

The IOF Foresters...

we're making a difference.



a n n u a l r e p o r t

1999



Celebrating our IOF family

The Independent Order of Foresters (IOF) is one of the world's oldest and largest fraternal benefit societies with over one million members. Since our inception in 1874, the IOF has become an international organization with members located in the United States, Canada and the United Kingdom. We put family and children at the heart of our organization.

Members are our first priority.

The IOF is operated solely for the benefit of our members and their families. The IOF is members helping members. We have no stockholders or owners. Anyone is welcome to join the IOF.

We help our members by offering the security and protection of a range of financial products and services, including life insurance and annuities. Fraternal benefits are also available to our members and their families, especially in time of need. These benefits include competitive scholarship and student grant opportunities, senior benefits, financial support for orphans, and grants to assist in defraying medical expenses.

We make a difference in the community.

We provide members with opportunities for volunteerism and personal development to help them play a meaningful role in their communities. With IOF support, our members have formed a volunteer network with local chapters we call Courts. Members can make a difference for thousands of families in their communities by participating in Court fund-raising events and charitable causes. For example, members rally to assist with our disaster relief program, which aids members and their communities stricken by hurricanes, floods, tornadoes, fires or ice storms. This relief goes beyond sending a check – IOF volunteers also give their time and their hearts to help.

Helping children is our special commitment.

We help children in our members' communities by investing funds and volunteer time in programs that support the health and safety of children and the continuation of family values. In North America, the IOF is a corporate sponsor of Children's Miracle Network, which raises funds to benefit 170 children's hospitals in Canada and the U.S. And, the IOF Foresters Prevention of Child Abuse fund supports community agencies and programs active in child welfare and the prevention of child abuse. In the United Kingdom, U.K. Foresters is the largest corporate supporter of Barnardo's, the leading children's charity. The U.K.'s Foresters Fund for Children also supports children's programs in the communities.

The IOF purpose. We are Members helping Members.

We are committed to:

- Helping members and their families achieve Financial Protection and Security
- Helping members through opportunities for Volunteerism and Personal Development
- Helping our members' communities, and especially children, through the Investment of Funds and Volunteer Time.





Building for 2000 and beyond

Nineteen-ninety-nine marked the 125th anniversary of the founding of The Independent Order of Foresters. The basic IOF ideal – then and now – is members helping members and the community.

That ideal is at the heart of the plans we developed in 1998 to rebuild the IOF, which we're calling the One IOF Strategy. And it's at the heart of the detailed planning we completed in 1999 and of the steps we're taking now to put that Strategy into action.

The One IOF Strategy will strengthen the whole IOF – sales, service and fraternal. We aim to provide our members with financial protection and security through products and services that meet their needs – plus an opportunity to make a difference in the world. Market research tells us that this IOF difference will give us an opportunity to grow again.

The IOF's operations are among the best-capitalized in the insurance industry, so we can make the investment needed to develop that opportunity while continuing to be profitable. In the short term, these investments will be reflected – as they are in our 1999 results – in somewhat lower net income figures, but we expect sales growth to begin later this year, with increased earnings in the years ahead.

Over the next three years, we'll provide improved service and involvement for our members.

- We'll triple our U.S. sales force and add fraternal service agents who will work more closely with our Courts.
- Our newly-structured Canadian sales and marketing organization will provide career member advisors to work with members and Courts.
- In January 2001, we'll launch our new North American Service Center to enhance our service to members.
- Our Courts will begin to grow again with new and more inclusive fraternal activities.
- We'll see increased sales and productivity in the U.K. The changes we've made are already delivering better operating results in that market.
- We're making a significant investment in new technology to enable our field forces, Service Center and Courts to improve service to our members.
- Our community investment program will grow. The IOF's partnerships with Barnardo's Children's Charities in the U.K. and Children's Miracle Network in North America will raise the Foresters' profile and multiply our ability to help children.
- We'll invest more through our Court system to strengthen our local presence and community involvement.

Our plans to rebuild for the future are firmly established and we're making real changes. I believe there is a new excitement and sense of commitment across the IOF. Thank you for helping to make our renewed growth possible.



Michael J. White
President and CEO

Future Foresters will look
back on 1999 as the year
we built the foundation
for the IOF's growth
in the new millennium.

Making the right choices

Times have changed since the IOF was first established. And we know – based on our discussions with our members, and from our own research – that our members' needs and expectations have also changed.

In 1998, we identified what is required to meet our members' changing needs and to ensure our future – a strong foundation built upon a truly integrated sales, service and fraternal organization that keeps our members' needs at the forefront of everything we do. In response, 1999 was a year of planning and building: planning the changes we will make to continue to meet our members' needs, and building our foundation for the future.

We're building an integrated sales, service and fraternal organization that puts our members' needs first.

In the pages that follow we present some of our progress towards this goal in 1999 and our plans for 2000 and beyond.

While we're making many changes for the better at the IOF – particularly in the areas of member service, responding to our members' financial needs, and fraternal benefits – one thing that will never change is our commitment to making a special difference in the lives and communities of our members, including our particular focus on children's causes.

At the IOF, we stand by our promise of members helping members. As we look back at some of our key accomplishments in 1999, and look ahead to 2000, we'll ultimately measure our success by how well we live up to that promise.





Meeting members' financial needs

Our members and our research have made it very clear. While competitive insurance and investment products are important, members also want the peace of mind that comes with personalized service from a trusted advisor. They want to discuss their financial future with IOF agents who have top-notch skills, training and experience.

In 1999, the IOF responded to this desire by examining how effectively we were delivering on these key requirements. While the approaches we've taken in the U.S., Canada and the U.K. vary, it was a year of thorough analysis and planning to reach the same end across the organization – field forces positioned to meet members' overall financial needs, while also sharing our unique commitment to fraternal goals.

In the U.S., we're enhancing our field force substantially. We're adding new fraternal agents and fraternal service agents, who will work more closely with our Courts to recruit new IOF members, while continuing to serve the financial and fraternal needs of existing members. Agents and managers are also benefiting from our field force development program, which is helping our field representatives provide members with excellent service.

In Canada, we've made extensive changes to our field structure. We have a new field leadership team, including learning and development associates, who will recruit, train and guide a strong new contingent of member advisors. Our new salary-based member advisors will complete specific training for professional designations, making them better prepared to help meet members' overall financial needs through comprehensive financial planning.

In the U.K., our Life sales force is planning, during 2000, to double the number of advisers, while continuing to increase productivity. Each Court area in the U.K. will have at least one adviser assisting in overall membership service. We will be developing tax-efficient savings and retirement products on the Life side and producing tailor-made corporate schemes for Health. Members will also be able to make appointments with advisers and apply for Health products over the Internet.

Our new North American Service Center for members, supported with state-of-the-art technology, is due for launch in January 2001. It will complement and support service provided by our U.S. and Canadian field forces by offering members a variety of new service options. In all three countries, members will also benefit from new technology used by our field representatives to help identify members' financial needs and match them with products and services.

At the IOF, we're working closer together for our shared future.

Our field forces are positioned
to meet members'
financial needs and
share our commitment
to good works.





Service designed for members

We want to provide our members with exceptional service that will help to foster a long and satisfying relationship with the IOF.

We're developing a new approach to serving our members – one that will offer various service options with a personalized touch. We are combining new service roles with sophisticated technologies and intensive training, so we can get to know our members better and serve them with greater care than ever before.

We are building the skills, technologies and capabilities we must have to deliver excellent service.

In addition to increasing the size of our field forces in the U.S., Canada and the U.K., we're expanding the service roles of our field representatives. In the U.S., we're adding new fraternal service agents to ensure that our members' financial and fraternal needs are well served over time. In all three countries, IOF agents will help to connect members with local Court activities in their communities.

Our new North American Service Center, to be launched in January 2001, will complement and support service provided by our field forces. During 1999, we laid the groundwork by building the skills, technologies and capabilities we must have to deliver excellent service levels to members.

We have completed our new technology infrastructure, a large part of which will support the new Service Center with state-of-the-art data and communications systems. The new technology will also support our new Member Relationship Management (MRM) system, to be phased in during 2000 and 2001.

The MRM system will present a complete picture of each member, enabling service representatives to quickly provide information requested by members about certificates, fraternal benefits and local Court activities. For members who prefer electronic services, the Service Center will also offer access to various service options via telephone, fax and e-mail.

Service becomes excellent service when it serves our members best.





Growing through giving

During 1999, the IOF once again demonstrated its concern for others by helping to brighten the lives of countless numbers of children and families in need. Across North America, our members gave more than 1.75 million volunteer hours and raised in excess of \$1 million (Cdn.) for charitable causes. In the U.K., our members gave 80,000 volunteer hours and made an overall contribution of £200,000 to Barnardo's, the U.K.'s largest children's charity.

In North America, Children's Miracle Network (CMN) received more than \$4.6 million (U.S.) from the IOF, and in 2000, our goal is to reach \$6 million (U.S.). These resources are helping to make a difference in the lives of more than 14 million children and their families. The funds for CMN comprised both IOF donations as well as monies raised through IOF-sponsored programs such as our celebrity print series and radiothon. In addition, our local Courts donated more than \$175,000 (U.S.) to Children's Miracle Network-affiliated hospitals through the Bowling for Miracles program.

We also continued our commitment to the well-being of children through the IOF Foresters Prevention of Child Abuse Fund. In 1999, we helped to contribute more than \$100,000 (U.S.) in grants to community agencies that share our dedication to ending child abuse.

As we look to the coming year, we expect our fraternal efforts to gain momentum. We are designing a new fraternal benefits package to meet our members' changing needs. Throughout 1999, with the help of members and consumer research, we short-listed those benefits that we believe will be most valuable to our members. Next we'll test these benefits, again with the input of members: full details of our new fraternal benefits package will be unveiled this fall.

The good works that our fraternal family achieved together in 1999 are a continuing strength. With an increased investment in our Courts and a renewed investment in our communities in 1999 and beyond, we're growing from strength to strength through giving.

The good works that
our fraternal family
achieves together are
a continuing strength.



*IOF check is presented
at the 1999 CMN
Broadcast in Orlando,
Florida, by Ken Peterson,
Supreme Chief Ranger,
and one of our
Canadian CMN
Champion children,
Jessica Maiato.*





1999 financial highlights

Financial results in 1999 were down compared to last year's buoyant figures – the result of several factors, including the significant expenses associated with our new One IOF Strategy implementation and remediation of our class action suit, as well as our field reorganization in North America and its dampening effect on premium revenue.

Nevertheless, we are very strong financially. Our strong investment income results continued. We continued to invest heavily in our communities, the quality of our investment portfolio continued to improve, and our financial strength ratings and high level of surplus – key indicators of our ability to fulfill our financial commitment to members – continue to be excellent.

A.M. Best Co. has affirmed the IOF's A- (Excellent) rating, and our rating outlook has been changed from stable to positive.

– A.M. Best Company
Oldwick, New Jersey
May 8, 2000

Summary

- Net income was \$38 million, down from \$90 million due to marginally lower income and significant one-time expenses.
- Premium income declined slightly in the year with first-year premiums lower from the effect of field force reorganization in Canada and the U.S. First-year premiums in the U.K. continued to increase rapidly.
- Investment income increased, albeit at a much slower rate than in 1998. Strong equity markets were, again, the major factor.
- Benefits to members were marginally lower compared with last year. A more stable annuity product portfolio resulting from more competitive interest rates led to fewer policy surrenders.
- Operating expenses and commissions were higher in the year in North America, however they decreased in the U.K. The expense increase resulted from costs associated with the management of the Court-approved settlement of our U.S. class action suit, and Y2K remediation efforts. All costs for the remediation of the class action have been expensed in 1999 and prior years. Our Y2K efforts were successful and no significant disruptions to operations were experienced.
- Fraternal benefits paid to our members and community investment during the year totaled \$17 million.
- Strategy implementation costs, a new category of expenditure, totaled some \$28 million. There were no comparable costs in 1998. These expenditures represent costs for the implementation of the One IOF Strategy. Total costs for this effort will reach \$160 million expended over the period of 1999 to 2003.

at a glance

\$ Canadian (in millions)	
Total premiums (insurance)	319
Net Income	38
Surplus	1261



CONSOLIDATED STATEMENT OF INCOME (summarized)

December 31, 1999, with comparative figures for 1998 (In thousands of Canadian dollars)

	1999	1998
Revenue:		
Premiums	319,383	331,666
Net investment income	480,398	476,657
Other income	23,425	24,936
	\$ 823,206	833,259
Policy benefits and expenses:		
Policy benefits	444,698	450,433
Provision for future policy benefits	13,298	13,059
Strategy implementation costs	28,394	-
Dividends	52,367	51,171
Operating expenses and commissions	221,745	214,483
	\$ 760,502	729,146
Income before income taxes	62,704	104,113
Income taxes	24,457	14,413
Net income	\$ 38,247	89,700

CONSOLIDATED BALANCE SHEET (summarized)

December 31, 1999, with comparative figures for 1998 (In thousands of Canadian dollars)

	1999	1998
Assets		
Investments:		
Cash and short-term securities	192,679	337,441
Bonds and other fixed-term securities	3,726,197	3,651,893
Mortgages	458,840	592,018
Common and preferred shares	1,164,485	1,283,954
Real estate	172,928	179,984
Loans to policyholders	265,758	290,826
Other invested assets	14,376	19,269
	5,995,263	6,355,385
Other assets	99,533	106,755
	\$ 6,094,796	6,462,140
Liabilities and Surplus		
Policy liabilities:		
Policy benefits under insurance certificates	3,196,371	3,307,613
Policy benefits under annuity contracts	871,626	995,619
	\$ 4,067,997	4,303,232
Other insurance certificate and contract liabilities	95,263	107,521
Other liabilities	71,499	108,818
Deferred net gains realized on disposal of investments	599,206	658,760
Surplus	1,260,831	1,283,809
	\$ 6,094,796	6,462,140

Investments and surplus

We continued to improve the quality of our investment portfolio, consisting of high quality bonds, average rating "AA", and good quality mortgages representing, 61% and 8%, respectively of our assets. Our equity holdings, the largest portion of which is in the U.S., are invested in a Standard & Poor's 500 indexed portfolio.

Our surplus position remains very strong. The small surplus decrease resulted from a strengthened Canadian dollar, which negatively impacts our results, as most of our assets are in U.S. dollar-denominated investments. Our financial strength, measured by our ability to pay claims, remained above most industry benchmarks. Our "A-" (Excellent) rating with A.M. Best Co. has been affirmed, and our rating outlook has been changed from stable to positive.

An A- (Excellent) rating is assigned to companies which have a strong ability to meet their ongoing obligations to policyholders, and have, on balance, excellent financial strength, operating performance and market profile when compared to the standards established by the A.M. Best Company.

Consolidated statement of income and consolidated balance sheet shown at left are summarized, and show figures for the year ended December 31, 1999, with comparative figures for 1998.

Please turn the page for auditors' and appointed actuary's reports.

Auditors' and Appointed Actuary's Reports

Auditors' Report

Members of the Executive Council, The Independent Order of Foresters:

The accompanying consolidated balance sheet (summarized) and consolidated statement of income (summarized) are derived from the complete consolidated financial statements of The Independent Order of Foresters ("IOF Foresters") as at December 31, 1999 and for the year then ended on which we expressed an opinion without reservation in our report dated February 15, 2000. The fair summarization of the complete consolidated financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the summarized consolidated financial statements.

In our opinion, the accompanying consolidated financial statements (page 9) fairly summarize, in all material respects, the related complete consolidated financial statements in accordance with the criteria described in the Guideline referred to above.

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

KPMG LLP

Chartered Accountants
Toronto, Canada
February 15, 2000

Appointed Actuary's Report

Members of the Executive Council, The Independent Order of Foresters:

I have valued the policy liabilities of The Independent Order of Foresters for its complete consolidated balance sheet as at December 31, 1999 and their change in its consolidated statement of income for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods and expressed an opinion on these liabilities without reservation in my report dated February 15, 2000.

In my opinion, the amount of policy liabilities contained in the accompanying summarized financial statements (page 9) 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 the IOF Foresters' financial position, results of operations and cash flows, reference should be made to the related complete consolidated financial statements.

Paul M. Winokur

Paul M. Winokur
Fellow, Canadian Institute of Actuaries
Toronto, Canada
February 15, 2000



Hugh Lindsay (left) and Ken Peterson will take on different roles as of July 1, 2000.

Supreme Chief Ranger Ken Peterson to retire

Ken Peterson has decided to retire as Supreme Chief Ranger June 30 due to health problems. A member of the IOF for 45 years, Ken has served our members, Courts and Society with distinction. He will continue to serve on the Board of Directors and return to his former post as Chair of the Havens Commission.

Hugh Lindsay appointed new Supreme Chief Ranger

Hugh Lindsay has been appointed Supreme Chief Ranger, effective July 1, by a vote of the Board of Directors, as provided in our Constitution and Laws. A dedicated fraternalist, and Past Supreme Chief Ranger, Hugh has been an IOF member for 38 years and has served on the Board of Directors since 1985.



Board of Directors

Kenneth C. Peterson
Littleton, Colorado

William B. Foster
Moline, Illinois

Michael J. White
Toronto, Ontario

Hugh F. Lindsay
Surrey, British Columbia

Peter Daly
Toronto, Ontario

Helen R. Sullivan
Anaheim, California

Robert W. McQueen
Toronto, Ontario

L. Maureen Morrison
Edmonton, Alberta

Charles G. Cale
Los Angeles, California

W. Ross Walker
Toronto, Ontario

Leon Ellis
Boca Raton, Florida

Patrick W. Kenny
West Hartford, Connecticut

J. Christopher Wansbrough
Toronto, Ontario

Barbara J. McDougall
Toronto, Ontario

Ronald Earwaker
Surrey, U.K.

The IOF was saddened by the sudden passing of Board Member Ronald Earwaker earlier this year.

Senior Management Team

Michael J. White
President and CEO

Kenneth C. Peterson
Supreme Chief Ranger

Chris Dingman
Senior Vice President
Member Service Delivery

Nicholas J. DiRenzo
Senior Vice President
Sales and Marketing -
Canada

George Habib
Senior Vice President
Fraternal

Lynn Haight
Senior Vice President
Risk Management

Glenn Hymers
Senior Vice President
Sales and Marketing -
U.S.

Peter Oakes
Senior Vice President and
Chief Financial Officer

Peter Robinson
Senior Vice President
U.K. Business Strategy

Suanne Thuman Nielsen
Senior Vice President
Human Resources
and Communications

William (Bill) Valiquette
Senior Vice President
Corporate Governance
and Executive Secretary

Paul Winokur
Senior Vice President
and Chief Actuary



*Back row (from left):
Peter Robinson, Chris
Dingman, Paul Winokur,
Nick DiRenzo, Peter
Oakes, Glenn Hymers,
George Habib, and
Lynn Haight*

*Front row (from left):
Bill Valiquette, Suanne
Thuman Nielsen and
Mike White*

Ken Peterson is shown
on facing page with
Hugh Lindsay.



IOF FORESTERS

THE INDEPENDENT ORDER OF FORESTERS

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PRINCIPAL SUBSIDIARIES

FORESTERS EQUITY SERVICES, INC. (FESCO) (U.S.)
WEB ADDRESS: www.forestersequity.com

FORESTER HEALTH (U.K.)
WEB ADDRESS: www.foresterhealth.co.uk

FORESTER LIFE LTD. (U.K.)
WEB ADDRESS: www.foresterlife.co.uk



TYPESETTING AND DESIGN - CREATIVE SERVICES, IOF TORONTO

a n n u a l r e p o r t
1999