

BEST'S RATING REPORT



The Independent Order of Foresters

789 Don Mills Road, Toronto, Ontario, Canada M3C 1T9

AMB #: 060132

NAIC #: N/A

AIIN#: AA-1560109

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The Independent Order of Foresters

Report Release Date:

September 14, 2018

Rating Effective Date:

August 2, 2018

Disclosure Information: View A.M. Best's [Rating Disclosure Form](#)

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Ultimate Parent: [060132 - The Independent Order of Foresters](#)
A.M. Best Rating Unit: [067409 - Independent Order of Foresters](#)

Best's Credit Ratings:

Rating Effective Date: August 2, 2018

Best's Financial Strength Rating:	A	Outlook:	Stable	Action:	Affirmed
Best's Issuer Credit Rating:	a+	Outlook:	Stable	Action:	Affirmed

Five Year Credit Rating History:

Date	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
	Rating	Outlook	Action	Rating	Outlook	Action
08/02/2018	A	Stable	Affirmed	a+	Stable	Affirmed
09/01/2017	A	Stable	Affirmed	a+	Stable	Affirmed
08/19/2016	A	Stable	Affirmed	a+	Stable	Affirmed
07/01/2015	A	Stable	Affirmed	a+	Stable	Affirmed
07/02/2014	A	Stable	Affirmed	a+	Stable	Affirmed

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 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. Membership in 2017 is about 2.1 million individuals.

Corporate Overview: (Continued...)

Foresters Financial measures its success not only through financial strength, but also by the positive impact it has in the community, and strives 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, the American Red Cross and Cash4Kids.

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 UKSIP 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.

In 2016, Foresters Financial acquired 100% of the shares of Aegon Capital Management Inc. (ACM) and Aegon Fund Management Inc. (AFM). These entities were amalgamated into one company and renamed Foresters Asset Management Inc. (FAM). Management believes this will provide a platform to build its mutual fund business in Canada and provide retail distribution to its target mark.

Corporate Structure

AMB#	Company Name	Domicile	Percentage Own (%)
060132	Independent Order of Foresters	Canada	
051541	Foresters Finl Hldg Co Inc	DE	100
006413	Foresters Life Ins & Annuity	NY	100
055508	Forester Holdings (Europe) Ltd	United Kingdom	100
087352	Forester Life Limited	United Kingdom	100
066847	Foresters Life Insurance Co	Canada	100

Rating Rationale:

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

Balance Sheet Strength: Strongest

- Strongest assessed risk-adjusted capitalization per the BCAR. Capital is also significantly higher than the minimum required capitalization standards across Canada, the United Kingdom and the United States.
- Good quality of capital, with overall good credit quality of invested assets, no financial leverage and moderate use of reinsurance.
- Strong liquidity ratios to meet cash needs in immediate and ongoing scenarios.
- Significant percentage of liabilities dependent on interest rates and/or equity markets.

Operating Performance: Adequate

- Generated positive but fluctuating operating earnings in recent years, with the most profitable line being individual life.
- Change in unrealized foreign currency gains or losses have added an element of volatility to comprehensive income, partially mitigated through the use of a foreign currency hedge.
- Fee revenue, which is earned on Foresters Financial's variable products, savings product and asset management, is impacted by equity market movements.
- Modest premium growth in recent years.

Business Profile: Neutral

- Diversified business profile in terms of product offerings, distribution and geographic reach.
- Outside of the United States, the IOF's affiliated companies hold a relatively small market presence.
- Some management changes over the past several years, but they are not expected to impact the overall corporate strategy.
- Has shown good progress in integrating its acquired companies and blocks of business.

Enterprise Risk Management: Appropriate

- Independent Order of Foresters has a well-developed risk management program which includes an evaluation of proposed actions and their impact on risk-adjusted capitalization.
- Management has a strong awareness of the risks facing the enterprise. Globally, risk management capabilities are appropriate for its risk profile.
- The company is challenged to implement a consistent enterprise risk management approach across three different countries, but has built this into their ERM framework.
- Recent management changes will challenge the company to remain in line with its master strategy.

Outlook

The stable outlooks reflect the Independent Order of Foresters strongest balance sheet assessment.

Rating Drivers

Negative rating action may occur if there is significant deterioration in risk-adjusted capitalization.

Negative rating action may occur if a trend of operating losses develops.

Financial Data Notes:

Time Period: Annual - 2017

Status: A.M. Best Quality Cross Checked

Data as of: 07/03/2018

Key Financial Indicators:**Key Financial Indicators (000)**

	Year End - December 31				
	2017	2016	2015	2014	2013
Assets (\$000)	6,185,950	6,134,418	6,185,250	5,390,460	4,729,910
Capital & Equity	2,030,578	2,118,768	2,290,747	1,905,546	1,681,691
AOCI (\$000)	256,980	383,247	479,894	218,806	97,724
Net Premiums Written (\$000)	691,170	627,836	548,009	423,658	363,460
Net Investment Income (\$000)	344,557	224,816	45,411	412,213	-89,086
Income Before Attribution to Participating Policyholders (\$000)	38,077	-75,332	124,113	102,773	114,861

Source: Bestlink - Best's Statement File - L/H, Canada

Local Currency: Canadian Dollar

Credit Analysis:**Balance Sheet Strength****Capitalization:****Capital Generation Analysis**

	Year End - December 31				
	2017	2016	2015	2014	2013
Pre-tax Adjusted Gain (\$000)	38,698	-74,475	124,312	78,140	119,001
Income Taxes (\$000)	621	857	199	-24,633	4,140
Other Changes (\$000)	-126,267	-96,647	261,088	121,082	57,207
Change in Capital & Equity (\$000)	-88,190	-171,979	385,201	223,855	172,068
Capital & Equity (%)	-4.2	-7.5	20.2	13.3	11.4

Source: Bestlink - Best's Statement File - L/H, Canada

Local Currency: Canadian Dollar

Liquidity Ratios (%)

	Year End - December 31				
	2017	2016	2015	2014	2013
Quick Liquidity (%)	5.6	7.6	8.7	7.6	6.4
Current Liquidity (%)	115.8	120.7	125.3	123.7	120.6

Source: Bestlink - Best's Statement File - L/H, Canada

Capitalization: (Continued...)**Leverage Analysis (%)**

	Year End - December 31				
	2017	2016	2015	2014	2013
Capital & Equity to Liabilities	48.9	52.8	58.8	54.7	55.2
NPW to Capital	0.3	0.3	0.2	0.2	0.2
Change in NPW	10.1	14.6	29.4	16.6	13.7

Source: Bestlink - Best's Statement File - L/H, Canada

Operating Performance**Underwriting Results:****Profitability Test (%)**

	Year End - December 31					5-YR Avg/Total
	2017	2016	2015	2014	2013	
Benefits Paid to NPW	58.4	58.6	66.1	75.1	74.0	64.8
Commissions & Expenses to NPW	48.7	52.0	49.4	56.2	65.4	53.1
Net Income to Total Assets	0.6	-1.2	2.2	2.1	2.5	1.1
Net Income to Total Revenues	3.3	-8.6	18.6	11.3	36.4	7.8
Net Income to Equity	1.8	-3.4	5.9	5.7	7.2	3.1
Yield on Invested Assets	7.04	4.51	0.95	10.33	-2.22	4.13

Source: Bestlink - Best's Statement File - L/H, Canada

Business Profile

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

Foresters Financial operates with three business segments, North American Life Insurance & Annuity (NALIA), North American Asset Management (NAAM), and the United Kingdom Savings, Investments and Protection segments (UKSIP). 2017 consolidated weighted sales in percentage terms are: NAAM (37%), Foresters U.S. Branch (26%), UKSIP- (20%), Canada (11%) and FLIAC (6%). Membership at year-end, 2017 consists of 2.1 million members.

NALIA is comprised of Foresters Life Insurance & Annuity Company (FLIAC), Independent Order of Foresters U.S. and Canadian Branch and Foresters Life Insurance Company (FLIC). Approximately 40% of direct written premiums in the United States are generated from the states of New York, California, Florida, Texas and New Jersey.

The U.S. Branch includes U.S. life insurance and fraternal operations, and offers both participating and non-participating products. One of the best sellers in recent years is their PlanRight final expense product, but sales in percentage terms have declined as Foresters has diversified their sales. Distribution is through NMO's, BGA's, NAA's and Foresters Financial Services.

FLIAC supports Foresters Financial by marketing variable life and annuity products to the U.S. middle market. Life products offered include variable life, variable universal life and interest-sensitive whole life. Annuities offered include a longevity deferred annuity, variable annuities, fixed deferred annuities and immediate annuities. A majority of liabilities are in separate accounts, in which FLIAC has limited exposure to guaranteed minimum death benefits.

Distribution is through 900 registered representatives.

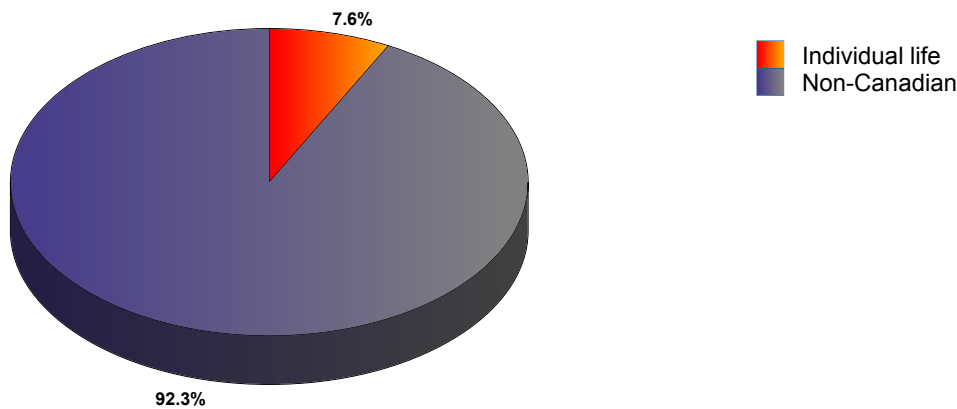
FLIC markets whole life, term and annuity products, with most of the distribution through the Canada Protection Plan Program.

The NAAM management structure consists of Foresters Financial Holding Company and Foresters Asset Management Inc., which is formerly the acquired business of Aegon Capital and Aegon Fund Management. In the U.S., NAAM markets mutual funds under the First Investors family of funds, with 2017 assets under management of \$13 billion. Foresters Asset Management Inc.'s 2017 assets under management are \$10.7 billion CAD. NAAM Canada markets retail mutual funds under the imaxx brand.

Business in the UKSIP segment consists mostly of unit-linked savings products, but also markets pensions, protection products and annuities. In recent years, UKSIP sought to grow by purchasing blocks of business, but is now more reliant on organic growth. A large acquired block, the Childrens' Trust Fund, was just transitioned to the UKSIP platform in 2017 which is expected to result in significant cost savings. Assets under management in 2017 is about £3.5 billion GBP. Savings oriented products are sold either through direct marketing or customer initiation.

In 2015, the Independent Order of Foresters rebranded to Foresters Financial to reflect their mission to provide life, annuity and financial services to its members. The rebranding also has allowed the society to adhere to its sense of community and volunteerism since its founding in 1874.

2017 Top Product Lines of Business (Net Premiums Written)



Source: Bestlink - Best's Statement File - L/H, Canada

2017 By-Line Business

Product Line	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written	
	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)
Individual life	39,931	5.5	14,372	100.0	1,441	3.0	52,862	7.6
Individual annuities	252	...	...	...	...	...	252	...
Individual A&S	12	...	...	...	...	...	12	...
Non-Canadian	684,039	94.4	...	...	45,995	97.0	638,044	92.3
Total	724,234	100.0	14,372	100.0	47,436	100.0	691,170	100.0

Source: Bestlink - Best's Statement File - L/H, Canada

Local Currency: Canadian Dollar

Geographical Breakdown By Direct Premium Writings

	2017	2016	2015	2014	2013
Out of Canada	684,039	621,054	540,827	413,822	354,167
Ontario	25,148	22,017	20,093	18,988	17,839
British Columbia	4,545	4,528	4,435	4,169	4,139
Alberta	4,319	4,444	4,531	4,360	4,492
Quebec	4,023	2,999	2,457	2,237	2,076
Manitoba	900	923	920	949	903
Saskatchewan	560	562	579	587	609
Nova Scotia	448	454	459	445	439
New Brunswick	176	181	192	192	213
Newfoundland and Labrador	73	54	37	36	29
All Other	3	2	1	1	...
Total	724,234	657,218	574,531	445,786	384,906

Source: Bestlink - Best's Statement File - L/H, Canada

Local Currency: Canadian Dollar

Financial Statements:

Balance Sheet:

Balance Sheet:

Admitted Assets	Year End - December 31	
	2017 (\$000)	2016 (\$000)
Bonds	4,370,568	4,333,690
Common shares	211,150	241,631
Mortgage loans	278	504
Property & equipment	41,626	38,990
Contract loans	204,034	210,643
Cash & short-term inv	89,257	143,902
Accounts receivable	12,311	7,598
Accrued invest income	41,862	42,336
Other assets	1,134,808	1,035,423
Segregated funds	80,056	79,701
Total Assets	6,185,950	6,134,418

Liabilities & Surplus	Year End - December 31	
	2017 (\$000)	2016 (\$000)
Gross actuarial liabilities	3,774,602	3,641,534
Accounts payable	49,071	63,173
Other policy liabilities	145,925	143,778
Other liabilities	105,718	87,464
Segregated funds	80,056	79,701
Total Liabilities	4,155,372	4,015,650
Policyholders equity	2,030,578	2,118,768
Total Liabilities and Equity	6,185,950	6,134,418

Source: Bestlink - Best's Statement File - L/H, Canada

Local Currency: Canadian Dollar

Summary of Operations:**Summary of Operations (000)**

Statement of Income	2017 (\$000)	Expenses	2017 (\$000)
Premiums:		Benefits paid	403,438
Individual life	683,957	Change in reserves	311,600
Individual annuities	1,302	Plcyhldr divs & refunds	39,052
Acc & sickness individual	5,911	Commissions	165,713
Total premiums	691,170	Gen exp & taxes	191,171
Net investment income	344,557	Other expenses	9,708
Misc income	123,653		
Total	1,159,380	Total	1,120,682
		Income before income tax and other items	38,698
		Provision for income taxes	621
		Income before attribution to participating policies and other items	38,077
		Net income	38,077

Source: Bestlink - Best's Statement File - L/H, Canada
Local Currency: Canadian Dollar

The Independent Order of Foresters

Report Revision Date:
October 19, 2018

Company Attributes:

Industry: Insurance
Business Type: Life, Annuity, and Accident
Entity Type: Operating Company
Organization Type: Fraternal
Business Status: In Business - Actively Underwriting
Marketing Type: Career Agent
Financial Size: XIV (\$1.5 Billion to \$2 Billion)

Company History:

Date Incorporated: 07/23/1881

Date Commenced: 07/23/1881

Domicile: Canada: Ontario

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.

Company Operations:

Licensed Territory: (Current since 01/29/2014).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.

2017

Rank	Top 5 Lines of Business by NPW	
1	Non-Canadian	92.3%
2	Individual life	7.6%

Source: Bestlink - Best's Statement File - L/H, Canada

Company Management:

Last significant update on 10/11/2018

Officers

President and CEO: James Boyle

President: Knut A. Olson (North American Life Insurance & Annuity)

Chief Investment Officer: Clark D. Wagner

Secretary, Chief Compliance Officer and Chief Legal Officer: Rene Zanin (Global)

CFO: Alvin Sharma (Global)

CEO: Euan T. Allison (UK)

Chief Risk Officer: Andrew Adie (Global)

Company Management: (Continued...)

Officers (Continued...)

Chief Administrative Officer: Suanne M. Nielsen (Global)

President: E. Blake Moore, Jr. (North American Asset Management)

Chief Marketing Officer: David Longfritz (Global)

Directors

Katherine A. Bardswick

Sonia A. Baxendale

James M. Bowden

James R. Boyle

Michael C. Edge

Daniel J. Fortin

Richard P. Hennick

Robert E. Lamoureux

Frank N.C. Lochan

Michael Lombardi

Martha E. Marcon

Michael P. Stramaglia

Christopher J. Stranahan

Wendy A. Watson

Robert W. Wight

Regulatory:

Auditor: KPMG, LLP

The 2017 annual independent audit of the company was conducted by KPMG, LLP.

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