

# 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

**Phone:** 416-429-3000

**Fax:** 416-467-2526

**Website:** [www.foresters.com](http://www.foresters.com)



# The Independent Order of Foresters

**Report Release Date:**

August 20, 2019

**Rating Effective Date:**

August 14, 2019

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

## Analytical Contacts

**A.M. Best Rating Services, Inc.**

Frank Walko

Financial Analyst

[Frank.Walko@ambest.com](mailto:Frank.Walko@ambest.com)

+1(908) 439-2200 Ext. 5072

Edward Kohlberg

Director

[Edward.Kohlberg@ambest.com](mailto:Edward.Kohlberg@ambest.com)

+1(908) 439-2200 Ext. 5664

**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 14, 2019

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

## Five Year Credit Rating History:

Date	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
	Rating	Outlook	Action	Rating	Outlook	Action
08/14/2019	A	Stable	Affirmed	a+	Stable	Affirmed
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

## 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 2018 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	<a href="#">Independent Order of Foresters</a>	Canada	
051541	<a href="#">Foresters Finl Hldg Co Inc</a>	DE	100
006413	<a href="#">Foresters Life Ins &amp; Annuity</a>	NY	100
055508	<a href="#">Forester Holdings (Europe) Ltd</a>	United Kingdom	100
087352	<a href="#">Forester Life Limited</a>	United Kingdom	100
066847	<a href="#">Foresters Life Insurance Co</a>	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 Best's Capital Adequacy Ratio (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. This factor is partially offset by a relatively high number of provisions for adverse deviations (PFADs) backing up actuarial liabilities.

## Operating Performance: Adequate

- Independent Order of Foresters (Foresters Financial) has reported generally positive but fluctuating earnings in recent years. The impact of the equity markets on fair value accounting adds a measure of volatility to earnings.
- Solid premium growth with a five-year compound annual growth rate of 14.5%.
- There was a decline in investment income in 2018 due to a decline in equity markets, which caused unrealized losses and lower realized capital gains, partially offset by interest and dividend income.

## Business Profile: Neutral

- Diversified business profile in terms of product offerings, distribution and geographic reach.
- Sales by region show that most of the sales originate in the United States, with some premiums from Canada and a modest percentage from the United Kingdom.
- Foresters Financial has prominent positions in its target markets but not market-leading.

## Enterprise Risk Management: Appropriate

- Foresters Financial has a well-developed risk management program, which includes an evaluation of proposed actions and their impact on risk-adjusted capitalization.
- Foresters Financial uses the Life Insurance Capital Adequacy Test (LICAT) as its main barometer of measuring enterprise risk, and it incorporates non-quantitative assessments such as strategic risk, pension plan risk and asset management risk.
- The company is challenged to implement a consistent enterprise risk management (ERM) approach across three different countries, but it has built this into its ERM framework.

## Outlook

The stable outlooks reflect Foresters Financial's strongest balance sheet strength assessment.

## Rating Drivers

Negative rating action may occur if Independent Order of Foresters' (Foresters Financial) risk-adjusted capitalization declines significantly.

Negative rating action may occur if Foresters Financial reports declining earnings trends.

## Financial Data Notes:

**Time Period:** Annual - 2018

**Status:** A.M. Best Quality Cross Checked

**Data as of:** N/A

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

	Year End - December 31				
	2018	2017	2016	2015	2014
Assets (\$000)	6,286,015	6,185,950	6,134,418	6,185,250	5,390,460
Capital & Equity	2,018,455	2,030,578	2,118,768	2,290,747	1,905,546
AOCl (\$000)	364,061	256,980	383,247	479,894	218,806
Net Premiums Written (\$000)	728,536	691,170	627,836	548,009	423,658
Net Investment Income (\$000)	-116,546	344,557	224,816	45,411	412,213
Income Before Attribution to Participating Policyholders (\$000)	-116,931	38,077	-75,332	124,113	102,773

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				
	2018	2017	2016	2015	2014
Pre-tax Adjusted Gain (\$000)	-116,459	38,698	-74,475	124,312	78,140
Income Taxes (\$000)	472	621	857	199	-24,633
Other Changes (\$000)	104,808	-126,267	-96,647	261,088	121,082
Change in Capital & Equity (\$000)	-12,123	-88,190	-171,979	385,201	223,855
Capital & Equity (%)	-0.6	-4.2	-7.5	20.2	13.3

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

Local Currency: Canadian Dollar

**Liquidity Ratios (%)**

	Year End - December 31				
	2018	2017	2016	2015	2014
Quick Liquidity (%)	3.7	5.6	7.6	8.7	7.6
Current Liquidity (%)	115.4	115.8	120.7	125.3	123.7

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

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

	Year End - December 31				
	2018	2017	2016	2015	2014
Capital & Equity to Liabilities	47.3	48.9	52.8	58.8	54.7
Reinsurance Leverage	0.2	...	...	...	...
NPW to Capital	0.4	0.3	0.3	0.2	0.2
Change in NPW	5.4	10.1	14.6	29.4	16.6

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

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

	Year End - December 31					5-YR Avg/Total
	2018	2017	2016	2015	2014	
Benefits Paid to NPW	60.4	58.4	58.6	66.1	75.1	62.7
Commissions & Expenses to NPW	52.3	48.7	52.0	49.4	56.2	51.4
Net Income to Total Assets	-1.9	0.6	-1.2	2.2	2.1	0.3
Net Income to Total Revenues	-19.8	3.3	-8.6	18.6	11.3	1.7
Net Income to Equity	-5.8	1.8	-3.4	5.9	5.7	0.7
Yield on Invested Assets	-2.25	7.04	4.51	0.95	10.33	3.82

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):

Independent Order of Foresters is a fraternal organization which markets life, annuity and savings products in Canada, United States and United Kingdom. IOF is comprised of three segments: North American Life Insurance & Annuity (NALIA); North American Asset Management (NAAM); and United Kingdom (UK-SIP). IOF's consolidated weighted sales in 2018 show that over a third of sales were generated from NAAM, while more than a quarter of sales came from the U.S. branch. The UK accounted for 20% of sales and the balance came from Canada and FLIAC.

The NALIA segment is comprised of the U.S. and Canada life insurers. The life companies included in NALIA are Foresters Life Insurance & Annuity Company (FLIAC), Independent Order of Foresters - U.S. and Canada Branch and Foresters Life Insurance Company. FLIAC gives Foresters access to the middle market and markets primarily fixed and variable annuities. Distribution through its financial advisor network has declined in recent years, and numbers about 484 agents at year-end, 2018. The Foresters U.S. Branch markets mainly term insurance and final expense, but also sells whole life and universal life. Distribution is comprised of multi-level marketers, independent agents and career agents. FLIC markets life and group savings products in the Canadian market, with most of the distribution through the Canadian Protection Plan Program.

NAAM is divided into the U.S. segment and the Canadian segment. In the U.S. NAAM markets mutual funds under the First Investors brand, with 2018 assets under management of about \$11 billion USD. The Canada segment is comprised of the two asset management businesses which were formerly Aegon Capital and Aegon Fund Management, which were amalgamated in 2017 under

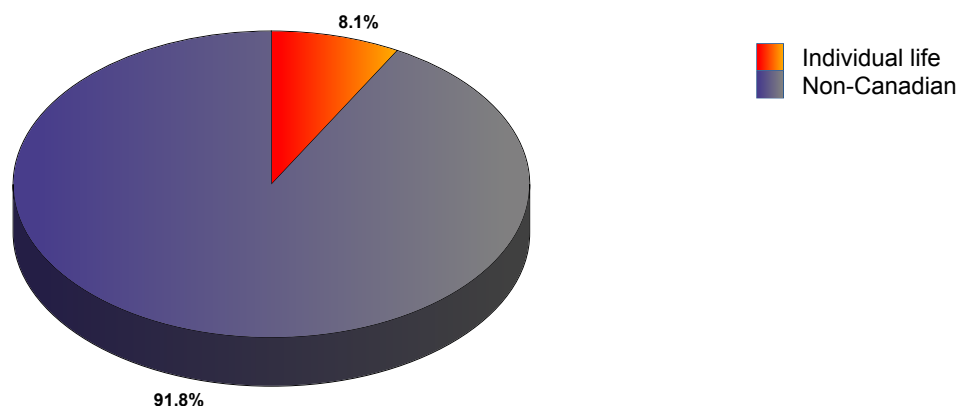
the name of Foresters Asset Management Inc. On April 9, 2019, Foresters Financial has entered into a definitive agreement to sell the U.S. asset management business, including the First Investors family of funds to Maquarie Investment Management, which closed on June 21, 2019. The U.S. broker/dealer and advisory business will also be sold to Cetera Financial Group and is expected to close later in the year. On May 15, 2019, it was announced that the Canadian asset management business would be sold to Fiera Capital.

The UKSIP segment markets unit-linked savings products as well as pensions, protection products and annuities. The savings oriented products are sold through either direct marketing or customer initiation. Management believes they have a great opportunity to service children who hold accounts in the Children's Trust Fund. These children start turning 18 within a couple of years and IOF believes they can establish relationships with them. At year-end, 2018, assets under management is about \$4 billion English Pounds.

While Foresters Financial does hold national rankings in ordinary life insurance sales in the U.S. and Canada, they are not among the market leaders

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.

## 2018 Top Product Lines of Business (Net Premiums Written)



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

## 2018 By-Line Business

Product Line	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written	
	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)
Individual life	45,277	5.9	15,682	100.0	1,773	3.1	59,186	8.1
Individual annuities	223	...	...	...	...	...	223	...
Individual A&S	9	...	...	...	...	...	9	...
Non-Canadian	724,142	94.1	...	...	55,024	96.9	669,118	91.8
Total	769,651	100.0	15,682	100.0	56,797	100.0	728,536	100.0

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

Local Currency: Canadian Dollar

**Geographical Breakdown By Direct Premium Writings**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Out of Canada	724,142	684,039	621,054	540,827	413,822
Ontario	27,630	25,148	22,017	20,093	18,988
Quebec	6,365	4,023	2,999	2,457	2,237
British Columbia	4,958	4,545	4,528	4,435	4,169
Alberta	4,455	4,319	4,444	4,531	4,360
Manitoba	858	900	923	920	949
Saskatchewan	554	560	562	579	587
Nova Scotia	439	448	454	459	445
New Brunswick	177	176	181	192	192
Newfoundland and Labrador	62	73	54	37	36
All Other	11	3	2	1	1
<b>Total</b>	<b>769,651</b>	<b>724,234</b>	<b>657,218</b>	<b>574,531</b>	<b>445,786</b>

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	
	2018 (\$000)	2017 (\$000)
Bonds	4,600,834	4,370,568
Common shares	174,231	211,150
Mortgage loans	78	278
Property & equipment	45,526	41,626
Contract loans	232,865	204,034
Cash & short-term inv	43,404	89,257
Accounts receivable	12,649	12,311
Accrued invest income	43,428	41,862
Other assets	1,064,982	1,134,808
Segregated funds	68,018	80,056
Total Assets	6,286,015	6,185,950

Liabilities & Surplus	Year End - December 31	
	2018 (\$000)	2017 (\$000)
Gross actuarial liabilities	3,869,468	3,774,602
Accounts payable	44,879	49,071
Other policy liabilities	162,503	145,925
Other liabilities	122,692	105,718
Segregated funds	68,018	80,056
Total Liabilities	4,267,560	4,155,372
Policyholders equity	2,018,455	2,030,578
Total Liabilities and Equity	6,286,015	6,185,950

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

Local Currency: Canadian Dollar

## Summary of Operations:

### Summary of Operations (000)

Statement of Income	2018 (\$000)	Expenses	2018 (\$000)
Premiums:		Benefits paid	440,398
Individual life	720,589	Change in reserves	-182,668
Individual annuities	1,026	Plcyhldr divs & refunds	40,710
Acc & sickness individual	6,921	Commissions	185,541
Total premiums	728,536	Gen exp & taxes	214,536
Net investment income	-116,546	Other expenses	8,180
Misc income	-21,752		
Total	590,238	Total	706,697
		Income before income tax and other items	-116,459
		Provision for income taxes	472
		Income before attribution to participating policies and other items	-116,931
		Net income	-116,931

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

# The Independent Order of Foresters

**Report Revision Date:**  
September 18, 2019

## 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.

**2018**

Rank	Top 5 Lines of Business by NPW	
1	Non-Canadian	91.8%
2	Individual life	8.1%

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

## Company Management:

Last significant update on 08/27/2019

## Officers

**President and CEO:** James R. Boyle  
**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)  
**President:** E. Blake Moore, Jr. (North American Asset Management)

## Company Management: (Continued...)

### Officers (Continued...)

**Chief Marketing Officer:** David Longfritz (Global)

**Chief Human Resource Officer:** Marcia Mendes--d' Abreu (Global)

**COO:** Bruce Hodges (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 2018 annual independent audit of the company was conducted by KPMG, LLP.

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

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