

Best's Rating Report



THE INDEPENDENT ORDER OF FORESTERS

Toronto, Ontario, Canada



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Ultimate Parent: Independent Order of Foresters

THE INDEPENDENT ORDER OF FORESTERS

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Data shown throughout this report is in Canadian dollars.

BEST'S CREDIT RATING

Best's Financial Strength Rating: A Outlook: Stable
Best's Financial Size Category: XIV

RATING RATIONALE

The following text is derived from A.M. Best's consolidated Credit Report on The Independent Order of Foresters (AMB# 067409).

Rating Rationale: The ratings of The Independent Order of Foresters (Foresters Financial) reflect its strong absolute and risk-adjusted capitalization, diversified business profile and positive consolidated operating earnings. Partially offsetting factors include maintaining profitability in the current low interest rate environment, managing foreign currency movements, and reducing expense overruns as a result from its recent acquisitions.

Foresters Financial maintains a strong level of absolute and risk-adjusted capitalization as defined by the Best Capital Adequacy Ratio and is supportive of its insurance and business risks. Capitalization has steadily increased in recent years primarily through organic earnings, but has also been aided by favorable foreign exchange movements. Foresters Financial business profile is diversified across product lines and geography, with operations in Canada, United States and United Kingdom. Foresters Financial expansion of its business profile has been through both organic growth and acquisitions. The

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cumulative effect of these acquisitions include increased policies and membership counts, assets under management, and cross-selling opportunities through varied distribution channels. Products and services offered include life insurance, annuities, and retirement plans. While headquartered in Canada, a majority of its insurance liabilities are located in the United States, with also a significant amount of business in the United Kingdom. The organization has recently concluded a rebranding effort to 'Foresters Financial', to better reflect its purpose and mission to its markets. Lastly, Foresters Financial has recorded strong operating performance in recent years, mainly due to strong premium growth and gaining more control over expense overruns.

While Foresters Financial has reported positive earnings in recent years, some headwinds exist in an effort to attain positive, consistent earnings growth. A significant percentage of their liabilities are interest-sensitive which has led to some spread compression on these liabilities due to the on-going low interest rate environment. In addition, foreign currency translation gains and losses have continued to variability to earnings, particularly in volatile market conditions. Due to acquisitions of companies and/or blocks of business in recent years, Foresters Financial has incurred expense overruns. However, A.M. Best notes that Foresters Financial has been adept at integrating newly acquired business into its organization, and expense overruns have decreased.

A negative rating action may occur if there is significant reduction in absolute and risk-adjusted capitalization due to deteriorating operating performance.

group rebranded in 2015 to 'Foresters Financial' to better reflect its mission to its members and the middle market.

Foresters Financial was originally founded in 1874 and organized and registered under the Insurance Companies Act of Canada. To be eligible for membership, an individual can purchase a life insurance or annuity product from Foresters Financial. Non-voting membership is available for junior certificate holders and certain non-proprietary product holders.

With membership in 2016 nearing 1.2 million individuals, Foresters Financial measures its success not only through financial strength, but also by the positive impact it has in the community.

Foresters Financial exists to enrich the lives of its members as well as their communities. To help achieve this purpose, Foresters Financial partners with other organizations who share the same vision and works closely with Community Partners to provide members with opportunities to improve their communities. These national community partners include: KaBOOM!, Ronald McDonald House Charities and the American Red Cross.

As a fraternal organization, Foresters Financial offers various benefits, such as tuition scholarships, community grants, emergency assistance programs, and volunteer and family events. Another feature available to members is Legal Link, which members can consult with local legal professionals regarding a variety of issues, such as home ownership, family law and wills and estates.

While Foresters Financial has significant operations internationally and domiciled in Canada, a majority of its business is in the United States. The wholly owned subsidiaries that comprise Foresters Financial main insurance operations include:

Forester Holdings (Europe) Ltd., which is the immediate parent company of Forester Life Limited, where all UK life insurance business is written. Foresters Holdings Ltd., is the immediate parent company of Forester Life Limited, where all UK life insurance business is written.

Foresters Life Insurance Company, formerly Unity Life of Canada, acquired in 2008 to enhance Foresters presence in the Canadian life insurance market.

Foresters Financial Holding Company (FFHC) and its affiliates in the U.S., which includes Foresters Life Insurance and Annuity Company (FLIAC), was purchased in 2011 when it was known as First Investors Life Insurance. The company was renamed to its current form in 2015, but has still retained the brand name for the First Investors funds.

Foresters Financial continues to grow both organically and via acquisition as opportunities arise. In 2016, Foresters Financial acquired 100% of the shares of Aegon Capital Management Inc. (ACM) and Aegon Fund Management Inc. (AFM). These entities are to be renamed from ACM to Foresters Asset Management Inc. (FAM) and AFM will become Foresters Financial Investment Management Company of Canada Inc. (FFIMCO). Management believes this will provide a platform to build its mutual fund business in Canada and provide retail distribution to its target market.

FIVE YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
08/19/16	A	07/03/13	A
07/01/15	A	07/06/12	A
07/02/14	A		

KEY FINANCIAL INDICATORS (\$000)

Year	Assets	Capital & Equity	AOCI	Net Premiums Written	Net Invest Income	Inc. Before Attrib. to Particip. Pchylldr
2011	4,748,143	1,444,003	54,131	280,088	427,885	34,914
2012	4,760,856	1,509,623	47,691	319,768	294,370	79,234
2013	4,729,910	1,681,691	97,724	363,460	-89,086	114,861
2014	5,390,460	1,905,546	218,806	423,658	412,213	102,773
2015	6,185,250	2,290,747	479,894	548,009	45,411	124,113

CORPORATE OVERVIEW

Foresters Financial is an international financial services provider, marketing to its members and the target middle market a diverse portfolio of life insurance, annuities, mutual funds and other financial and asset management services in Canada, the United States and the United Kingdom. While still retaining its legal name of The Independent Order of Foresters, the

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CORPORATE STRUCTURE

AMB#	COMPANY NAME	DOMICILE	% OWN
060132	Independent Order of Foresters	Canada	
051541	Foresters Finl Hldg Co Inc	DE	100.00
006413	Foresters Life Ins & Annuity	NY	100.00
055508	Forester Holdings (Europe) Ltd	United Kingdom	100.00
087352	Forester Life Limited	United Kingdom	100.00
066847	Foresters Life Insurance Co	Canada	100.00

BUSINESS PROFILE

The following text is derived from A.M. Best's consolidated Credit Report on The Independent Order of Foresters (AMB# 067409).

Foresters Financial is a multinational financial services provider headquartered in Canada which provides life, annuity and retirement services to its almost 1.2 million members. While still keeping its legal name, The Independent Order of Foresters (Foresters Financial), the rebranding to 'Foresters Financial' reflects the society's enhanced mission to provide life insurance, annuity products and asset management services to its members, while still adhering to its principles of volunteering and sense of community since 1874. Membership is attained through the purchase of a life or annuity product through The Independent Order of Foresters (Foresters Financial), which is a fraternal benefit society and lead company. Other fraternal benefits offered by Foresters Financial includes academic scholarships, financial counseling, discounted legal services and volunteering opportunities.

Operations are conducted in three countries Canada, United States and the United Kingdom. Foresters Financial segments its operations into two divisions: North America and United Kingdom. The North America segment consists of Foresters Life Insurance Company (FLIC), Foresters Financial's U.S. Branch operations, Foresters Life Insurance & Annuity Company (FLIAC) and Asset Management. The U.K. operations is its own distinct segment.

The companies that comprise North America are outlined below:

FLIC is Foresters Financial's primary marketing representative in Canada, offering proprietary products through its independent distribution channel.

FLIAC offers fee based business with minimal interest rate exposure to the middle market, compatible with Foresters Financial marketing. It also gives Foresters Financial some diversification of product and an increased presence in the United States. Product rollouts in 2015 included a flexible pay longevity annuity and a new variable universal life product in New York and California. In addition, FLIAC gives Foresters Financial additional asset management capability by marketing mutual funds under the First Investors brand.

Foresters Financial's U.S. Branch is a significant component of U.S. operations, licensed to sell insurance products in all 50 states and the District of Columbia. Direct written premiums are comprised of mostly ordinary life, led by final expense sales, although Foresters Financial's U.S. Branch also markets term life, whole life and universal life. There is currently no separate account business in Foresters Financial's U.S. Branch.

The asset management segment consists of Foresters Asset Management and Foresters Financial Investment Management Company of Canada Inc. These entities provides Foresters Financial with a broader range of financial

solutions for its customers and a platform to build its mutual fund business as well as access to retail distribution in Canada.

The North American Life segment consolidates Foresters Financial's U.S. branch, and Canadian branches, and Foresters Life under integrated management and operational functions. Currently, distribution is through independent market organizations (IMOs), Broker General Agents (BGAs), and the National Agents Alliance (NAA). Foresters Financial has taken steps to strategically align the Canadian product suite to be similar to the U.S. by exiting the preneed and group creditor segments, through Foresters Life, and focusing on the traditional whole life, term, and annuity segments.

Foresters U.K. offers a traditional life insurance in addition to unit linked savings and investment products, which includes tax efficient deferred annuities, individual savings accounts and child trust funds. The group continues to raise name and brand awareness, build its captive distribution sales force, enhance its product portfolio, and target new membership while encouraging greater membership affinity and participation.

Foresters Financial's philosophy is to grow its business organically but will make acquisitions when the opportunity arises. Unity Life was acquired in 2008, and subsequently renamed Foresters Life Insurance Company. Membership at time of acquisition was about 100 thousand, and is at nearly 172 thousand at year-end, 2015. Sales increased from \$1 million in 2008 to \$28 million in 2015. Foresters Life Insurance & Annuity Company was purchased in 2011 under the name of First Investors Life Insurance Company, which sold mostly variable life and annuity products.

In the U.K., two blocks of business were acquired in recent years. The CWFS block was acquired in 2011, and The Children's Mutual was acquired in 2013, which has about 1 million policies and \$2.6 billion in assets under management. However, policyholders in the U.K. segment and FLIAC are not eligible to be fraternal members.

In May, 2016, Foresters Financial acquired two asset management companies from Aegon: Aegon Capital Management Inc. (ACM) and Aegon Fund Management Inc. (AFM). ACM was renamed Foresters Asset Management Inc. (FAM) and AFM was renamed Foresters Financial Investment Management Company of Canada Inc. (FFIMCO). The acquisition gives Foresters Financial the ability to market mutual funds and other asset management services and adds about \$10 billion CAD to assets under management and administration

TOTAL PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW		Reinsurance Prem Assumed	
	(\$000)	(% Chg)	(\$000)	(% Chg)
2011	301,897	17.6	4,068	47.7
2012	341,457	13.1	6,583	61.8
2013	384,906	12.7	7,993	21.4
2014	445,786	15.8	9,483	18.6
2015	574,531	28.9	11,253	18.7
5-Yr CAGR	...	17.5	...	32.5

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Period Ending	Reinsurance Prem Ceded		NPW	
	(\$000)	(% Chg)	(\$000)	(% Chg)
2011	25,877	12.9	280,088	18.4
2012	28,272	9.3	319,768	14.2
2013	29,439	4.1	363,460	13.7
2014	31,611	7.4	423,658	16.6
2015	37,775	19.5	548,009	29.4
5-Yr CAGR	...	10.5	...	18.3

Territory: The company is licensed in all provinces and territories. It is also licensed in the United States in the District of Columbia and all states. The company has licensed subsidiaries in Great Britain.

2015 BY-LINE BUSINESS (\$000)

Product Line	DPW		Reinsurance Prem Assumed	
	(\$000)	(%)	(\$000)	(%)
Individual life	33,264	5.8	11,253	100.0
Individual annuities	422	0.1	...	...
Individual A&S	18	0.0	...	...
Non-Canadian	540,827	94.1	...	...
Total	574,531	100.0	11,253	100.0

Product Line	Reinsurance Prem Ceded		NPW	
	(\$000)	(%)	(\$000)	(%)
Individual life	1,006	2.7	43,511	7.9
Individual annuities	...	...	422	0.1
Individual A&S	...	...	18	0.0
Non-Canadian	36,769	97.3	504,058	92.0
Total	37,775	100.0	548,009	100.0

BY-LINE RESERVES (\$000)

Product Line	2015	2014	2013	2012	2011
Other	560,093	561,061	552,651	593,836	561,203
Total	560,093	561,061	552,651	593,836	561,203

LIFE POLICIES STATISTICS

Year	—Individual Policies—		—Group Certificates—	
	Issued	In Force	Issued	In Force
2011	122,980	527,679	...	...
2012	106,246	569,847	...	...
2013	82,366	591,731	...	...
2014	69,628	603,523	...	...
2015	78,123	625,955	...	...

LIFE INSURANCE IN FORCE (\$000)

Year	Individual Life Insurance		Group	Total Insurance In Force
	(\$000)	(% Chg)		
2011	28,708,606	...	...	28,708,606
2012	30,194,755	...	...	30,194,755
2013	33,098,334	...	...	33,098,334
2014	35,967,904	...	...	35,967,904
2015	42,874,537	...	...	42,874,537

NEW LIFE BUSINESS ISSUED (\$000)

Year	Individual Life Insurance		Total Insurance Issued	Non-Par (%)	Par (%)
	(\$000)	(% Chg)			
2011	6,290,351	...	6,290,351	...	100.0
2012	5,845,269	...	5,845,269	...	100.0
2013	4,371,523	...	4,371,523	...	100.0
2014	3,482,932	...	3,482,932	...	100.0
2015	3,893,563	...	3,893,563	...	100.0

GEOGRAPHIC BREAKDOWN BY DIRECT PREMIUM WRITINGS (\$000)

	2015	2014	2013	2012	2011
Out of Canada	540,827	413,822	354,167	313,633	275,844
Ontario	20,093	18,988	17,839	15,999	14,845
Alberta	4,531	4,360	4,492	4,215	4,116
British Columbia	4,435	4,169	4,139	3,680	3,555
Quebec	2,457	2,237	2,076	1,776	1,504
Manitoba	920	949	903	932	850
Saskatchewan	579	587	609	562	558
Nova Scotia	459	445	439	431	441
New Brunswick	192	192	213	206	173
Newfoundland and Labrador	37	36	29	23	10
All Other	1	1	...	...	1
Total	574,531	445,786	384,906	341,457	301,897

RISK MANAGEMENT

The following text is derived from A.M. Best's consolidated Credit Report on The Independent Order of Foresters (AMB# 067409).

As the complexity of Foresters Financial operating profile has increased, Foresters Financial management has undertaken initiatives to broaden and deepen the risk management discipline within each business unit individually and as a whole.

The group has to straddle ERM practices and compliance with three different countries, each with their own political, economic and financial characteristics. Business profiles and investments are nicely diversified, and there was no management turnover in 2015. Foresters Financial has also grown in recent years through mergers and acquisitions, and have been successful in integrating them into the Foresters Financial enterprise. Two significant items of note in 2015 is meeting Solvency II compliance in the U.K. and the implementation of a new long-term strategic plan.

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Chief Risk Officers (CROs) within each business unit report to Foresters Financial CRO and ERM Committee (ERMC). The ERMC and CRO are overseen by the Board's Risk and Investment Committee (RIC). The Board approves the Risk Management Policy annually which outlines Foresters Financial Risk Appetite and Tolerances, as well as the risk management governance structure, including the Board's and Management's responsibilities in managing risks and the ERMC mandate.

The risk management framework works to identify risk areas and establish clear accountability for risk management. Primary risk categories include Strategic, Financial, Operational, and Compliance Risk. Individual risks are identified, measured, mitigated and monitored at the divisional or operational level. The risk management function, as the second line of defense, oversees risk management and reports to the ERMC and RIC quarterly on the organization's overall risk profile, including any areas of concern for management to monitor.

OPERATING PERFORMANCE

The following text is derived from A.M. Best's consolidated Credit Report on The Independent Order of Foresters (AMB# 067409).

Operating Results: While Foresters Financial has generated positive earnings over the past several years, unrealized foreign exchange gains or losses have created fluctuations in earnings, particularly in periods of volatile financial market activity. Foresters Financial total comprehensive income increased in 2015 due to strong premium revenue growth, unrealized gains on foreign exchange, expense reduction in North America and a decrease in expense overruns. These positive factors were partially offset by higher mortality on final expense products and transfer of funds from the U.K. child trusts due to legislative changes. Additionally, Foresters Financial has been challenged to maintain consistent spreads on its interest-sensitive products due to the continued low interest rate environment. A.M. Best notes that all regions reported net income in the current period.

The group has recorded favorable premium trends, with most of the growth coming from the North America region. Premiums in Canada increased modestly, continuing to be impacted by withdrawal from the preneed and group credit lines of business.

FLIAC's U.S. statutory net income was flat as lower premiums resulted in less new business strain, but that was offset increased spreads on interest-sensitive products due to higher investment income. A.M. Best notes that the ordinary life line of business continues to be the main driver of earnings.

Historically, Foresters Financial's U.S. Branch has operated at a loss, which has decreased in recent years. In 2015, Foresters Financial's U.S. Branch recorded a modest U.S. statutory net income due to increases in first year premiums and lower general expenses, partially offset by new business strain. Premium growth has been robust in recent years, combined with realized gains that have helped offset operating losses.

The U.K. segment results were slightly lower relative to the prior year due to lower single unit linked contributions. Expenses and commissions were slightly higher due to strengthening of reserves, higher investment management fees, and increased project costs.

PROFITABILITY TESTS

Year	Ben Paid to NPW	Comm & Exp to NPW	Net Inc to Tot Assets	Net Inc to Tot Rev	Net Inc to Equity	Yield on Invested Assets
2011	85.1	92.3	0.8	4.8	2.4	10.98
2012	76.2	88.2	1.7	12.4	5.4	7.48
2013	74.0	65.4	2.5	36.4	7.2	-2.22
2014	75.1	56.2	2.1	11.3	5.7	10.33
2015	66.1	49.4	2.2	18.6	5.9	0.95
5-Year Avg	74.0	66.5	1.9	14.0	5.4	5.29

BALANCE SHEET STRENGTH

The following text is derived from A.M. Best's consolidated Credit Report on The Independent Order of Foresters (AMB# 067409).

Capitalization: Foresters Financial consolidated absolute and risk-adjusted capitalization is considered strong for its insurance and business risks. Risk-adjusted capitalization is actively monitored for adequacy, and capital is contributed to the subsidiaries when needed. In 2015, equity increased to \$2.3 billion (amounts in Canadian Dollars), from \$1.9 billion in 2014 due to foreign currency translation gains and net income.

Risk-adjusted capitalization is also aided by overall good credit quality of invested assets and less use of reinsurance. Intersegment notes of \$150 million are in place to reduce sensitivity of U.S. non-participating business. Additionally, Foresters Financial enters into forward exchange contracts to mitigate its exposure to foreign exchange rate fluctuations between the United States Dollar and the Canadian Dollar. A.M. Best notes that there is no debt outstanding on the consolidated or subsidiary balance sheets.

Current BCAR: 412

CAPITAL GENERATION ANALYSIS (\$000)

Year	Source of Capital/Surplus Growth				Change in C&S	% Chg in C&S
	Pre-tax Adjusted Gain	Income Taxes	Other Changes			
2011	39,054	4,140	-17,297		17,617	1.2
2012	81,177	1,943	-13,614		65,620	4.5
2013	119,001	4,140	57,207		172,068	11.4
2014	78,140	-24,633	121,082		223,855	13.3
2015	124,312	199	261,088		385,201	20.2
5-Yr Total	441,684	-14,211	408,466		864,361	9.9

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QUALITY OF CAPITAL/SURPLUS (\$000)

Year	Other Debt	Conditional Capital	Unassigned Surplus	Year-End Capital & Equity	Adjusted C&S
2011	1,444,003	1,444,003	1,444,003
2012	1,509,623	1,509,623	1,509,623
2013	1,681,691	1,681,691	1,681,691
2014	1,905,546	1,905,546	1,905,546
2015	2,290,747	2,290,747	2,290,747

LEVERAGE ANALYSIS

Year	C&S to Liab(%)	Reins Leverage(%)	NPW to Capital	Change in NPW(%)
2011	43.7	...	0.2	18.4
2012	46.4	...	0.2	14.2
2013	55.2	...	0.2	13.7
2014	54.7	...	0.2	16.6
2015	58.8	...	0.2	29.4

The following text is derived from A.M. Best's consolidated Credit Report on The Independent Order of Foresters (AMB# 067409).

Liquidity: Liquidity needs for Foresters Financial are supported through generally favorable cash flows with modest cash and short-term holdings. In addition, Foresters Financial maintains a conservative investment portfolio, which is comprised mainly of publicly traded long-term, investment grade bonds. A.M. Best notes that liquidity ratios are not only strong for the organization, but also in each of its segments.

LIQUIDITY ANALYSIS

Year	Quick Liquidity	Current Liquidity	Mtge Loans & RE to Cap & Surp	Afil Invest to Capital
2011	9.3	117.2	0.5	19.2
2012	8.3	117.7	0.4	21.7
2013	6.4	120.6	0.0	25.8
2014	7.6	123.7	0.0	25.0
2015	8.7	125.3	0.0	26.6

The following text is derived from A.M. Best's consolidated Credit Report on The Independent Order of Foresters (AMB# 067409).

Investments: A majority of invested assets in 2015 are held in the United States, with lesser percentage holdings in Canada and the United Kingdom. Bonds make up nearly 80% of invested assets, with nearly 10% in stocks and the balance in cash & short-term securities, contract loans and other invested assets. In recent years, Foresters Financial has adjusted its investment strategy

to reduce its exposure to market volatility and improve asset liability matching in addition to increasing its credit quality and liquidity. As a result, the organization has limited its exposure to equity securities, decreased its mortgage exposure and has liquidated its direct real estate holdings. The remaining equity shares are primarily held in Foresters Life U.K.

INVESTMENTS - TOTAL PORTFOLIO

	2015	2014	2013	2012	2011
Investments (000)	5,729,566	4,987,662	4,316,310	4,389,697	4,382,048
Bonds and debentures	75.4	76.8	75.8	76.6	76.0
Common shares	4.7	4.1	4.4	4.7	7.1
Mortgage loans	0.0	0.0	0.0	0.2	0.2
Cash & short term investments	2.8	2.5	1.5	3.0	2.2
Affiliated investments	11.3	10.3	10.8	8.1	6.9
Other investments	5.7	6.3	7.5	7.4	7.5

Investments - Bond Portfolio: Bonds comprise nearly 80% of invested assets, which are held mainly in corporate and government bonds, with the balance in municipals and privately placed bonds. About two-thirds of corporates are held in the United States. Largest sector holdings include Financials (42%), Industrials (10%) and Utilities (9%). Energy holdings comprise nearly 7% of corporate holdings. The percentage of below investment grade holdings is modest, but has increased in 2015.

Investments - Mortgage Loans and Real Estate: Foresters Financial has reduced its mortgage and real estate holdings in recent years, and now represents only a modest percentage of invested assets. The group participates in a \$50 million pooled real estate fund, which currently is in an unrealized gain position.

HISTORY

Date Incorporated: 07/23/1881

Date Commenced: 07/23/1881

Domicile: Canada

Mergers: Ancient Order of United Workmen of Ontario, 1926; Order of Canadian Home Circles, 1926; Royal Templars of Temperance, 1931; Modern Brotherhood of America, 1931; Catholic Mutual Benefit Association, 1952; Royal Clan, Order of Scottish Clans, 1971; Canadian Foresters Life Insurance Society, 1992; London Area Mobile Physiotherapy Service Limited. (United Kingdom subsidiary), 1996, Unity Life of Canada, 2008. First Investors Life Insurance Company, 2011.

MANAGEMENT

Officers: President and Chief Executive Officer, Anthony M. Garcia; President, Senior Executive Vice President and Chief Executive Officer, Bill Lipkus (FFHC); President and Executive Vice President, Cheryl Neal (North American Life Insurance & Annuity Division); President, Brian A. Isabelle (International Fraternal); Chief Compliance Officer and Chief Legal Officer, Renee Zanic; Executive Vice President and Chief Financial Officer, Paul D. Reaburn; Senior Vice President and Chief Executive Officer, Euan Allison

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(UK Division); Senior Vice President and Chief Risk Officer, Andrew Adie; Senior Vice President and Chief Marketing Officer, Kasia A. Czarski; Senior Vice President, Secretary and Chief Officer, Suanne M. Nielsen (Talent).

Directors: Sonia A. Baxendale, James M. Bowden, Richard M. Freeborough (Chair), Anthony M. Garcia (ex-officio), Brian A. Isabelle, Robert E. Lamoureux, Frank N.C. Lochan, Martha E. Marcon, Laraine J. Morris, David E. Morrison, David R. Saunders, John B. Scott, Michael Stramaglia, Christopher J. Stranahan, Wendy A. Watson.

REGULATORY

An annual review was also conducted by the Office of the Superintendent of Financial Institutions, Canada. Annual audits in the U.K. are conducted by the Financial Services Authority. The 2015 annual independent audit of the company was conducted by KPMG, LLP. The annual statement of actuarial opinion is provided by Ralph Ovsec, FSA, FCIA, MAA, Vice President & Chief Actuary.

Reserve basis: (Current ordinary business): In accordance with the Canadian Asset and Liability Method. Explicit assumptions made for interest, mortality, lapse, expense. Assumptions are updated as indicated by emerging experience. Margins for adverse deviation are added to each assumption.

REINSURANCE

The maximum net retention on any one life is \$1,000,000.

The following text is derived from A.M. Best's consolidated Credit Report on The Independent Order of Foresters (AMB# 067409).

Foresters Financial does not extensively use reinsurance. Retention is \$500 thousand or lower depending on age and ratings. Inforce reinsurance is mostly yearly renewable term designed not to exceed retention. Most prominent reinsurers include SwissRe, RGA and Munich Re. The group did complete a financial reinsurance transaction in First Quarter, 2016 which consisted of a modified coinsurance transaction on certain U.S. Branch inforce universal life and term life policies. As part of its long-term strategy, Foresters Financial will be reviewing its strategic use of reinsurance.

FINANCIAL INFORMATION BALANCE SHEET (\$000) - YE 2015

Assets		Liabilities	
Bonds	4,322,516	Net actuarial liabilities	3,542,264
Common shares	271,351	Accounts payable	44,497
Mortgage loans	717	Other policy liabilities	158,827
Property & equipment	38,797	Other liabilities	72,297
Contract loans	215,050	Segregated funds	76,618
Cash & short-term inv	157,659		
Accounts receivable	14,905	Total liabilities	3,894,503
Accrued invest income	43,266	Policyholders equity	2,290,747
Other assets	1,044,371		
Segregated funds	76,618		
	<hr/>		
Total Assets	6,185,250	Total Liabilities and Surplus	6,185,250

SUMMARY OF OPERATIONS (\$000)

Premiums:		Benefits paid	362,363
Individual life	542,365	Change in reserves	-160,974
Individual annuities	1,643	Pleyhldr divs & refunds	35,404
Acc & sickness individual	4,001	Commissions	128,693
Total premiums	548,009	Gen exp & taxes	160,855
Net investment income	45,411	Other expenses	15,471
Misc income	72,704		
	<hr/>		
Total	666,124	Total	541,812
Income before income tax and other items.....			124,312
Provision for income taxes			199
Income before attribution to participating policies and other items.....			124,113
Net income.....			124,113

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Why is this *Best's*[®] *Rating Report* important to you?

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of insurance companies since 1899.

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