

The Independent
Order of Foresters

Year ended
December 31, 2016

2016 financial highlights

2016 financial highlights

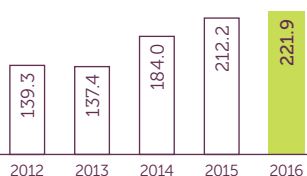
Financial highlights for the year ended December 31, 2016
(All amounts are in Canadian dollars, unless otherwise stated)

With our 140+ year history, Foresters Financial is financially strong and well-positioned for long-term financial strength. On these pages, we share our key financial results, which are indicators of our growth, financial strength and stability.

Sales

United States
Total Annualized Weighted Life Insurance,
Annuity and Fund Sales

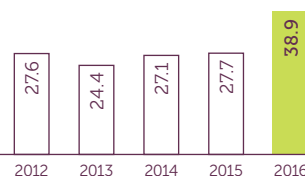
221.9
U.S. \$ million



Total U.S. annualized weighted sales were U.S. \$221.9 million, a 4.6% increase from 2015 due to strong sales from new and existing distribution channels, across all product lines. Included in this total are weighted Funds sales of \$117.9 million, which were up 5.4% over 2015. Much of this improvement was due to an increased focus in our advisory program and the wholesale channel.

Canada
Total Annualized Weighted Life Insurance,
Annuity and Fund Sales

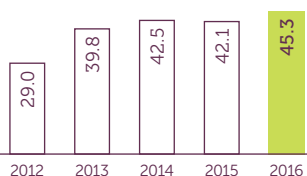
38.9
CAD \$ million



Annualized weighted sales were \$38.9 million, a 40.4% increase over 2015. The increase was due primarily to a 75% growth in our Canada Protection Plan channel which benefited from refreshed term product enhancements and pricing, a 15% growth in brokerage sales and approximately \$6.8 million of weighted Mutual Fund sales from our newly acquired Canadian Mutual Fund company.

United Kingdom
Total Annualized Weighted Sales

45.3
U.K. £ million



Total annualized weighted sales were £45.3 million, a 7.6% increase over 2015. This increase was due to the growth in sales in Forester Life Limited, which rallied up in the second half of the year, partly offset by a decline in sales in the Forester Fund Management Limited business. £34.4 million came via our sales force and £10.9 million came from our direct-to-customer channel.

What the numbers mean

Annualized weighted sales

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

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.

Funds under management and administration

This is the total market value of the assets that we manage and administer on behalf of our members and customers.

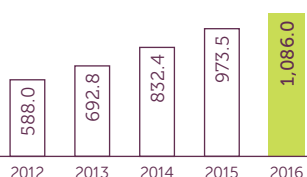
Total comprehensive income (Loss)

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, unrealized gains and losses on assets backing our surplus, and certain changes in employee benefit plan obligations.

Key results

Total Premiums

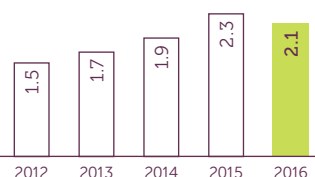
1.1
\$ billion



Total gross life insurance premiums were \$1.1 billion, a 11.6% increase over 2015. The upward trend in premiums is largely due to our growing block of in-force policies, and continued strong first year premiums.

Surplus

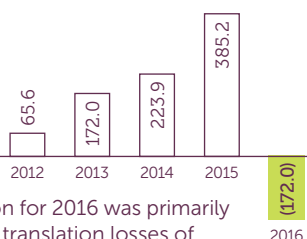
2.1
\$ billion



Foresters Financial surplus was \$2.1 billion at the end of 2016. The decrease year over year was primarily due to net unrealized foreign currency translation losses which arose on the translation of assets and liabilities, income and expenses of our foreign subsidiaries and branch operations as the Canadian dollar strengthened in the year against the U.S. dollar and the U.K. pound. At December 31, 2016 our MCCSR ratio was 399%, well above the Canadian life insurer average of 233% at December 31, 2016.¹

Total Comprehensive Income (Loss)

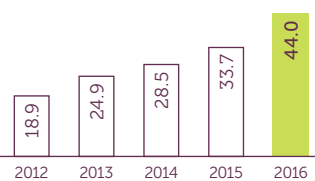
(172.0)
\$ million



Total comprehensive loss of \$172 million for 2016 was primarily due to net unrealized foreign currency translation losses of \$85 million relating to foreign branches and subsidiaries and certain 2016 strategic spends across the organization. Prior year's total comprehensive Income of \$385 million included currency translation gains of \$273 million.

Funds under Management and Administration

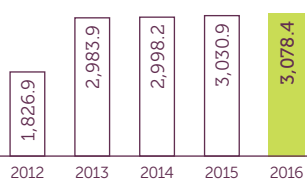
44.0
\$ billion



Funds under management and administration grew to \$44 billion, a 30.6% increase over 2015. The increase was in part due to the acquisition of Foresters Asset Management Inc. and Foresters Financial Investment Management Company of Canada Inc. which added approximately CAD \$10 billion to Funds under management and administration.

Certificates and Contracts In force

3.1
million



At December 31, 2016, Foresters Financial had over 3 million certificates and contracts in force. Since 2012, 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 U.K. and strong sales of our products.

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 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.

MCCSR ratio

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

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

Summary Consolidated Statements of Comprehensive Income (Loss)

For the year ended December 31, 2016 with comparative figures for 2015
(In millions of Canadian dollars)

	2016	2015
Revenue		
Gross premiums	\$ 1,086	\$ 973
Ceded premiums	(88)	(85)
Net Premiums	998	888
Net Investment Income	467	107
Fee revenue	353	333
Other operating income	11	17
Total Revenue	1,829	1,345
Benefits & Expenses		
Gross benefits	717	706
Ceded benefits	(46)	(38)
Gross change in insurance contract liabilities	356	(144)
Ceded change in insurance contract liabilities	(19)	(69)
Dividends	47	45
Commissions	342	298
Operating expenses	482	385
Ceded commissions and operating expenses	(18)	(16)
Fraternal investment	19	19
Total Benefits & Expenses	1,880	1,186
Income before income taxes	(51)	159
Income Taxes	24	35
Net Income	(75)	124
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)	(10)	1
Net unrealized gains on property	1	5
Total items that will not be reclassified to net income	(9)	6
<i>Items that are or may be reclassified subsequently to net income</i>		
Net unrealized gains (losses) on available-for-sale assets	4	(19)
Reclassification of net realized losses (gains) losses on available-for-sale assets	(7)	1
Net unrealized foreign currency translation gains (losses)	(85)	273
Total items that are or may be reclassified subsequently to net income	(88)	255
Total Comprehensive Income	\$ (172)	\$ 385

Summary Consolidated Statements of Financial Position

As of December 31, 2016 with comparative figures for 2015
(In millions of Canadian dollars)

	Dec 31, 2016	Dec 31, 2015
Assets		
Invested Assets		
Cash, cash equivalents and short-term securities	\$ 360	\$ 394
Bonds	7,114	7,176
Equities	789	856
Other invested assets	158	145
Loans to certificate holders	368	371
Total Invested Assets	8,789	8,942
Reinsurance assets	316	302
Accrued investment income	70	78
Deferred acquisition costs on investment contracts	62	57
Prepaid commissions	68	72
Deferred tax assets	40	40
Other assets	92	71
Property and equipment	63	62
Employee benefit assets	3	4
Goodwill and intangible assets	268	286
	9,771	9,914
Net investments for accounts of segregated fund unit holders	3,674	3,746
Total Assets	\$ 13,445	\$ 13,660
Liabilities		
Insurance contract liabilities	\$ 6,995	\$ 7,005
Investment contract liabilities	162	172
Derivative financial instruments	17	24
Benefits payable and provision for unreported claims	156	175
Other liabilities	253	184
Employee benefit obligations	69	63
	7,652	7,623
Investment contract liabilities for accounts of segregated fund unit holders	3,674	3,746
Total Liabilities	11,326	11,369
Surplus		
Retained earnings	1,736	1,811
Accumulated other comprehensive income	383	480
	2,119	2,291
Total Liabilities and Surplus	\$ 13,445	\$ 13,660

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

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 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:

- 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 the information in Foresters Financial's consolidated financial statements for the year ended December 31, 2016. 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, 2016.

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

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;
- 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.

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").

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, 2016, 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, 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our auditors' report dated February 14, 2017.

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 consolidated 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 Consolidated Financial Statements

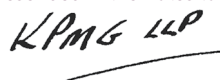
Management is responsible for the preparation of the summary consolidated financial statements in accordance with the basis described in the notes to the summary consolidated financial statements.

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, 2016 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
Toronto, Canada
February 14, 2017

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, 2016 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 The Independent Order of 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 14, 2017