 to 2017 was primarily attributed to the decline in sales of the "FGNY Index-Choice 10" fixed indexed annuity product.

The decrease in benefit payments in 2014 compared with2013 was attributed to decreases in annuity benefits, surrender benefits for life contracts, and interest and adjustments on contract or deposit-type contract funds, which was partially offset by an increase in death benefits. The increase in aggregate reserves in 2014 as compared with 2013 was primarily attributed to an increase in single premium immediate annuities' reserves because of an asset adequacy analysis that resulted in additional reserves, combined with a reclassification of asset adequacy reserve in 2014 that was recorded in 2013 to immediate annuities from deposit-type and miscellaneous reserves.

The decrease in aggregate reserves in 2015 was driven by a decrease in deferred annuity reserves due primarily to higher surrenders and annuity benefit payments, partially offset by increases in fixed indexed annuities and in indexed annuity reserves; the decrease in 2016 was primarily attributed to the decline in sales of fixed indexed annuities; and the decrease in 2017 was attributed to lower individual annuity sales.

The decrease in commissions during the examination period was primarily attributed to lower fixed indexed annuities sales, specifically the "FGNY Index-Choice 10" and the "FGNY Index-Safety 7."

The significant increase in net gain from operations in 2017 was attributed to the tax benefit the Company received from the reported loss associated with the asset sale that resulted from the Merger Agreement.

E. Capital and Surplus Account

	2013	2014	2015	2016	2017
Capital and surplus, December 31, prior year	$41,107,141	$61,874,753	$61,233,176	$59,457,193	$64,158,435
Net income	$ 1,273,492	$ 1,903,350	$ (1,156,087)	$ 4,103,494	$41,017,676
Change in net unrealized capital gains (losses)	2,696,227	(1,395,394)	(1,354,129)	1,388,834	1,623,684
Change in net deferred income tax	299,265	1,540,511	2,367,699	(251,891)	24,330,815)
Change in non-admitted assets and related items	(630,662)	(1,500,098)	(1,585,293)	320,625	5,687,049
Change in liability for reinsurance in unauthorized companies	0	(531,294)	531,294	0	0
Change in asset valuation reserve	(726,960)	658,648)	(579,468)	(859,819)	401,696
Surplus adjustments:					
Paid in	17,856,250	0	0	0	0
Net change in capital and surplus for the year	20,767,612	(641,573)	(1,775,984)	4,701,243	24,399,290
Capital and surplus, December 31, current year	$61,874,753	$61,233,176	$59,457,193	$64,158,435	$88,557,726

6. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the financial condition violations and recommendations contained in the prior report on examination and the subsequent actions taken by the Company in response to each citation:

Item	Description
A	The Company violated Insurance Regulation No. 33, 11 NYCRR Section 91.4(f)(5) by using premium, policy count, assets under management and reserves as the basis for distributing costs among companies and annual statement lines of business within the Company. The examiner's review of the Company's allocation records revealed that the Company's allocation process produced a reasonable allocation of expenses, compliant with Regulation 33.
B	The Company violated Insurance Regulation No. 33, 11 NYCRR Section 91.4(a) by failing to maintain records with sufficient detail to show fully the system actually used for the allocation of expenses and the actual bases of the allocation. The examiner's review of the Company's records revealed that the records include sufficient details for the allocation of expenses and the actual bases of the allocation of such expenses, compliant with Regulation 33.
C	The Company violated Section 1505(d)(3) of the New York Insurance Law by having Fidelity & Guaranty Life Business Services, Inc. manage its investment function without notifying the Superintendent in writing of its intention to enter into such transaction at least 30 days prior thereto. The examiner's review revealed that the Company has filed the amendment with the Superintendent.
D	The examiner recommends that board members attend scheduled board meetings. The examiner's review of the minutes of the meetings of the board of directors revealed that the meetings were well attended.
E	The examiner recommends that the Company perform an independent test annually as required by the Anti-Money Laundering ("AML") program. The examiner's review of the requirements of the Company's AML program revealed that an independent audit is to be performed periodically, the scope and frequency of which shall be determined by the AML Officer based on the AML risks posed to the Company.

Item	Description
F	The examiner recommends that the Company modify its record retention policy as to comply with Insurance Regulation No. 152, in all instances. The examiner’s review of the Company’s record retention policy revealed that the Company has revised the policy to comply with Regulation 152.

Respectfully submitted,

Joshua J. Johnson, CFE
Risk & Regulatory Consulting, LLC

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

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

Joshua J. Johnson

Subscribed and sworn to before me

this 7th day of April, 2020

Travis R Eubanks

GENERAL NOTARY - State of Nebraska
TRAVIS R. EUBANKS
My Comm. Exp. May 14, 2023

Exp. May 14, 2023

Respectfully submitted,

/s/
Anthony Mauro
Principal Insurance Examiner

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

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

/s/
Anthony Mauro

Subscribed and sworn to before me

this__________ day of ____________________