

2019 financial highlights

The Independent Order of Foresters
Year ended December 31, 2019

Foresters 
Financial

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2019 financial highlights

Financial highlights for the year ended December 31, 2019
(All amounts are in Canadian dollars, unless otherwise stated)

Key results at a glance

United States
Total Annualized Weighted Sales

\$82.1
USD million

Canada
Total Annualized Weighted Sales

\$55.6
CAD million

United Kingdom
Total Annualized Weighted Sales

£60.1
U.K. million

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

\$1.2
billion

This amount is the total gross life insurance and annuity premiums paid or owing to Foresters Financial during the year from certificate and contract holders.

Certificates and Contracts In Force

2.5
million

This is the total number of certificates and contracts that are active or "in force" at The Independent Order of Foresters and its subsidiaries.

Total comprehensive income

\$67.6
million

This 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 and certain changes in employee benefit plan obligations.

Surplus

\$2.1
billion

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

A.M. Best Financial Strength Rating
for the 19th consecutive year¹

A
Excellent

A.M. Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations.

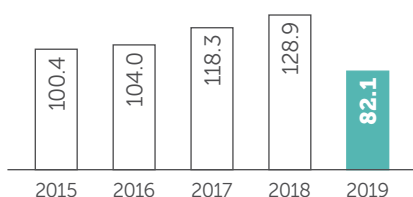
LICAT Ratio

172.1%

The Life Insurance Capital Adequacy Test ("LICAT") 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.

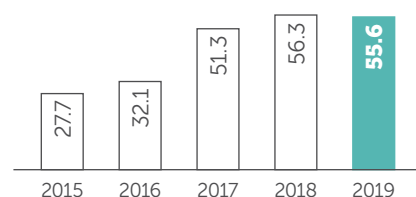
Sales

United States Total Annualized Weighted Sales (USD millions)



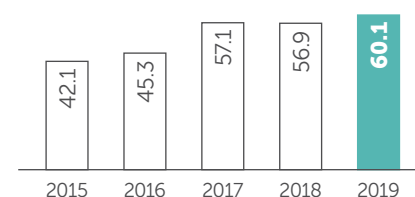
Total U.S. annualized weighted sales were \$82.1 million, a 36.3% decrease from 2018. The main contributor was a result of exiting certain non-core businesses, including our retail broker dealer, advisory businesses and affiliated career sales force.²

Canada Total Annualized Weighted Sales (CAD millions)



Total Canada annualized weighted sales were \$55.6 million and were largely flat over 2018 due to more simplified issue market entrants and increased competition in the family market.²

United Kingdom Total Annualized Weighted Sales (U.K. £ millions)



Total U.K. annualized weighted sales were £60.1 million, 5.7% higher than prior year. Sales were below expectation in the first half of 2019 mainly due to market volatility caused by political uncertainties in the U.K. but rebounded in the second half due to strong Field Force performance and the restructuring of the sales channels.

Key results

Total Premiums (CAD millions)



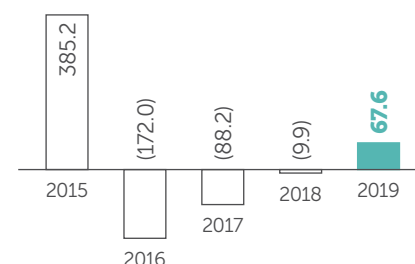
Total gross life insurance premiums were nearly \$1.2 billion, an 8.8% decrease from 2018. The decrease is largely due to lower sales of annuities in FLIAC due to the sale of the retail broker dealer and advisory businesses in Q2 which was the sole distribution channel of FLIAC products.

Certificates and Contracts In Force (thousands)



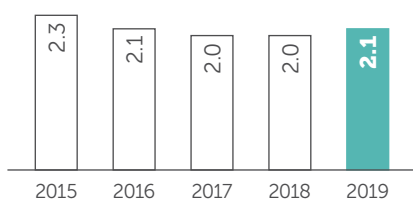
At December 31, 2019, Foresters Financial had nearly 2.5 million certificates and contracts in force. A decrease from the prior year in the number of in-force certificates and contracts by 0.5% due to the closed blocks of business in the U.K. that are running off.²

Total Comprehensive Income (CAD millions)



Total comprehensive income of \$67.6 million for 2019 was largely due to strong earnings in the U.K., positive equity markets and the gain on the sale of the asset management businesses. These gains were offset by mortality and lapse assumptions including industry updates impacting actuarial liabilities and net unrealized foreign currency translation losses.

Surplus (CAD billions)



Total surplus was \$2.1 billion at the end of 2019. The increase was due to strong equity markets contributing to positive investment income and the gain on the sale of the asset management businesses offset by foreign currency translation losses due to the weakening of the U.S. dollar where a significant portion of the surplus is denominated in U.S. dollars. At December 31, 2019 our LICAT ratio was 172.1%, well above the Canadian life insurer average of 137% at December 31, 2019.¹

¹ Office of the Superintendent of Financial Institutions Canada (OSFI), Financial Data for Life Insurance Companies, Total Canadian Life Companies, Life Insurance Capital Adequacy Test (LICAT)

² Sold entities have been removed for comparison purposes

Summary Consolidated Statement of Comprehensive Income (Loss)

For the year ended December 31, 2019 with comparative figures for 2018 (In millions of Canadian dollars)

	2019	2018 Re-presented
Revenue		
Gross premiums	\$ 1,168	\$ 1,281
Ceded premiums	(139)	(112)
Net Premiums	1,029	1,169
Net investment income (loss)	997	(132)
Fee revenue	131	126
Other operating income	11	12
Total Revenue	2,168	1,175
Benefits & Expenses		
Gross benefits	888	818
Ceded benefits	(81)	(54)
Gross change in insurance contract liabilities	752	(117)
Ceded change in insurance contract liabilities	(115)	(39)
Policy dividends	50	49
Commissions	286	353
Operating expenses	296	270
Ceded commissions and operating expenses	(54)	(30)
Fraternal investment	21	19
Total Benefits & Expenses	2,043	1,269
Income (Loss) before income taxes	125	(94)
Income Taxes	35	(13)
Net Income (Loss) from continuing operations	90	(81)
Net Income (Loss) from discontinued operations, net of tax	3	(36)
Total Net Income (Loss)	93	(117)
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 taxes	(2)	11
Net unrealized gains on property	1	1
Total items that will not be reclassified to net income	(1)	12
<i>Items that are or may be reclassified subsequently to net income</i>		
Net unrealized losses on available-for-sale assets, net of income taxes	55	(32)
Reclassification of net realized gains (losses) on available-for-sale assets, net of income taxes	-	1
Net unrealized foreign currency translation gains (losses)	(79)	126
Total items that are or may be reclassified subsequently to net income	(24)	95
Total Comprehensive Income (Loss)	\$ 68	\$ (10)

The full consolidated financial statements are available at foresters.com under Financial strength

Summary Consolidated Statement of Financial Position

As of December 31, 2019 with comparative figures for 2018 (In millions of Canadian dollars)

	2019	2018
Assets		
Invested Assets		
Cash, cash equivalents and short-term securities	\$ 306	\$ 278
Bonds	6,616	7,529
Equities	836	749
Derivative financial instruments	5	-
Other invested assets	144	141
Loans to certificate holders	261	404
Total Invested Assets	8,168	9,101
Reinsurance assets	502	399
Accrued investment income	56	73
Deferred acquisition costs	23	74
Prepaid commissions	68	82
Current income taxes	12	29
Deferred tax assets	15	32
Other assets	70	79
Property and equipment	60	69
Right of use assets	27	-
Employee benefit assets	-	3
Goodwill and intangible assets	47	208
Assets classified as held for sale	1,736	-
	10,784	10,149
Net investments for accounts of segregated fund unit holders	5,796	7,635
Net investments for accounts of segregated fund unit holders held for sale	1,940	-
Total Assets	\$ 18,520	\$ 17,784
Liabilities		
Insurance contract liabilities	\$ 6,481	\$ 7,398
Investment contract liabilities	144	161
Derivative financial instruments	27	35
Benefits payable and provision for unreported claims	184	184
Lease liabilities	36	-
Current income taxes	26	6
Deferred tax liabilities	9	3
Other liabilities	233	260
Employee benefit obligations	91	84
Liabilities classified as held for sale	1,467	-
	8,698	8,131
Liabilities for accounts of segregated fund unit holders	5,796	7,635
Liabilities for accounts of segregated fund unit holders held for sale	1,940	-
Total Liabilities	16,434	15,766
Surplus		
Retained earnings	1,747	1,654
Accumulated other comprehensive income	339	364
	2,086	2,018
Total Liabilities and Surplus	\$ 18,520	\$ 17,784

Notes to the Summary Financial Statements

1. Basis of Presentation of the Summary Financial Statements

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

- the information in the summary consolidated financial statements is in agreement with the related information in the audited financial statements; and
- summary consolidated 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 (loss) are only a summary of the information in Foresters Financial's consolidated financial statements for the year ended December 31, 2019. They do not contain sufficient information to allow as full an understanding of the results and state of affairs of Foresters Financial as would be provided by the full consolidated financial statements for the year ended December 31, 2019.

The full consolidated financial statements are available at foresters.com under Financial Strength.

Certain comparative amounts in the consolidated statement of comprehensive income (loss) have been re-presented as a result of discontinued operations during the current year.

2. Basis of measurement

Foresters Financial's 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;
- Reinsurance assets and 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 and buildings are measured at fair value.

Goodwill is initially measured as the excess of the purchase price of an acquisition of a subsidiary over the fair value of net identifiable assets acquired. After initial recognition, goodwill is carried at cost less any accumulated impairment losses, which are assessed annually. The initial cost of intangible assets acquired in a business combination is fair value at the date of acquisition. After the date of acquisition, these intangibles are carried at cost less accumulated amortization and impairment losses, which are tested when indicators are present and annually for indefinite life intangibles.

3. Foreign Currency

The functional currencies of the foreign subsidiaries and branch operations have been translated into Canadian dollars. All assets and liabilities are translated at the closing exchange rate at the balance sheet date, and the income and expenses are translated using the average exchange rate for the year. The accumulated gains or losses arising from translation are presented separately in the currency translation accounts, a separate component of accumulated other comprehensive income ("AOCI").

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, 2019 and their changes in the consolidated statement of comprehensive income (loss) 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.



TRUDY ENGEL, F.S.A., F.C.I.A.
Fellow, Canadian Institute of Actuaries
February 19, 2020
Toronto, Canada

Report of the Independent Auditors on the Summary Financial Statements

To the Board of Directors of The Independent Order of Foresters

Opinion

The summary consolidated financial statements of The Independent Order of Foresters (the Entity), which comprise:

- the summary consolidated statement of financial position as at December 31, 2019
- the summary consolidated statement of comprehensive income (loss) for the year then ended
- and related notes

(Hereinafter referred to as the "summary financial statements") are derived from the complete audited consolidated financial statements of The Independent Order of Foresters as at and for the year ended December 31, 2019.

In our opinion, the accompanying summary financial statements are consistent in all material respects, with the audited consolidated financial statements, in accordance with the criteria disclosed in Note 1 in the summary financial statements.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditors' report thereon, therefore, is not a substitute for reading the Entity's audited consolidated financial statements and the auditors' report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

On our report dated February 19, 2020, we expressed an unmodified opinion on the audited consolidated financial statements.

Other Information

Management is responsible for other information. Other information comprises:

- Information, other than the summary financial statements and the auditors' report thereon, included in the 2019 financial highlights.

Our opinion on the summary financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the summary financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the summary financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the information, other than the summary financial statements and the auditors' report thereon, included in the 2019 financial highlights as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with the criteria disclosed in the notes to the summary financial statements.

Auditors' Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards 810, Engagements to Report on Summary Financial Statements.



Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
February 19, 2020

* All figures shown in Canadian dollars unless otherwise noted. † 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 2019 A.M. Best assigned Foresters subsidiary, Foresters Life Insurance Company an "A" (Excellent) Financial Strength Rating. In assigning the ratings for The Independent Order of Foresters (Foresters Financial) and its subsidiary Foresters Life Insurance Company on August 14, 2019, A.M. Best stated that the outlook for all ratings is "stable," which means they are unlikely to change in the near future, assuming our financial strength is maintained and our operations grow. See ambest.com for the latest ratings. Description of member benefits that you may receive assumes you are a Foresters Financial member. Foresters Financial member benefits are non-contractual, subject to benefit specific eligibility requirements, definitions and limitations and may be changed or cancelled without notice. 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. MB584 200914 US 05/20