

2010 Financial Highlights



The Independent Order of Foresters
Year ended December 31, 2010

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2010

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

Foresters financial results in 2010 were exceptional, continuing a trend of the past several years. Despite the difficult economic times since 2008, Foresters has continued to deliver strong revenue and earnings.

THESE SUCCESSES CAN BE ATTRIBUTED TO TWO MAIN FACTORS:

- We have increased our members and our certificates in force thanks to our attractive financial products, which offer good value and meet everyday needs.
- We invest on behalf of our members' premiums carefully and cautiously, which has allowed us to realize good returns on our investments while reducing volatility from the large up-and-down swings that have dominated the financial markets recently.

SALES » 2010 RESULTS WERE UP SIGNIFICANTLY OVER 2009 IN ALL THREE DIVISIONS

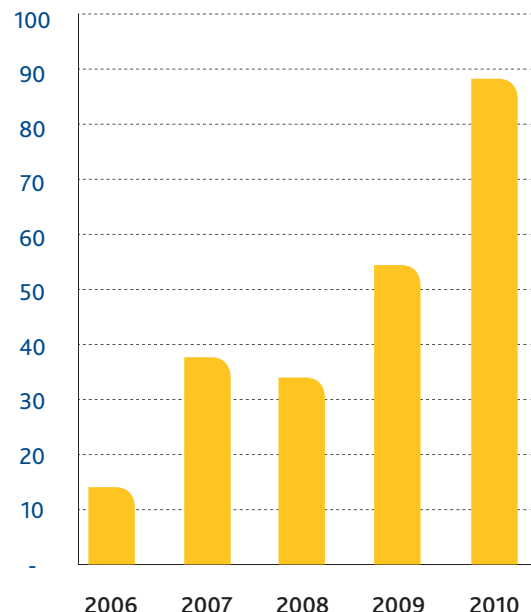
U.S. DIVISION

TOTAL ANNUALIZED SALES

(U.S. \$ Millions)

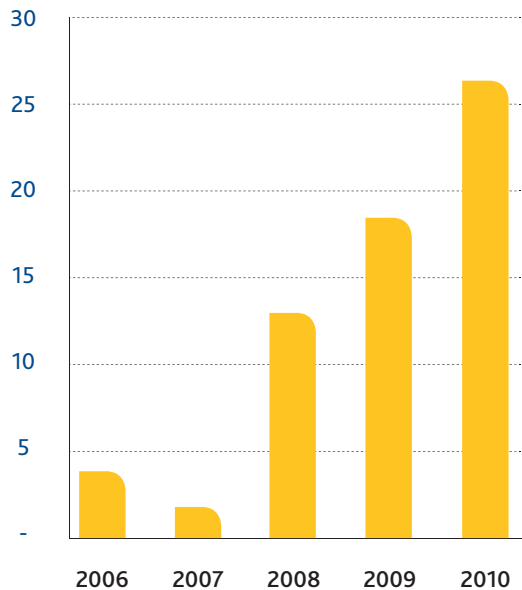
- » United States weighted sales were US\$89 million, a 67% increase over 2009.
- » These sales were exceptionally good when you consider that individual life insurance sales only grew 4% in the U.S. in 2010.*
- » The 2010 results continue the strong growth experienced since moving to selling through independent distribution partners in 2007.
- » Our two major insurance products are mortgage protection (Strong Foundation) and final expense (PlanRight). These products were designed to meet the insurance needs of middle American families.

*Source: Fourth Quarter 2010 LIMRA's U.S. Individual Life Insurance Sales Report



CANADIAN DIVISION TOTAL ANNUALIZED SALES (\$ Millions)

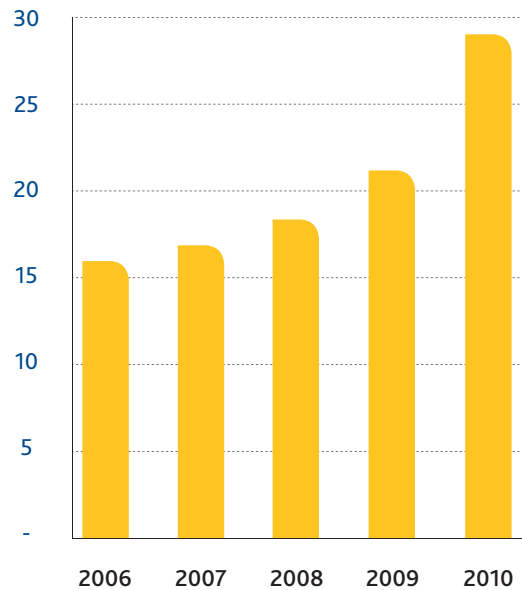
- » Canadian weighted sales were \$25 million, a 37% increase over 2009.
- » These were good results considering Canadian individual life insurance sales grew by 19% in 2010.*
- » Sales in Canada have grown substantially since 2007, starting with the acquisition of Unity Life. Our 2010 growth is partly attributable to purchases of the preneed product prior to the implementation of a new sales tax in mid 2010.
- » Two of the major products in Canada were pre-paid funeral expense products (preneed annuity) and group creditor products.



*Source: Fourth Quarter 2010 LIMRA's Canadian Individual Life Insurance Sales Report

U.K. DIVISION TOTAL ANNUALIZED SALES (U.K. £ Millions)

- » United Kingdom weighted sales were £28 million, a 35% increase over 2009.
- » These were good results considering the U.K. market grew less than 4% in 2010.*
- » Our 2010 results continue a 5 year trend of increasing sales. Our 2010 growth was also due in part to an increase in the personal subscription limits for Individual Savings Accounts (ISAs).
- » The largest proportion of new business was in the form of our unit-linked savings and investment products, which are invested in our Stakeholder Managed Funds.



*Source: The Association of British Insurers Q4, 2010 Summary Table 1 - Summary of New Business Premiums



IMPORTANT MEMBER NOTICE - CONSTITUTIONAL CHANGE

Members play an important role in the governance of our organization.

On April 16, 2011, a Special Meeting of the International Assembly was held in Toronto, Ontario, to vote on amendments to Foresters Constitution. These amendments reflect a new strategy for our organization that will increase opportunities for members to get involved with Foresters in an even more meaningful way. Amendments include providing greater opportunities for all members to participate in and lead community activities, and creating a more effective governance structure. Online voting will also be introduced, to make it easier for members to exercise their voting rights. Members with voting rights can choose to run for election to become elected representatives in Foresters governance system, at both the Branch and Regional level.

As the results of the Special Meeting were not available at the time of publication, Foresters members are encouraged to review these and other changes under the "About Us" section at www.foresters.com and under the "Newsroom" section on the home page.

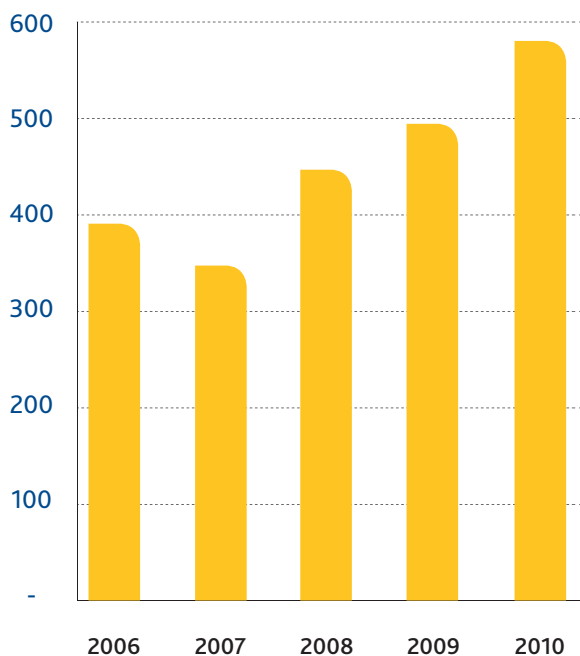
REVENUES

Foresters revenues are a combination of premiums paid by our members on their insurance and annuity certificates and income earned from investments by Foresters.

PREMIUMS

(\$ Millions)

- » In 2010, our total revenue from premiums was \$570 million. Revenue from premiums has grown steadily since 2007.
- » This increase reflects the significant increase in sales of Foresters products over the past five years.



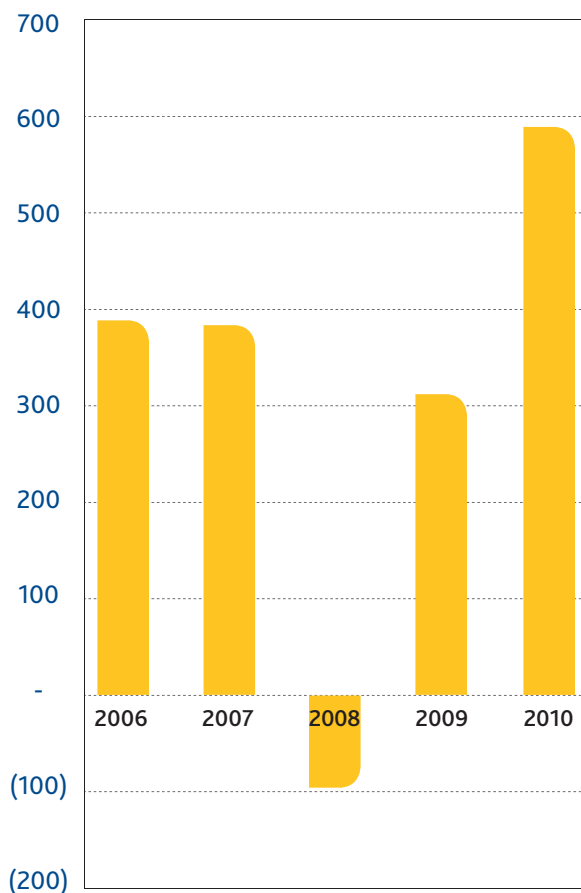
NET INVESTMENT INCOME

(\$ Millions)

Foresters gets a portion of its revenue from investments, which helps to ensure that the benefits our members purchase will be available, often many years into the future. Foresters carefully chooses the assets we invest in to establish that we will have cash on hand to meet our obligations to members. Once those cash needs are met, we are able to invest the excess in securities that give us higher returns over the long term. The combination of these two investment approaches helps us to ensure that Foresters will be solvent for many years into the future.

Foresters is committed to investing prudently, and we adjust our investment strategy according to the current economic conditions. Good quality bonds, rated AA on average, make up 75% of our total invested assets. We invest the remainder to balance security (i.e., certainty of collecting interest) with growth (i.e., good investment returns).

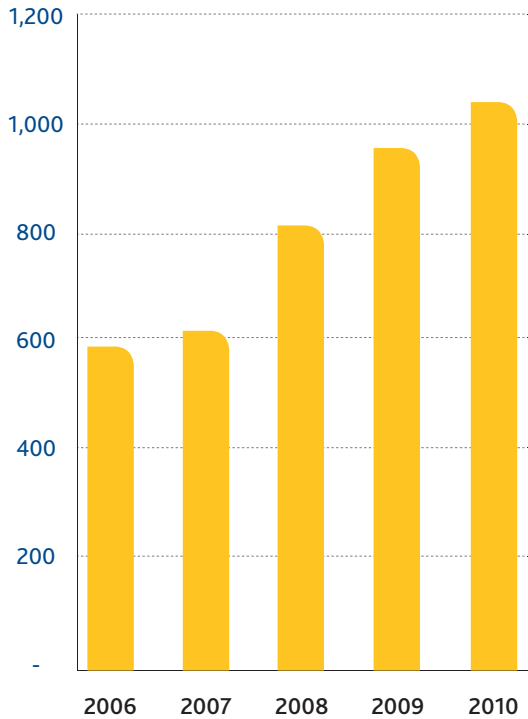
Over the past five years, our investment results have been strong in every year except 2008, when the worldwide economic downturn affected Foresters, as it did other companies.



CERTIFICATES IN-FORCE

(Thousands)

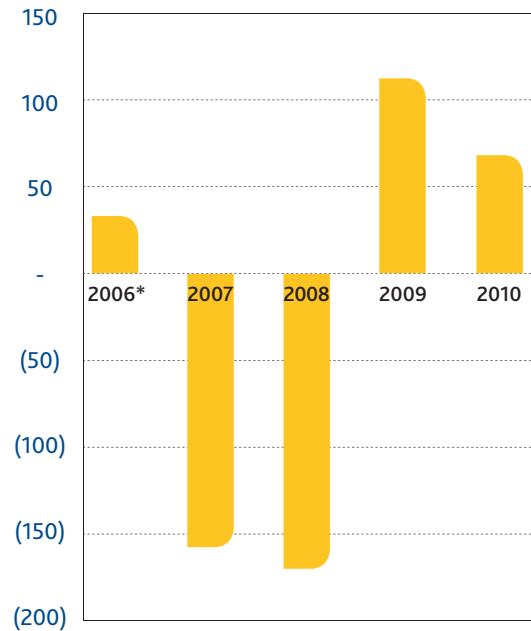
Since 2006, the number of certificates that Foresters has under management has grown 75% to more than 1 million. Yet thanks to economies of scale, our expenses to handle these certificates has only risen 24%. Since a lower portion of your premiums is needed to cover administrative costs, more of it is left over to provide you with benefits and to invest in Foresters financial security.



TOTAL COMPREHENSIVE INCOME (LOSS)

(\$ Millions)

Total Comprehensive Income was \$69 million in 2010. Over the 5 year period, income has been quite volatile, with 2009 and 2010 showing positive results after the significant losses in 2007 and 2008, which were a result of the world-wide economic conditions at that time.



*New accounting standards for financial instruments were effective January 1, 2007. The 2006 balances have not been restated.

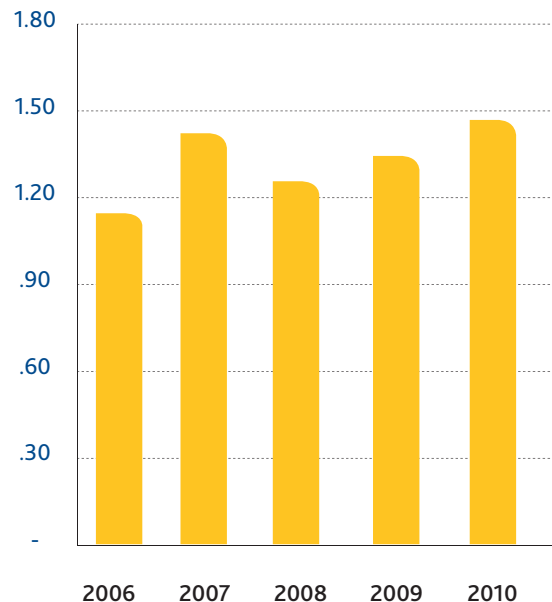
SURPLUS (CAPITAL) AND SOLVENCY

(\$ Billions)

One way of measuring the long-term health of Foresters is by our total surplus. Surplus is a measurement of the value of our assets less our financial obligations to members and others. At Foresters, we use our surplus to deliver our purpose, to grow the business through increased sales and to take advantage of acquisition opportunities.

Surplus is increased by the amount of profit for the year, but it is also affected by the rate of exchange in the three currencies in which we operate, as some assets are held in each currency. Despite the fact that the U.S. dollar dropped significantly in value in 2010, Foresters was able to maintain its surplus at \$1.4 billion, well above the regulator's defined required surplus of just under \$296 million.

Additionally, we measure our solvency by determining the ratio of available to required surplus. This ratio is our Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio, which was 474% on Dec 31, 2010. This ratio is well above the average of Canadian life insurers, which was 235% at the same time. Our very large surplus gives us significant financial strength, and the ability to continue to grow our organization.



SUMMARIZED CONSOLIDATED BALANCE SHEETS

As at December 31, 2010, with comparative figures for 2009 (in millions of Canadian dollars)

	2010	2009
ASSETS		
Investments		
Cash and short-term securities	\$ 272	\$ 110
Bonds and other fixed-term securities	4,629	4,631
Mortgages	8	15
Stocks	953	962
Real estate	26	21
Loans to certificate holders	186	194
Other invested assets	<u>138</u>	<u>132</u>
	6,212	6,066
Other assets	<u>126</u>	<u>107</u>
Total assets	<u>\$ 6,338</u>	<u>\$ 6,172</u>
LIABILITIES AND SURPLUS		
Actuarial liabilities	\$ 4,676	\$ 4,585
Other insurance certificate and contract liabilities	128	122
Other liabilities	92	89
Deferred net gains realized on disposal of investments	<u>16</u>	<u>19</u>
Total liabilities	<u>4,912</u>	<u>4,815</u>
Surplus		
Retained earnings	1,563	1,457
Accumulated other comprehensive income (loss)	<u>(136)</u>	<u>(100)</u>
Total surplus	<u>1,426</u>	<u>1,357</u>
Total liabilities and surplus	<u>\$ 6,338</u>	<u>\$ 6,172</u>

SUMMARIZED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended December 31, 2010, with comparative figures for 2009 (in millions of Canadian dollars)

	2010	2009
REVENUE		
Premiums	\$ 570	\$ 497
Net investment income	590	306
Other income	<u>9</u>	<u>10</u>
	<u>1,169</u>	<u>813</u>
CERTIFICATEHOLDERS' BENEFITS AND EXPENSES		
Certificateholders' benefits	391	387
Change in actuarial liabilities	296	4
Dividends to members	39	43
Agent compensation	143	112
Operating expenses	162	149
Fraternal investment	<u>18</u>	<u>18</u>
	<u>1,049</u>	<u>713</u>
Income before income taxes	120	100
Income taxes	<u>14</u>	<u>4</u>
NET INCOME	<u>\$ 106</u>	<u>\$ 96</u>
Other comprehensive income (loss)	<u>(37)</u>	<u>18</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 69</u>	<u>\$ 114</u>

The summarized consolidated balance sheets and summarized consolidated statements of comprehensive income have been summarized from Foresters consolidated financial statements, which are prepared in accordance with Canadian generally accepted accounting principles to portray in summarized form Foresters financial position and results of operations. Information on consolidated cash flows, segregated funds, significant accounting policies and other explanatory information is not included in the summarized financial statements. The full consolidated financial statements are available at www.foresters.com under About Us/Financial Strength.

REPORT OF THE INDEPENDENT AUDITORS' ON THE SUMMARIZED FINANCIAL STATEMENTS

To the Board of Directors of The Independent Order of Foresters

The accompanying summarized financial statements, which comprise the summarized consolidated balance sheets as at December 31, 2010 and the summarized consolidated statements of comprehensive income for the year then ended, are derived from the audited financial statements of The Independent Order of Foresters for the year ended December 31, 2010. We expressed an unmodified audit opinion on those financial statements in our report dated February 15, 2011.

The summarized financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of The Independent Order of Foresters.

Management's Responsibility for the Summarized Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in the footnote to the summarized statements.

Auditors' Responsibility

Our responsibility is to express an opinion on the summarized 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 summarized financial statements derived from the audited financial statements of The Independent Order of Foresters for the year ended December 31, 2010 are a fair summary of those financial statements, in accordance with the footnote to the summarized statements.



Chartered Accountants, Licensed Public Accountants
February 15, 2011 | Toronto, Canada

APPOINTED ACTUARY'S REPORT

The Board of Directors, The Independent Order of Foresters

I have valued the policy liabilities in the consolidated balance sheet of The Independent Order of Foresters as at December 31, 2010 and, except as noted in the following paragraph, their change in the consolidated statements of income (loss) 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 15, 2011.

I became the Appointed Actuary on January 1, 2011 and have relied upon the previous Appointed Actuary, Paul M. Winokur, for the valuation at December 31, 2009.

In my opinion, the amount of policy 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.



Terence M Mawhinney, F.S.A., F.C.I.A., M.A.A.A.
Fellow, Canadian Institute of Actuaries
February 15, 2011 | Toronto, Canada