

The Independent
Order of Foresters

Year ended
December 31, 2015

2015 financial highlights

2015 financial highlights

Financial highlights for the year ended December 31, 2015

(All amounts are in Canadian dollars, unless otherwise stated¹)

With over a 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 and stability.

Sales

United States Total Annualized Life Sales

77
US \$ million



Annualized weighted sales were US \$76.9 million, a 24% increase from 2014 due to strong sales from new and existing distribution channels. The increased sales were distributed across all product lines.

United States - Foresters Financial Holding Company (formerly First Investors Financial Corporation) Total Annualized Sales

141
US \$ million



Fund sales were up 17.5% compared to 2014 driven mainly by interest in the new fund offerings, increased recruiting and the continued growth of our advisory program and tempered during the third quarter by market conditions. Combined life and annuity annualized weighted premiums for 2015 were down 10.0% from 2014.

Canada Total Annualized Sales

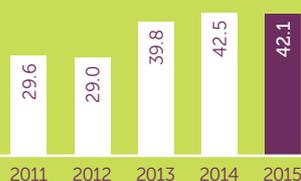
28
CDN \$ million



Annualized weighted sales were \$27.7 million, a 3% increase over 2014. The increase was due primarily to a 40% growth in our Canada Protection Plan channel which benefited from refreshed term product enhancements and pricing, partially offset by a decline in Brokerage sales due to competitive pressures.

United Kingdom Total Annualized Sales

42
UK £ million



Total annualized weighted sales were £42.1 million, a 1% decrease over 2014. £30 million came via our sales force and £12.1 million came from our direct-to-customer channel.

Key results

Total Premiums

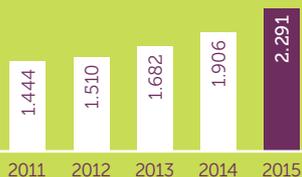
973
\$ million



Total gross premiums were \$973 million, a 17% increase over 2014. The upward trend in premiums is largely due to our growing block of in-force policies.

Surplus

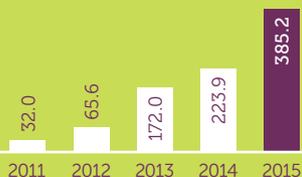
2.3
\$ billion



Foresters surplus increased to \$2.3 billion due to our strong total comprehensive income of \$385 million in 2015. At December 31, 2015 our MCCSR ratio was 428%, well above the Canadian life insurer average of 229% at September 30, 2015.²

Total Comprehensive Income

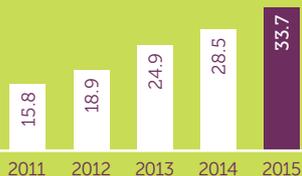
385
\$ million



Total comprehensive income of \$385 million reflects an upward trend in earnings since 2011. In 2015 Foresters total comprehensive income benefited from stronger earnings as well as foreign currency translation gains of \$273 million due to the strengthening of the US dollar and the UK pound sterling relative to the Canadian dollar.

Funds under Management/Administration

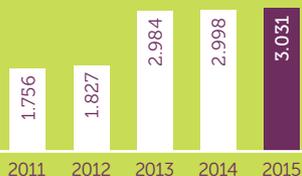
34
\$ billion



Funds under management and administration grew to \$33.7 billion, an 18% increase over 2014. The increase was largely due to the strengthening of the US dollar and the UK pound sterling relative to the Canadian dollar. Excluding the impact of foreign currency, funds under management grew by \$467 million year over year.

Certificates and Contracts in Force

3
million



At December 31, 2015, Foresters had over 3 million certificates and contracts in force. Since 2011, the number of in-force certificates and contracts has grown by well over one million due to the acquisition of The Children's Mutual in the UK and strong sales of our products.

What the numbers mean

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.

Total premiums is the total insurance and annuity premiums paid or owing to Foresters during the year from certificate and contract holders.

Funds under management/administration is the total market value of the assets that we manage and administer on behalf of our members and customers.

Total comprehensive income 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.

Surplus is the value of our assets minus our financial obligations to members and others. A strong surplus position first and foremost gives Foresters 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.

The Minimum Continuing Capital and Surplus Requirements ("MCCSR") 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 is the total number of certificates and contracts that are active or "in force" at The Independent Order of Foresters and its subsidiaries.

² 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, 2015 with comparative figures for 2014 (In millions of Canadian dollars)

	2015	2014
Revenue		
Gross premiums	\$ 973	\$ 832
Ceded premiums	(85)	(75)
Net Premiums	888	757
Net Investment Income		
Interest and dividends (net)	291	263
Net realized gains	168	63
Net change in unrealized gains (losses) on fair value through profit and loss investments	(378)	368
Net foreign currency losses on available-for-sale assets	26	13
Total Investment Income	107	707
Fee Revenue	333	270
Other operating income	17	24
Total Revenue	1,345	1,758
Benefits & Expenses		
Gross benefits	706	639
Ceded benefits	(38)	(35)
Gross change in insurance contract liabilities	(144)	426
Ceded change in insurance contract liabilities	(69)	(24)
Dividends	45	41
Commissions	298	249
Operating expenses	385	353
Ceded commissions and operating expenses	(16)	(14)
Fraternal investment	19	18
Total Benefits & Expenses	1,186	1,653
Income before income taxes	159	105
Income Taxes		
Current	19	1
Deferred	16	1
Total Income Taxes	35	2
Net Income	124	103
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 recovery (expense)	1	(31)
Net unrealized gains on property	5	5
Total items that will not be reclassified to net income	6	(26)
<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 \$1 (\$1) in 2014	(19)	46
Reclassification of net realized (gains) losses on available-for-sale assets, net of income tax recovery to net income	1	(3)
Net unrealized foreign currency translation gains	273	104
Total items that are or may be reclassified subsequently to net income	255	147
Total Comprehensive Income	\$ 385	\$ 224

Summary Consolidated Statements of Financial Position

As of December 31, 2015 with comparative figures for 2014 (In millions of Canadian dollars)

	Dec 31, 2015	Dec 31, 2014
Assets		
Invested Assets		
Cash, cash equivalents and short-term securities	\$ 394	\$ 322
Bonds	7,176	6,450
Equities	856	760
Mortgages	1	1
Derivative financial instruments	1	20
Other invested assets	143	119
Loans to certificate holders	371	317
Total Invested Assets	8,942	7,989
Reinsurance assets	302	217
Accrued investment income	78	69
Deferred acquisition costs on investment contracts	57	44
Other assets	183	164
Property and equipment	62	53
Employee benefit assets	4	8
Goodwill and intangible assets	286	254
	9,914	8,798
Net investments for accounts of segregated fund unit holders	3,746	3,184
Total Assets	\$ 13,660	\$ 11,982
Liabilities		
Insurance contract liabilities	\$ 7,005	\$ 6,362
Investment contract liabilities	172	160
Derivative financial instruments	24	-
Benefits payable and provision for unreported claims	175	134
Other liabilities	184	172
Employee benefit obligations	63	64
	7,623	6,892
Investment contract liabilities for accounts of segregated fund unit holders	3,746	3,184
Total Liabilities	11,369	10,076
Surplus		
Retained earnings	1,811	1,687
Accumulated other comprehensive income	480	219
	2,291	1,906
Total Liabilities and Surplus	\$ 13,660	\$ 11,982

Foresters Report and foresters.com are Foresters official publications. Information about Foresters governance, a members' right to vote and attend Branch meetings, and Foresters Constitution are posted on foresters.com.

International Assembly Notice

Official Notice of the 42nd International Assembly (IA)

Foresters Financial supreme governing body will hold its 42nd quadrennial meeting on June 24, 2017 at the Marriott Marquis in Atlanta, Georgia. The 2017 IA will receive reports on the state of Foresters, review and amend Foresters Constitution, and elect the Board of Directors. This IA meeting is attended by 169 elected Representatives of the Foresters membership.

Nominations for Foresters Board of Directors, 2017–2021 — as required in Foresters Constitution, s 24C, the Board of Directors has appointed a Nominating Committee to identify and recommend candidates for election as Director at the 2017 IA. Interested nominees must be Voting Members with the qualifications, skills and experience which the Board is seeking.

Interested nominees can request more information and/or an application from Suanne Nielsen, Corporate Secretary, at snielsen@foresters.com or by phone at 416 467 2509. While all applications will be acknowledged, only suitable candidates as determined by the Nominating Committee will be interviewed. The deadline for submission of applications is August 31, 2016.

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 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 statement of financial position and summary consolidated statement of comprehensive income are only a summary of information in Foresters consolidated financial statements for the year ended December 31, 2015. 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, 2015.

The full consolidated financial statements are available at foresters.com.

2. Basis of measurement

Foresters 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;
- 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, buildings and investment properties are measured at fair value.

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, 2015, the summary consolidated statement 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 as at and for the year ended December 31, 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our auditors' report dated February 17, 2016.

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

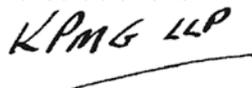
Management is responsible for the preparation of the summary consolidated financial statements in accordance with the basis described in the notes to the summary consolidated financial statements.

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, 2015 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

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, 2015 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 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., M.A.A.A.
Fellow, Canadian Institute of Actuaries
Toronto, Canada
February 17, 2016

Foresters Financial and Foresters are trade names and trademarks of The Independent Order of Foresters (a fraternal benefit society, 789 Don Mills Road, Toronto, Canada M3C 1T9) and its subsidiaries.

Description of member benefits that you may receive assumes you are a Foresters member. Foresters member benefits are non-contractual, subject to benefit specific eligibility requirements, definitions and limitations and may be changed or cancelled without notice.

¹ All figures are in Canadian dollars, unless otherwise indicated. All values have been rounded.

† An "A" (Excellent) Financial Strength 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 2015 A.M. Best upgraded two of Foresters subsidiaries, Foresters Life Insurance Company and First Investors Life Insurance Company (currently Foresters Life Insurance and Annuity Company), from an "A-" (Excellent) to an "A" (Excellent) Financial Strength Rating. In assigning the ratings for The Independent Order of Foresters and its subsidiaries Foresters Life Insurance Company and First Investors Life Insurance Company on July 1, 2015, A.M. Best stated that the outlook for all ratings is "stable", which means they are unlikely to change in the near future. See ambest.com for the latest ratings.

Ronald McDonald House is a registered trademark of McDonald's Corporation or its affiliates and is used with permission.