

The Independent
Order of Foresters

Year ended
December 31, 2017

2017 financial highlights

2017 financial highlights

Financial highlights for the year ended December 31, 2017
(All amounts are in Canadian dollars, unless otherwise stated)

With our 140+ year history, Foresters Financial is financially strong, and more importantly, well-positioned for long-term financial health. On these pages, we share our key financial results, which are indicators of our growth, financial health and stability.

Key results at a glance

United States

Total Annualized Weighted Sales

\$255.0 U.S. million

Canada

Total Annualized Weighted Sales

\$58.7 CAD million

United Kingdom

Total Annualized Weighted Sales

£57.1 U.K. million

Total Premiums

\$1.1 billion

Surplus

\$2.0 billion

Total Comprehensive Loss

\$88.2 million

Funds under Management and Administration

\$45.1 billion

Certificates and Contracts In force

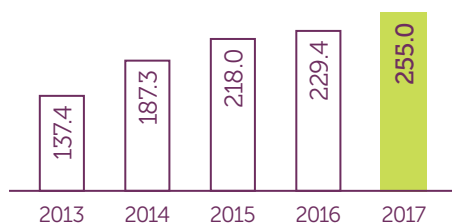
3.1 million

Sales

United States

Total Annualized Weighted Sales

(U.S. \$ millions)

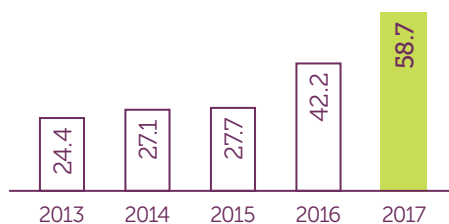


Total U.S. annualized weighted sales were \$255.0 million, an 11.2% increase from 2016 due to strong sales from new and existing distribution channels across all product lines.

Canada

Total Annualized Weighted Sales

(CAD \$ millions)

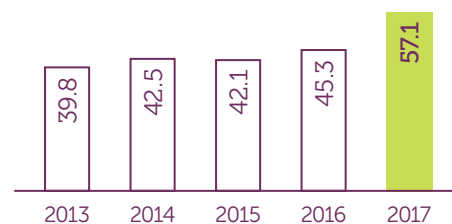


Annualized weighted sales were \$58.7 million, a 39.1% increase over 2016. The Canada Protection Plan channel had another strong year with a growth of 74.6% and MGA Brokerage sales grew by 17.8%. Foresters Asset Management Inc. ("FAM") sales were \$7.4 million, a 5.7% increase over 2016.

United Kingdom

Total Annualized Weighted Sales

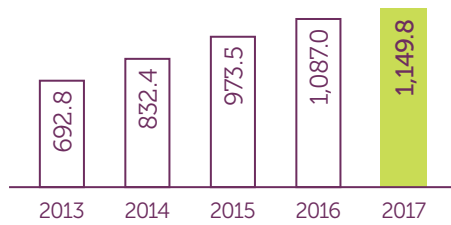
(U.K. £ millions)



Total annualized weighted sales were £57.1 million, a 26.0% increase over 2016. This increase was due to the growth in sales in Unit Linked Savings and Junior Unit Linked Savings. £43.7 million came via our sales force and £13.4 million came from our direct-to-customer channel.

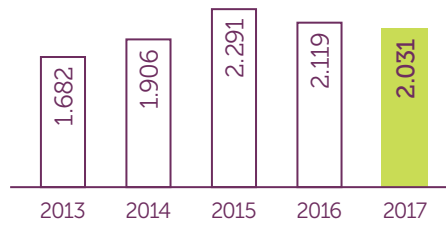
Key results

Total Premiums (\$ billions)



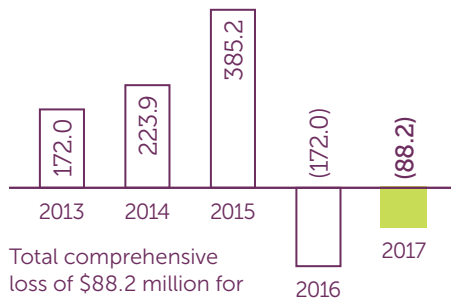
Total gross life insurance premiums were \$1.1 billion, a 5.8% increase over 2016. The upward trend in premiums is largely due to our growing block of in-force policies, and continued strong first year premiums.

Surplus (\$ billions)



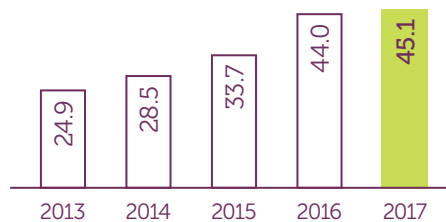
Foresters Financial's surplus was \$2.0 billion at the end of 2017. The decrease year over year was primarily due to net unrealized foreign currency translation losses. At December 31, 2017 our MCCR ratio was 357%, well above the Canadian life insurer average of 236% at September 30, 2017.¹

Total Comprehensive Income (Loss) (\$ millions)



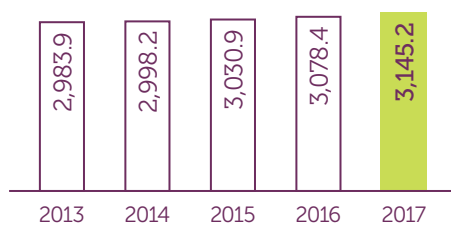
Total comprehensive loss of \$88.2 million for 2017 was primarily due to net unrealized foreign currency translation losses of \$96.8 million relating to foreign operations and certain 2017 strategic spends across the organization. Net income before Other Comprehensive Income (Loss), which includes the foreign currency losses, was \$38.1 million compared to a Net loss in the prior year of \$75.3 million.

Funds under Management and Administration (\$ billions)



Funds under management and administration grew to \$45.1 billion, a 2.5% increase over 2016. The continued increase since 2015 was in part due to the acquisition of Foresters Asset Management Inc. and Foresters Financial Investment Management Company of Canada Inc. in 2016 which added approximately \$10 billion CAD to funds under management and administration.

Certificates and Contracts In force (thousands)



At December 31, 2017, Foresters Financial had over 3.1 million certificates and contracts in force. Since 2013, the number of in-force certificates and contracts has grown by 5.4% due to strong sales of our products.

What the numbers mean

Annualized weighted sales

Annualized weighted sales is a common measure used in the life insurance industry to measure new sales of products during the year. In this measure, for example, sales of policies with ongoing premium payments receive a higher weighting than sales of products with a single premium payment and fees earned on funds under management and administration.

Total premiums

This amount is the total gross life insurance and annuity premiums paid or owing to Foresters Financial during the year from certificate and contract holders.

Funds under management and administration

This is the total market value of the assets that we manage and administer on behalf of our members and customers.

Total comprehensive income (loss)

This is the sum of net income and other items not recorded in net income such as unrealized gains and losses from foreign currency translation and unrealized gains and losses on assets backing our surplus and certain changes in employee benefit plan obligations.

Surplus

Surplus is the value of our assets minus our financial obligations to members and others. A strong surplus position first and foremost gives Foresters Financial the ability to withstand economic and business volatility, and it allows us to invest in the growth of our business through increased sales and acquisition activities. Also, a portion of earnings on surplus is used to fund member benefits and community investments in support of Foresters purpose.

MCCR ratio

The Minimum Continuing Capital and Surplus Requirements ("MCCR") ratio is a capital adequacy measure for life insurance companies established by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). It is a measure used to monitor that insurers maintain adequate capital to meet their financial obligations.

Certificates and contracts in force

This is the total number of certificates and contracts that are active or "in force" at The Independent Order of Foresters and its subsidiaries.

Summary Consolidated Statement of Comprehensive Income (Loss)

For the year ended December 31, 2017 with comparative figures for 2016
(In millions of Canadian dollars)

	2017	2016
Revenue		
Gross premiums	\$ 1,150	\$ 1,086
Ceded premiums	(95)	(88)
Net Premiums	1,055	998
Net investment income	542	467
Fee revenue	376	353
Other operating income	12	11
Total Revenue	1,985	1,829
Benefits & Expenses		
Gross benefits	761	717
Ceded benefits	(60)	(46)
Gross change in insurance contract liabilities	380	356
Ceded change in insurance contract liabilities	(40)	(19)
Policy dividends	47	47
Commissions	371	342
Operating expenses	443	482
Ceded commissions and operating expenses	(21)	(18)
Fraternal investment	20	19
Total Benefits & Expenses	1,901	1,880
Income (loss) before income taxes	84	(51)
Income Taxes	46	24
Net Income (Loss)	38	(75)
Other Comprehensive Income (Loss)		
<i>Items that will not be reclassified to net income</i>		
Remeasurement losses on employee benefit plans, net of income tax recovery (expense)	(17)	(10)
Net unrealized gains on property	2	1
Total items that will not be reclassified to net income	(15)	(9)
<i>Items that are or may be reclassified subsequently to net income</i>		
Net unrealized (losses) gains on available-for-sale assets	(13)	4
Reclassification of net realized losses on available-for-sale assets	(1)	(7)
Net unrealized foreign currency translation losses	(97)	(85)
Total items that are or may be reclassified subsequently to net income	(111)	(88)
Total Comprehensive Loss	\$ (88)	\$ (172)

Summary Consolidated Statement of Financial Position

As at December 31, 2017 with comparative figures for 2016
(In millions of Canadian dollars)

	2017	2016
Assets		
Invested Assets		
Cash, cash equivalents and short-term securities	\$ 297	\$ 360
Bonds	7,209	7,114
Equities	772	789
Derivative financial instruments	16	2
Other invested assets	161	156
Loans to certificate holders	359	368
Total Invested Assets	8,814	8,789
Reinsurance assets	349	316
Accrued investment income	70	70
Deferred acquisition costs on investment contracts	73	62
Prepaid commissions	81	68
Deferred tax assets	43	40
Other assets	109	92
Property and equipment	64	63
Employee benefit assets	3	3
Goodwill and intangible assets	245	268
	9,851	9,771
Net investments for accounts of segregated fund unit holders	7,833	3,674
Total Assets	\$17,684	\$13,445
Liabilities		
Insurance contract liabilities	\$ 7,129	\$ 6,995
Investment contract liabilities	162	162
Derivative financial instruments	5	17
Benefits payable and provision for unreported claims	176	156
Other liabilities	263	253
Employee benefit obligations	85	69
	7,820	7,652
Investment contract liabilities for accounts of segregated fund unit holders	7,833	3,674
Total Liabilities	15,653	11,326
Surplus		
Retained earnings	1,774	1,736
Accumulated other comprehensive income	257	383
	2,031	2,119
Total Liabilities and Surplus	\$17,684	\$13,445

The full consolidated financial statements are available at foresters.com under Financial strength

Notes to the Summary Financial Statements

1. Basis of Presentation of the Summary of Financial Statements

The summary consolidated statement of financial position and summary consolidated statement of comprehensive income have been summarized from The Independent Order of Foresters ("Foresters Financial") consolidated financial statements, which are prepared in accordance with International Financial Reporting Standards to portray in summarized form Foresters Financial's financial position and results of operations. The criteria applied by management in the preparation of these summary consolidated financial statements are as follows:

- a) the information in the summary consolidated financial statements is in agreement with the related information in the audited financial statements; and
- b) summary consolidated statements of changes in equity, cash flows, significant accounting policies and other explanatory information have not been presented, as the relevant information can be obtained from the audited financial statements.

The summary consolidated statement of financial position and summary consolidated statement of comprehensive income are only a summary of the information in Foresters Financial's consolidated financial statements for the year ended December 31, 2017. They do not contain sufficient information to allow as full an understanding of the results and state of affairs of Foresters Financial as would be provided by the full consolidated financial statements for the year ended December 31, 2017.

The full consolidated financial statements are available at foresters.com under Financial Strength.

2. Basis of measurement

Foresters Financial's consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Financial assets at fair value through profit or loss, available-for-sale financial assets and derivative financial instruments are measured at fair value;
- Employee benefit assets and obligations represent the funded status of these plans which is calculated as the difference between plan assets at fair value and the present value of defined benefit obligations;
- Reinsurance assets and insurance contract liabilities are calculated using the Canadian Asset Liability Method ("CALM") which is based on accepted actuarial practices according to standards established by the Canadian Institute of Actuaries and the requirements of the Office of the Superintendent of Financial Institutions Canada. This method involves the projection of future events in order to determine the amount of assets that must be set aside currently to provide for all future obligations, including the provision of fraternal benefits, and involves a significant amount of judgment; and
- Land and buildings are measured at fair value.

3. Foreign Currency

The functional currencies of the foreign subsidiaries and branch operations have been translated into Canadian dollars. All assets and liabilities are translated at the closing exchange rate at the balance sheet date, and the income and expenses are translated using the average exchange rate for the year. The accumulated gains or losses arising from translation are presented separately in the currency translation accounts, a separate component of accumulated other comprehensive income ("AOCI").

Report of the Independent Auditors on the Summary Consolidated Financial Statements

To the Board of Directors of The Independent Order of Foresters

The accompanying summary consolidated financial statements of The Independent Order of Foresters, which comprise the summary consolidated statement of financial position as at December 31, 2017, the summary consolidated statement of comprehensive income (loss) for the year then ended, and related notes, are derived from the complete audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards, of The Independent Order of Foresters for the year ended December 31, 2017.

We expressed an unmodified audit opinion on those financial statements in our report dated February 13, 2018.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the audited consolidated financial statements of The Independent Order of Foresters. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the complete audited consolidated financial statements of The Independent Order of Foresters.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements in accordance with the basis described in the notes to the summary consolidated financial statements.

Auditors' Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary consolidated financial statements derived from the complete audited consolidated financial statements of The Independent Order of Foresters as at and for the year ended December 31, 2017, are a fair summary of those consolidated financial statements, in accordance with the basis described in the notes to the summary consolidated financial statements.



Chartered Professional Accountants, Licensed Public Accountants
February 13, 2018
Toronto, Canada

Appointed Actuary's report

To the Board of Directors of The Independent Order of Foresters

I have valued the policy liabilities and reinsurance recoverables of The Independent Order of Foresters for its consolidated statement of financial position as at December 31, 2017 and their changes in the consolidated statement of comprehensive income for the year then ended in accordance with accepted actuarial practice in Canada including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities net of reinsurance recoverables makes appropriate provision for all policy obligations and the consolidated financial statements fairly present the results of the valuation.

These summarized consolidated financial statements do not contain all the disclosures required by accepted actuarial practice. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on Foresters Financial financial position, results of operations and cash flows, reference should be made to the related complete consolidated financial statements.



Trudy Engel, F.S.A., F.C.I.A.
Fellow, Canadian Institute of Actuaries
February 13, 2018
Toronto, Canada