

The Independent
Order of Foresters

Year ended
December 31, 2013

2013 financial highlights

Our financial strength

Financial highlights for the year ended December 31, 2013

(All amounts are in Canadian dollars, unless otherwise stated)

Funds under Management

\$25
billion

Certificates and Contracts In Force

3
million

Total Surplus

\$1.7
billion

Total Comprehensive Income

\$172
million

Sales

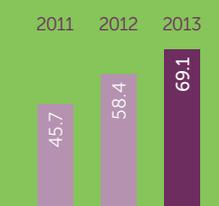
Foresters US Branch
Total Annualized Sales
(US \$ millions)



Foresters US Branch annualized weighted sales* were US \$68 million. Although this is a 15% decrease from 2012, it is largely due to positive actions we took to improve the profitability of Foresters products over the longer term. These actions included product changes and pricing actions in response to the low interest rate environment as well as initiatives designed to improve overall business quality.

We also continued to enhance our US product portfolio to meet the evolving needs of American families. In the US, the two major Foresters insurance products are final expense (PlanRight) and term (Strong Foundation/Lifefirst) but whole life (Advantage Plus) and universal life (SMART UL) are starting to represent an increased proportion of total sales.

First Investors
Consolidated Corporation
Total Annualized Sales
(US \$ millions)



FICC markets mutual funds and life insurance through a dedicated Broker Dealer network.

Total annualized weighted sales were US \$69 million, an increase of 10.2% over 2012.

On an unweighted basis, total mutual fund sales for the year were US \$946 million, up 3.9% from 2012 as the favorable equity markets prompted continued investor interest.

Annualized weighted life and annuity sales (including Foresters products) were US \$22 million, up 27% over 2012. These improvements were driven primarily by sales of annuities including the new variable bonus annuity product, First Choice Bonus Annuity, introduced during 2013.

Foresters Canada
Total Annualized Sales
(CDN \$ millions)

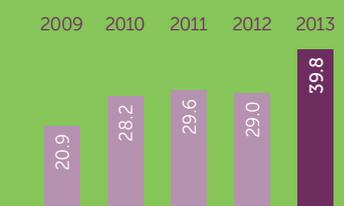


Canadian annualized weighted sales were \$24 million, a 12% decrease from 2012. Some of this decrease is as a result of changes we made to improve the long-term financial stability of the business, including our decisions to withdraw from:

- The preneed line of business in 2013 (\$1.5 million decrease)
- Unprofitable permanent insurance products (\$2.1 million decrease)

These decreases were partly offset by a growth in sales in both the Canada Protection Plan products and the group creditor product line.

Foresters UK
Total Annualized Sales
(UK £ millions)



The United Kingdom annualized weighted sales were £39.8 million, a 37% increase over 2012. The sales force achieved £27.2 million annualized weighted sales of savings and protection products, a 10% increase over 2012.

Direct to customer annualized weighted sales of £9.9 million (£8.2 million from Foresters Fund Management Limited acquired in April 2013 as part of The Children's Mutual acquisition) represented 25% of total annualized weighted sales.

All figures shown in Canadian dollars unless otherwise noted.

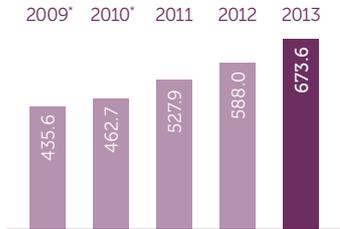
In 2011, Foresters started to report financial results according to International Financial Reporting Standards (IFRS). Prior to 2011, results were reported on a Canadian GAAP basis.

*Annualized weighted sales is a common measure of new business in the life insurance industry.

Key results

Positive results in an ongoing low interest rate environment

Total Premiums (\$ millions)

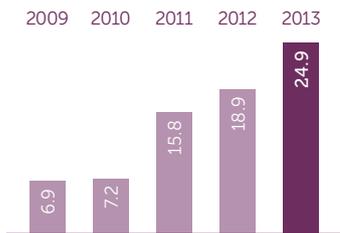


*Restated to reflect impact of IFRS accounting on gross reported premiums.

In 2013, total gross premiums were \$674 million, a 15% increase over 2012.

Premium revenue has increased steadily since 2009 due to organic growth and strategic acquisitions including First Investors Consolidated Corporation in 2011 and The Children's Mutual in 2013.

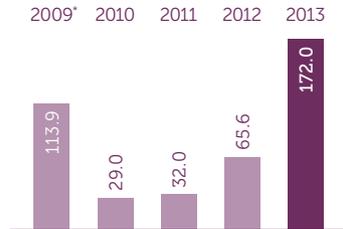
Funds under Management (\$ billions)



Since the acquisition of First Investors Consolidated Corporation (FICC) in 2011, funds under management has become an increasingly important financial measure for Foresters.

In 2013, Foresters funds under management grew by \$6 billion to \$25 billion, a 32% increase over 2012. This increase is due to strong equity markets and good mutual fund sales in FICC and the 2013 acquisition of The Children's Mutual in the UK.

Total Comprehensive Income (\$ millions)

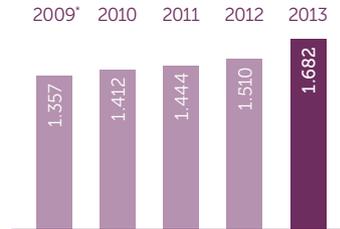


*Pre IFRS accounting standards.

Following the challenges of the market collapse in 2008, Foresters earnings have been positive and have steadily increased since 2010. In 2013, our total comprehensive income was \$172 million.

In 2013, we benefited from an improving economic environment and foreign currency translation gains of \$86 million due to the strengthening of the US dollar and the UK pound relative to the Canadian dollar.

Surplus and Solvency (\$ billions)



*Pre IFRS accounting standards.

Surplus and solvency are two effective ways to measure Foresters long-term financial health.

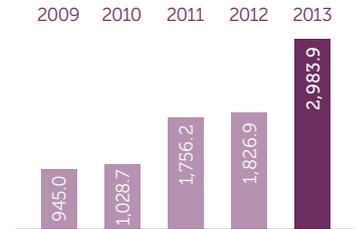
Our surplus is the value of our assets less our financial obligations to members and others. At Foresters, we use our surplus to deliver our fraternal purpose through member benefits and community investment as well as to grow our business through increased sales and strategic acquisitions.

In 2013, Foresters surplus increased to \$1.7 billion due to our strong total comprehensive income as well as the favorable impact of exchange rates on our US and UK operations.

We measure our solvency by determining the ratio of available surplus to required surplus. This ratio is called the Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio. Foresters ratio was 409% at December 31, 2013, well above the most recent average of Canadian life insurers, which was 228% at September 30, 2013.[†]

Foresters healthy surplus and MCCSR ensures our financial strength, and, our ability to continue to meet the insurance obligations of our customers, grow the organization and deliver our purpose.

Certificates and Contracts In Force (thousands)



During 2013 total certificates and contracts in force grew by 1.2 million primarily due to the acquisition of The Children's Mutual in the UK.

Since 2009, the number of in force certificates and contracts has grown by over 2 million to 3 million.

[†]Source: Office of the Superintendent of Financial Institutions Canada (OSFI), Financial Data for Life Insurance Companies, Total Canadian Life Companies, MCCSR, Total capital required/available.

Summary Consolidated Statements of Comprehensive Income

For the year ended December 31, 2013 with comparative figures
for 2012 (In millions of Canadian dollars)

	2013	2012
Revenue		
Gross written premiums	\$ 673	\$ 588
Ceded premiums	(70)	(69)
Net Written Premiums	603	519
Net Investment Income		
Interest and dividends (net)	241	243
Net realized gains	127	127
Net unrealized gains on fair value through profit and loss investments	(461)	74
Net foreign currency losses on available-for-sale assets	5	4
Total Investment Income	(88)	448
Other operating income	215	171
Total Revenue	730	1,138
Benefits & Expenses		
Gross benefits	514	432
Ceded benefits	(34)	(36)
Gross change in insurance contract liabilities	(477)	135
Ceded change in insurance contract liabilities	32	(31)
Dividends	38	37
Commissions	227	241
Operating expenses	298	271
Ceded commissions and operating expenses	(18)	(21)
Fraternal investment	18	17
Total Benefits & Expenses	598	1,045
Income before income taxes	132	93
Income Taxes		
Current	13	14
Deferred	4	-
Total Income Taxes	17	14
Net Income	115	79
Other Comprehensive Income (Loss)		
<i>Items that will not be reclassified to net income</i>		
Remeasurement gains (losses) on employee benefit plans, net of income tax expense	21	(7)
Net unrealized gains on property	1	1
Total items that will not be reclassified to net income	22	(6)
<i>Items that are or may be reclassified subsequently to net income</i>		
Net unrealized gains (losses) on available-for-sale assets, net of income tax recovery (expense) of \$2 (\$nil in 2012)	(57)	33
Reclassification of net realized (gains) losses on available-for-sale assets, net of income tax recovery to net income	6	(15)
Net unrealized foreign currency translation gains (losses)	86	(25)
Total items that are or may be reclassified subsequently to net income	35	(7)
Total Comprehensive Income	\$ 172	\$ 66

Summary Consolidated Statements of Financial Position

As of December 31, 2013 with comparative figures for 2012
(In millions of Canadian dollars)

	Dec 31, 2013	Dec 31, 2012
Assets		
Invested Assets		
Cash, cash equivalents and short-term securities	\$ 191	\$ 237
Bonds	5,657	5,235
Equities	727	499
Mortgages	1	7
Derivative financial instruments	51	64
Other invested assets	116	109
Loans to certificateholders	287	266
Total Invested Assets	7,030	6,417
Reinsurance assets	187	217
Other assets	251	181
Property and equipment	46	34
Employee benefit assets	34	21
Goodwill and intangible assets	260	190
	7,808	7,060
Net investments for accounts of segregated fund unit holders	2,720	1,960
Total Assets	\$ 10,528	\$ 9,020
Liabilities		
Insurance contract liabilities	\$ 5,647	\$ 5,110
Investment contract liabilities	157	156
Benefits payable and provision for unreported claims	126	101
Other liabilities	146	145
Employee benefit obligation	50	38
	6,126	5,550
Investment contract liabilities for accounts of segregated fund unit holders	2,720	1,960
Total Liabilities	8,846	7,510
Surplus		
Retained earnings	1,584	1,469
Accumulated other comprehensive income	98	41
	1,682	1,510
Total Liabilities and Surplus	\$ 10,528	\$ 9,020

Notes to the Summary Financial Statements

1. Basis of Presentation of the Summary of Financial Statements

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

- a. the information in the summary financial statements is in agreement with the related information in the audited financial statements; and
- b. summary 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 statements of financial position and summary consolidated statements of comprehensive income are only a summary of information in Foresters consolidated financial statements for the year ended December 31, 2013. They do not contain sufficient information to allow as full an understanding of the results and state of affairs of Foresters as would be provided by the full consolidated financial statements for the year ended December 31, 2013.

2. Basis of measurement

Foresters consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statements 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 liabilities 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;
- Insurance contract liabilities are calculated using the Canadian Asset Liability Method (“CALM”). CALM 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 is measured at fair value and buildings are carried at fair value less any accumulated depreciation and impairment loss.

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 statements of financial position as at December 31, 2013 and the summary consolidated statements of comprehensive income (loss) for the year then ended, and related notes, are derived from the audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards, of The Independent Order of Foresters for the year ended December 31, 2013. We expressed an unmodified audit opinion on those financial statements in our report dated February 19, 2014.

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 financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of The Independent Order of Foresters.

Management's Responsibility for the Summary 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 audited consolidated financial statements of The Independent Order of Foresters as at and for the year ended December 31, 2013 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 19, 2014
Toronto, Canada

Appointed Actuary's report

The Board of Directors of The Independent Order of Foresters

I have valued the policy liabilities in the consolidated statements of financial position of The Independent Order of Foresters as at December 31, 2013 and their change in the consolidated statements of comprehensive income for the years then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods and I expressed an opinion on these liabilities without reservation in my report dated February 19, 2014.

In my opinion, the amount of the liabilities contained in the accompanying summarized financial statements is consistent with the related complete consolidated financial statements.

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 position, results of operations and cash flows, reference should be made to the related complete consolidated financial statements.



Ralph Ovsec, F.S.A., F.C.I.A.
Fellow, Canadian Institute of Actuaries
Toronto, Canada
February 19, 2014

Important member notices

1. Foresters Report and foresters.com are the official publications of Foresters. Official announcements and information related to your membership, including the constitutional amendments approved at the 2013 International Assembly, are posted on foresters.com under "About Foresters".
2. The full consolidated financial statements are available at foresters.com under "About Us/Financial Strength".

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1. An "A" (Excellent) rating is assigned to companies that have a strong ability to meet their ongoing obligations to policyholders and have, on balance, excellent balance sheet strength, operating performance and business profile when compared to the standards established by A.M. Best Company. A.M. Best assigns ratings from A++ to F, A++ and A+ being superior ratings and A and A- being excellent ratings. In assigning Foresters rating on July 3, 2013, A.M. Best stated that the rating outlook is "stable", which means it is unlikely to change in the near future. See ambest.com for our latest rating.

2. For more details, see the Financial Highlights section under Surplus and Solvency.

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