

BEST'S RATING REPORT



THE INDEPENDENT ORDER OF FORESTERS

Domiciliary Address: 789 Don Mills Road, Toronto, Ontario M3C 1T9 Canada

AMB #: 067409

NAIC #: N/A

FEIN #: N/A

Phone: 415-429-3000

Fax: 416-467-2526

Website: www.foresters.com

THE INDEPENDENT ORDER OF FORESTERS

A

Domiciliary Address: 789 Don Mills Road, Toronto, Ontario M3C 1T9 Canada

AMB #: 060132

NAIC #: N/A

AIIN #: AA-1560109

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Best's Credit Rating Effective Date

July 29, 2021

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Information

[Best's Credit Rating Methodology](#)

[Guide to Best's Credit Ratings](#)

[Market Segment Outlooks](#)

Financial Data Presented

Financial data in this report: (i) includes data of affiliated entities that are not rating unit members where analytics benefit from inclusion; and/or (ii) excludes data of rating unit member entities if they operate in different segments or geographic areas than the Rating Unit generally. See [list of companies](#) for details of rating unit members and any such included and/or excluded entities.

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

The Independent Order of Foresters

AMB #: 067409

Associated Ultimate Parent: AMB # 060132 - The Independent Order of Foresters

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)

A
Excellent
Outlook: Stable
Action: Affirmed

Issuer Credit Rating (ICR)

a+
Excellent
Outlook: Stable
Action: Affirmed

Assessment Descriptors

Balance Sheet Strength	Strongest
Operating Performance	Adequate
Business Profile	Neutral
Enterprise Risk Management	Appropriate

Rating Unit - Members

Rating Unit: Independent Order of Foresters | **AMB #:** 067409

AMB # **Rating Unit Members**
066847 Foresters Life Insurance Co

AMB # **Rating Unit Members**
060132 Independent Order of Foresters

Rating Rationale

Balance Sheet Strength: **Strongest**

- Strongest level of risk-adjusted capitalization as measured by 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, manageable financial leverage and moderate use of reinsurance. Also, Foresters Financial has demonstrated good financial flexibility with its ability to issue debt in 2020.
- Strong liquidity ratios to meet cash needs in immediate and ongoing scenarios.
- Significant percentage of liabilities dependent on interest rates and/or equity markets, which has been reduced via the sale of Foresters Life Insurance and Annuity Company (FLIAC). Also offsetting is the 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.
- Diversified earnings profile by line of business and geographic regions.
- Foresters Financial has reported good premium growth trends in recent years. Premiums in 2020 experienced modest growth, as positive sales trends in North America were partially offset by a decline in economic activity related to the COVID-19 pandemic, particularly in the UK, and the sale of FLIAC.

Business Profile: **Neutral**

- Diversified business profile in terms of product offerings, distribution and geographic reach.
- Foresters Financial has narrowed its focus to market life insurance to its members while disposing of business that it considers non-core.
- While Foresters Financial has prominent positions in its target markets, it is not among the market leaders.
- 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.

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.
- While Foresters Financial's risk management capabilities are appropriate for its risk profile, it faces inherent challenges of managing risk across three different countries, each of which have their own unique economic, financial, legislative and regulatory characteristics.

Outlook

- The stable outlooks reflect the expectation that Foresters Financial will maintain a balance sheet assessment in the strongest range over the intermediate term with adequate operating results contributing to surplus growth needed to support an expanding book of business.

Rating Drivers

- Negative rating action may occur if the group's risk-adjusted capitalization declines significantly.
- Negative rating action may occur if there is a decline in operating performance.

Key Financial Indicators

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	61.1	43.0	35.9	34.7

Source: Best's Capital Adequacy Ratio Model - L/H, Canada

Year End - December 31

Key Financial Indicators CAD (000)

	2020	2019	2018	2017	2016
Assets:					
General Account	10,085,523	12,724,594	10,149,365	9,850,695	9,771,370
Segregated Funds	8,000,491	5,795,825	7,635,014	7,832,864	3,673,561
Total Assets	18,086,014	18,520,419	17,784,379	17,683,559	13,444,931
Liabilities:					
Actuarial Liabilities:					
Non-Participating Life	747,102	706,131	903,976	836,065	887,179
Non-Participating Annuity	494,285	501,593	1,520,745	1,297,202	1,205,334
Non-Participating Accident & Sickness	29,057	22,434	25,729	26,362	25,034
Participating	4,931,010	4,345,097	3,962,617	3,885,538	3,753,034
Other	821,802	905,850	985,361	1,083,616	1,124,121
Other Contract Liabilities	370,004	340,572	363,072	353,969	332,831
Other Liabilities, including Segregated Funds	8,641,321	9,612,707	8,004,424	8,170,229	3,998,630
Total Liabilities	16,034,581	16,434,384	15,765,924	15,652,981	11,326,163
Net Income	-1,231	92,749	-116,931	38,077	-75,332
Net Premiums	980,195	1,028,952	1,168,611	1,055,161	998,666
Net Investment Income	882,521	997,095	-129,618	541,657	466,846

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Year End - December 31

Key Financial Ratios (%)

	2020	2019	2018	2017	2016	Weighted Average
Operating Return on Net Premiums	-6.1	9.8	55.4	7.7	-5.7	13.6
Pre-Tax Investment Total Return	9.4	10.0	-1.8	6.2	5.5	6.1

Source: BestLink® - Best's Financial Suite

Year End - December 31

Liquidity Analysis (%)

	2020	2019	2018	2017	2016
Current Liquidity	108.4	73.1	105.7	106.6	108.5

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

Capitalization

The Independent Order of Foresters (Foresters Financial) risk-adjusted capitalization, as defined by the Best Capital Adequacy Ratio, is assessed as strongest and supportive of its insurance, business and investment risks. Foresters Financial's risk-adjusted capitalization measures favorably across three countries with different measures: Life Insurance Capital Adequacy Test in Canada, Risk-Based Capital in the US, and Solvency II in the UK. While Foresters Financial has less financial flexibility relative to a stock company, the group showed they can access the capital markets via a debt issuance in October, 2020.

Absolute capitalization is strong, and good liquidity capability which is monitored closely. Quality of capital is good, with organic earnings growth, manageable financial leverage and prudent use of reinsurance. Capital is also impacted by the impact of fair value accounting on assets and liabilities and exchange rate movements, which adds an element of volatility in capital.

Balance Sheet Strength (Continued...)

The group has demonstrated its financial flexibility through the issuance of \$250 million in debt in October, 2020. Financial leverage is manageable and within AM Best's guidelines for its ratings.

Capital declined modestly in 2020 due to new business strain and higher mortality related to the COVID-19 pandemic partially offset by a positive impact of inforce business, and settlement of charges related to the acquisition of Canada Protection Plan Inc. Capital increased to nearly \$2.1 billion CAD in 2019, from \$2.0 billion CAD in 2018 due to favorable equity markets and net income including discontinued operations.

	Year End - December 31				
Capital Generation Analysis CAD (000)	2020	2019	2018	2017	2016
Pre-Tax Operating Income	-633,777	-564,492	255,380	-143,605	-219,895
Net Realized Capital Gains (Losses)	238,700	99,037	42,559	129,480	73,361
Income Taxes	-11,063	35,009	-6,280	46,263	24,095
Net Unrealized Capital Gains (Losses)	478,800	651,722	-450,560	104,603	117,836
Other Changes in Equity	-94,786	-151,258	146,341	-44,215	52,793

Source: BestLink® - Best's Financial Suite
Local Currency: Canadian Dollar

Asset Liability Management - Investments

Invested assets by segment are as follows: IOF US Branch (59%); Foresters Life (16%); Canada Branch (12%) and United Kingdom (13%). Each segment, with the exception of the UK, hold at least 80% of invested assets in bonds, while the UK holds nearly 50%. Because its operations span three countries, Foresters Financial is exposed to some foreign exchange risk, as a majority of its business is conducted in the United States. In 2017, a foreign exchange rate hedge was executed with the purpose of insulating the LICAT ratio from currency exchange rate movements.

US Branch allocations in 2020 are comprised of about 85% in bonds, 8% in equities, with the balance in policy loans, real estate, cash & short-term and other invested assets. Nearly 30% of bonds are NAIC-2, which this allocation has been steadily increasing in recent years.

Foresters Life Insurance Company's invested assets have approximately 81% in fixed income, 8% in other invested assets with the rest in cash & short-term, equities, and policy loans. Bond holdings are over 60% in corporates, with allocations in the Financial, Utilities and Industrial sectors. Energy sector bonds comprise less than 10% of total bond allocations.

UK's allocations consist of over 50% of bonds and over 40% of equities, with the remainder in cash & short-term and policy loans. A majority of bond holdings are allocated to governments and corporates.

Below investment grade bond exposure is modest at less than 1% of bond holdings.

Liquidity capability is good and is monitored closely, and have strong liquidity metrics for immediate and ongoing scenarios. There is some mismatch in longer duration liabilities, where asset durations are generally shorter, and reflects the challenges of asset/liability management with long dated liabilities.

	Year End - December 31				
Composition of Cash and Invested Assets	2020	2019	2018	2017	2016
Total Cash and Invested Assets CAD (000)	8,943,517	11,900,667	9,173,915	8,883,592	8,859,551
Composition Percentages (%)					
Unaffiliated:					
Cash and Short Term Investments	4.3	2.6	3.0	3.3	4.1
Bonds	80.5	55.6	82.1	81.1	80.3
Stocks	9.8	7.0	8.2	8.7	8.9
Mortgage Loans	0.3	...	...	...	...
Other Invested Assets	5.1	34.8	6.7	6.8	6.7
Total Unaffiliated	100.0	100.0	100.0	100.0	100.0
Total	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite
Local Currency: Canadian Dollar

Balance Sheet Strength (Continued...)

Bonds - Distribution by Issuer	Year End - December 31				
	2020	2019	2018	2017	2016
Bonds CAD (000)	7,197,895	6,616,543	7,528,999	7,208,479	7,114,582
Government (%)	26.5	31.4	28.5	30.7	38.9
Municipal, Public Authority (%)	8.3	6.7	8.8	8.0	2.2
Corporate:					
Investment Grade (%)	64.4	61.6	61.8	60.2	57.3
Below Investment Grade (%)	0.9	0.4	0.9	1.1	1.6

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

Reserves for Foresters Financial are adequately set, as determined by cash flow testing in the US and LICAT and DCAT capital submissions for Canada. Reserves are also supported by provision for adverse deviations which are nearly twenty percent of total reserves.

Foresters Financial put up additional mortality reserves related to the COVID-19 pandemic and has released reserves as actual mortality was less than expected mortality.

Operating Performance

Foresters Financial's earnings profile is evolving as the group continues to focus on its core ordinary life insurance and retirement business. The group's exposure to variable business, which is highly correlated to equity market movements, declined significantly as a result of the sale of FLIAC in July, 2020.

Total Comprehensive Income/(Loss) (TCI) for year 2020 and 2019 are (\$35) million CAD and \$68 million CAD, largely due to the market impacts on continuing operations due to a decline in interest rates in March, 2020, higher mortality due to the COVID-19 pandemic, a stronger Canadian dollar partially offset by strong equity markets. The North American insurance segment showed good earnings, primarily due to sales in the US Branch. UK earnings were higher due to less new business strain despite lower sales.

TCI for year 2019 and 2018 is \$68 million CAD and (\$10) Million CAD driven by financial market performance, foreign exchange movements, and less insurance and asset sales from FLIAC. If the impact of divestitures and discontinued operations is excluded, TCI would be significantly higher. The North American Insurance segment reported strong earnings, primarily due to strong market performance. New business strain was impacted by lower sales of products with higher negative reserves and lower fixed acquisition expense. Partially offsetting factors are mortality and experience gains. UK net income increased due to favorable equity markets, resulting in higher fee revenue, surplus returns and lower operating expenses.

Foresters Financial's results are more volatile due to the market impacts of fair value accounting on assets and liabilities. Also, a significant percentage of business is conducted in U.S. dollars, which is subject to foreign currency fluctuations to the Canadian dollar. This is partially mitigated by the use of a foreign currency hedge.

Enterprise investment income/(loss) for 2020 and 2019 is \$883 million CAD and \$997 million CAD, driven by recovering equity markets, which had initially declined sharply at the onset of the COVID-19 pandemic.

Premium growth was relatively flat in 2020 due in part to the sale of FLIAC and lower sales in the UK as their salesforce was furloughed throughout much of the year. US Branch sales were good in 2020 as their products sold are simplified issue requiring less interaction. 2020 compound annual growth rate in net premiums was 2%. Foresters Life Insurance in Canada reported higher premiums driven by Canada Protection Plan sales. Ordinary life sales in the IOF-US Branch have increased by 14% from 2019, driven by higher Plan Right final expense sales and reported more normalized sales from its distribution.

Operating Performance (Continued...)

	Year End - December 31				
Net Premiums by Line of Business CAD (000)	2020	2019	2018	2017	2016
Non-Participating Life:					
Individual	180,095	169,656	148,283	128,617	108,006
Group	2,763	2,657	3,196	4,012	7,175
Non-Participating Annuity:					
Individual	3,281	71,104	228,806	160,078	171,017
Group	1,307	1,835	2,428	3,271	4,563
Non-Participating Accident and Sickness:					
Individual	4,870	3,394	3,062	2,476	2,415
Group	237	1,026	1,683	2,190	4,021
Participating	749,898	738,133	732,647	695,355	632,249
Other	37,744	41,147	48,506	59,162	69,220
Total	980,195	1,028,952	1,168,611	1,055,161	998,666

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

	Year End - December 31				
Total Revenue By Line of Business CAD (000)	2020	2019	2018	2017	2016
Non-Participating Life:					
Individual	241,024	257,404	198,724	206,673	156,956
Group	2,798	2,682	3,209	4,075	7,221
Non-Participating Annuity:					
Individual	65,257	224,614	232,976	211,480	211,360
Group	53,687	53,770	4,716	37,885	25,390
Non-Participating Accident and Sickness:					
Individual	5,358	3,493	3,266	2,807	2,649
Group	272	1,053	1,709	2,253	4,009
Participating	1,457,085	1,374,664	623,601	975,455	866,750
Other	221,367	241,513	370,885	537,447	547,999
Total	2,046,848	2,159,193	1,439,086	1,978,075	1,822,334

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

	Year End - December 31				
Net Income by Line of Business CAD (000)	2020	2019	2018	2017	2016
Non-Participating Life:					
Individual	15,405	-2,512	-26,282	50,762	7,586
Group	1,369	3,200	-1,463	2,749	2,758
Non-Participating Annuity:					
Individual	26,094	41,443	-17,479	6,800	10,049
Group	14,771	6,469	1,482	11,419	-2,465
Non-Participating Accident and Sickness:					
Individual	-3,323	-2,024	46	-857	989
Group	-313	-139	2,140	624	-4,793
Participating	-106,805	-6,684	-26,200	-130,150	-66,054
Other	54,147	50,016	-49,175	96,730	-23,402
Total	1,345	89,769	-116,931	38,077	-75,332

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Business Profile

Independent Order of Foresters (Foresters Financial) is a fraternal organization which markets life, annuity and savings products in Canada, United States and United Kingdom. IOF is comprised of the North American Insurance and United Kingdom Segments. At year-end, 2020, about 70% of gross premiums were generated from the United States, In terms of direct premiums by country, 70% of total premiums are generated from the United States, 27% from Canada and 3% from the UK.

Over the past couple of years, Foresters Financial has refocused its strategy to emphasize life insurance sales, and no longer considered its asset management as core to their business. On July 1, 2020, Foresters Financial closed the sale of FLIAC to the Nassau Group, which will reduce its exposure to interest-sensitive and variable products. On October 1, 2020, Foresters Financial acquired Canada Protection Plan Inc., which will allow the fraternal to leverage the name recognition and distribution to drive sales in Canada. In August 2019, the group sold its Canadian asset management operation to Fiera Capital, and sold its U.S. asset management operations to Macquarie Investments. Its broker dealer and advisor business was sold to Cetera Group in June 2019.

The North American Insurance segment is comprised of Foresters Life Insurance Company (FLIC), the Independent Order of Foresters Canada branch and the Independent Order of Foresters US Branch (US Branch). The 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 Canada Protection Plan Program.

The UK 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. In 2020, Foresters acquired the Halifax Child Trust block of business, with the transfer of plans in April 2020. Children who have these accounts are beginning to attain age 18, and Foresters believes they can establish long-term relationships with them. At year-end, 2020, assets under management is about \$4.6 billion GBP.

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.

2020 By Line Business	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written		Business Retention
	CAD (000)	%	CAD (000)	%	CAD (000)	%	CAD (000)	%	%
Non-Participating Life:									
Individual	239,510	20.8	...	...	59,415	34.2	180,095	18.4	75.2
Group	2,810	0.2	...	...	47	...	2,763	0.3	98.3
Non-Participating Annuity:									
Individual	3,281	0.3	...	...	...	...	3,281	0.3	100.0
Group	1,307	0.1	...	...	...	...	1,307	0.1	100.0
Non-Participating Accident and Sickness:									
Individual	6,986	0.6	...	...	2,116	1.2	4,870	0.5	69.7
Group	253	...	...	...	16	...	237	...	93.7
Participating	861,585	74.7	1	100.0	111,688	64.2	749,898	76.5	87.0
Other	38,379	3.3	...	...	635	0.4	37,744	3.9	98.3
Total	1,154,111	100.0	1	100.0	173,917	100.0	980,195	100.0	84.9

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Enterprise Risk Management

The COVID-19 pandemic has impacted the group's operations and business, and have responded positively to the crisis. Two teams were created early in the crisis to monitor internal and external events. Capital ratios were stressed to determine the impact of more extreme events, and liquidity was reviewed for adequacy. The mortality impact is expected to have a more modest impact. For new business, the group is working with reinsurers, adding COVID questions to the applications, and reviewing its permanent life products.

Enterprise Risk Management (Continued...)

In recent years, Foresters Financial has taken measures to de-risk its overall risk exposure. Its asset management businesses were no longer considered core to the group's strategy and were sold. FLIAC, which had significant variable business, was also sold in 2020 as the group focuses on its core life businesses. Another measure taken to minimize risk is the group will freeze its pension plan liabilities effective December 31, 2021, and will to be replaced with a defined contribution plan.

Foresters Financial has developed their enterprise risk management program as their organization structure has grown. They face challenges in making their ERM program consistent across three different countries, given the different product mix and with each jurisdiction having their own economic, legal, regulatory and judicial environments.

Foresters Financial has been able to foster good diversification in its business model, which included products, geography, distribution, sales and investments.

The Foresters Financial management team has remained intact in recent years, and is expected to develop continuity in future years. Foresters Financial has developed a new five-year plan which will emphasize its core life business and promote earnings growth to coincide with its 150 years of existence in 2024.

Foresters Financial has created the position of Chief Actuary, who would also assume the duties as Chief Risk Officer (CRO). Each of the CROs of each segment report to this individual. The ERMC and CRO are overseen by the Board's Risk and Investment Committee (RIC). The Board approves the Risk Management Policy annually which outlines Foresters Financial Risk Appetite and Tolerances, as well as the risk management governance structure, including the Board's and Management's responsibilities in managing risks and the ERMC mandate.

The risk management framework works to identify risk areas and establish clear accountability for risk management. Primary risk categories include Strategic, Financial, Operational, and Compliance Risk. Individual risks are identified, measured, mitigated and monitored at the divisional or operational level. The risk management function, as the next level of defense, oversees risk management and reports to the ERMC monthly and RIC quarterly on the organization's overall risk profile, including any areas of concern for management to monitor.

The primary means for evaluating the impact risk on capital and surplus is the LICAT, which is also adjusted for other factors such as strategic risk, pension risk, concentration risk and reinsurance. Sensitivity analysis is also performed in the group's financial condition testing (FCT) submission.

Risk-adjusted capitalization is monitored by Corporate Capital Management on a quarterly basis, using the Best Capital Adequacy Ratio, Risk Based Capital Ratio, Life Insurance Capital Adequacy Test and the U.K. Solvency II requirements. Actual results are compared to prior year and plan, and variances are researched and addressed as they arise. Currency hedges are also used to manage the impact of exchange rates relative to the Canadian dollar. Foresters Financial continually seeks ways to diversify its organization by product, geography and distribution. Spreads and asset/liability management are performed monthly. Scenario and stress testing is performed at least annually and per regulations.

Reinsurance Summary

Foresters Financial does not extensively use reinsurance. Retention is \$500 thousand or lower depending on age and ratings. Inforce reinsurance is mostly yearly renewable term designed not to exceed retention. Most prominent reinsurers include Swiss Re, RGA and Munich Re. In 2016, Foresters Financial completed a modified coinsurance transaction on certain U.S. Branch inforce universal life and term life policies. Foresters Financial reviews its reinsurance needs and reinsurers on a regular basis and addresses any issues as they arise.

Financial Statements

	Year End - December 31			
	2020		2019	
Balance Sheet	CAD (000)	%	CAD (000)	%
Cash and Short Term Investments	385,292	2.1	305,679	1.7
Bonds	7,197,895	39.8	6,616,543	35.7
Preferred and Common Stock	875,885	4.8	836,526	4.5
Other Invested Assets	484,445	2.7	4,141,919	22.4

Year End - December 31

	2020		2019	
Balance Sheet	CAD (000)	%	CAD (000)	%
Total Cash and Invested Assets	8,943,517	49.4	11,900,667	64.3
Accounts Receivable	50,230	0.3	54,847	0.3
Reinsurance Recoverables	655,765	3.6	501,767	2.7
Goodwill and Other Intangible Assets	205,692	1.1	46,763	0.3
Other Assets	230,319	1.3	220,550	1.2
Total General Account Assets	10,085,523	55.8	12,724,594	68.7
Segregated Funds Assets	8,000,491	44.2	5,795,825	31.3
Total Assets	18,086,014	100.0	18,520,419	100.0
Gross Actuarial Liabilities	7,023,256	38.8	6,481,105	35.0
Other Contract Liabilities	370,004	2.0	340,572	1.8
Other Liabilities	640,830	3.5	3,816,882	20.6
Total General Account Liabilities	8,034,090	44.4	10,638,559	57.4
Segregated Funds Liabilities	8,000,491	44.2	5,795,825	31.3
Total Liabilities	16,034,581	88.7	16,434,384	88.7
Other Capital and Equity	2,051,433	11.3	2,086,035	11.3
Total Liabilities and Equity	18,086,014	100.0	18,520,419	100.0

Source: BestLink® - Best's Financial Suite
Local Currency: Canadian Dollar

Year End - December 31

Income Statement CAD (000)	2020	2019
Net Premiums Earned	980,195	1,028,952
Net Investment Income	882,521	997,095
Other Revenue	184,132	133,146
Total Revenue	2,046,848	2,159,193
Net Policy and Contract Benefits	881,341	856,768
Net Changes to Actuarial and Contract Liabilities	608,812	637,334
Commissions	217,696	233,318
General and Other Expenses	350,451	315,794
Net Transfers to (from) Segregated Funds	-1,734	-8,799
Total Benefits and Expenses	2,056,566	2,034,415
Pre-Tax Income	-9,718	124,778
Income Taxes Incurred	-11,063	35,009
Income before Attribution to Participating Policyholders and Other Funds	-1,231	92,749
Net Income	-1,231	92,749

Source: BestLink® - Best's Financial Suite
Local Currency: Canadian Dollar

Last Update

September 15, 2021

Identifiers

AMB #: 067409

Contact Information

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Financial Data Presented

The financial data in this report reflects the most current data available at the time the report was printed.

The Independent Order of Foresters

Operations

Domiciled: Ontario, Canada

Licensed: (Current since 10/07/2014). The company is licensed in all provinces and territories.

Business Type: Life, Annuity, and Accident

Organization Type: Fraternal

Marketing Type: Career Agent

Best's Credit Ratings

Rating Relationship

AM Best Rating Unit: [067409 - Independent Order of Foresters](#)

Refer to the [Best's Credit Report for AMB# 067409 - The Independent Order of Foresters](#) for details regarding the rating rationale, credit analysis, and financial exhibits available at the time the credit analysis was performed.

AMB#	Rating Unit Members	Best's Credit Ratings	
		Financial Strength Rating	Long-Term Issuer Credit Rating
066847	Foresters Life Insurance Co	A	a+
060132	Independent Order of Foresters	A	a+

Corporate Structure

Associated Ultimate Parent: AMB # 060132 - The Independent Order of Foresters

Based on AM Best's analysis, AMB# 060132 The Independent Order of Foresters is the AMB Associated Ultimate Parent and identifies the topmost entity of the corporate structure. Access in BestLink this company's current [Corporate Structure](#).

Management

Officers

President and CEO: James R. Boyle

CFO: Alvin Sharma (Global)

President: Matt M. Berman (Foresters US)

President: Henry Auyeung (Foresters Canadian Division)

CEO: Latinka Pilipovic (UK (Interim))

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

COO: Louis Gagnon

SVP and Chief Information Officer: Mehul Kapadia (Global)

Chief Marketing Officer: David Longfritz (Global)

Chief Officer: Nicole Gourley (Membership)

Officers (Continued...)

SVP: Pat Colavita

Vice President: J. Stephen McDonald

Chief Risk Officer and Chief Actuary: Gaurav Upadhya

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

Vice President and Chief Investment Officer: Clark D. Wagner

Directors

Daniel J. Fortin (Chair)

Katherine A. Bardswick

Sonia A. Baxendale

James R. Boyle

Linda A. Davis Watters

Michael C. Edge

Shelly A. Herman

Richard P. Hennick

Michael Lombardi

Janice M. Madon

Gino A. Scapillati

Michael P. Stramaglia

Wendy A. Watson

Robert W. Wight

Cynthia L. Worley

Last Update

September 15, 2021

Identifiers**AMB #:** 060132**AIIN #:** AA-1560109**LEI #:** 54930076M746H2DBTP84**Contact Information**Domiciliary Address:789 Don Mills Road, Toronto,
Ontario M3C 1T9
Canada**Web:** www.foresters.com**Phone:** 416-429-3000**Fax:** 416-467-2526**Financial Data Presented**

The financial data in this report reflects the most current data available at the time the report was printed.

The Independent Order of Foresters

Operations

Date Incorporated: July 23, 1881 | **Date Commenced:** July 23, 1881**Domiciled:** Ontario, Canada**Licensed:** (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.**Business Type:** Life, Annuity, and Accident**Organization Type:** Fraternal**Marketing Type:** Career Agent**Financial Size:** XIV (\$1.5 Billion to \$2 Billion)

Best's Credit Ratings

Rating Relationship

AM Best Rating Unit: [067409 - Independent Order of Foresters](#)Refer to the [Best's Credit Report for AMB# 067409 - The Independent Order of Foresters](#) for details regarding the rating rationale, credit analysis, and financial exhibits available at the time the credit analysis was performed.

Best's Credit Rating History

AM Best has assigned ratings on this company since 1988. In our opinion, the company has an Excellent ability to meet their ongoing insurance obligations and an Excellent ability to meet their ongoing senior financial obligations.

The following are the most recent rating events, for longer history refer to [Rating History](#) in BestLink:

Best's Financial Strength Ratings				Best's Long-Term Issuer Credit Ratings		
Effective Date	Rating	Outlook	Action	Rating	Outlook	Action
Current -						
Jul 29, 2021	A	Stable	Affirmed	a+	Stable	Affirmed
Aug 5, 2020	A	Stable	Affirmed	a+	Stable	Affirmed
Aug 14, 2019	A	Stable	Affirmed	a+	Stable	Affirmed
Aug 2, 2018	A	Stable	Affirmed	a+	Stable	Affirmed
Sep 1, 2017	A	Stable	Affirmed	a+	Stable	Affirmed

Corporate Structure

Ultimate Parent: AMB # 060132 - The Independent Order of ForestersBased on AM Best's analysis, AMB# 060132 The Independent Order of Foresters is the AMB Ultimate Parent and identifies the topmost entity of the corporate structure. Access in BestLink this company's current [Corporate Structure](#).

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 2019 is about 2.1 million individuals.

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 significant portion 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.

In recent years, Foresters Financial has sold off holdings that it no longer considers core to its business. In 2019, Foresters announced the sale of its Canadian asset management operations to Fiera capital, and the sale of its U.S. asset management operations (including First Investors Mutual Funds), to Maquarie Investment Management. Foresters also sold its U.S. broker/dealer and advisor business to Cetera Financial Group. On July 1, 2020, the group sold Foresters Life Insurance and Annuity Company to Nassau Financial Group, LLP.

Foresters Life Insurance Company, formerly Unity Life of Canada, acquired in 2008 to enhance Foresters presence in the Canadian life insurance market.

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History

Recent M&A Transactions

Announced on	Closed on	Transaction Type	Target	Acquirer	Seller
10/17/2019		Acquisition	Foresters Finl Hldg	Nassau Life Ins Co	Independent Ord For

Search for this company in [Mergers & Acquisitions](#) in BestLink for additional details and previous transactions.

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.

Regulatory

Auditor: KPMG, LLP

The 2020 annual independent audit of the company was conducted by KPMG, LLP.

Financial Statements

Financial Statements reflected were compiled from the most recent company-filed statement available in BestLink - Best's Statement File – L/H, Canada. Access [Statement Pages in Excel](#) available in BestLink.

Currency: CAD

Company's local Currency: Canadian Dollar

Year End - December 31

	2020		2019	
Balance Sheet	CAD (000)	%	CAD (000)	%
Cash and Short Term Investments	270,991	3.5	109,260	1.6
Bonds	5,489,068	71.3	4,957,912	73.0
Preferred and Common Stock	261,048	3.4	180,641	2.7
Other Invested Assets	1,205,349	15.7	1,145,064	16.9
Total Cash and Invested Assets	7,226,456	93.8	6,392,877	94.1
Accounts Receivable	30,778	0.4	32,636	0.5
Reinsurance Recoverables	258,371	3.4	195,353	2.9
Goodwill and Other Intangible Assets	12,132	0.2	5,903	0.1
Other Assets	106,456	1.4	97,673	1.4
Total General Account Assets	7,634,193	99.1	6,724,442	99.0
Segregated Funds Assets	66,253	0.9	67,516	1.0
Total Assets	7,700,446	100.0	6,791,958	100.0
Gross Actuarial Liabilities	4,896,393	63.6	4,311,988	63.5
Other Contract Liabilities	171,489	2.2	154,851	2.3
Other Liabilities	423,976	5.5	171,568	2.5
Total General Account Liabilities	5,491,858	71.3	4,638,407	68.3
Segregated Funds Liabilities	66,253	0.9	67,516	1.0
Total Liabilities	5,558,111	72.2	4,705,923	69.3
Other Capital and Equity	2,142,335	27.8	2,086,035	30.7
Total Equity	2,142,335	27.8	2,086,035	30.7
Total Liabilities and Equity	7,700,446	100.0	6,791,958	100.0

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

	Year End - December 31	2019
Income Statement CAD (000)	2020	
Net Premiums Earned	747,300	734,095
Net Investment Income	674,999	627,093
Other Revenue	144,504	250,464
Total Revenue	1,566,803	1,611,652
Net Policy and Contract Benefits	571,909	504,006
Net Changes to Actuarial and Contract Liabilities	616,390	546,128
Commissions	113,166	132,991
General and Other Expenses	175,667	183,331
Total Benefits and Expenses	1,477,132	1,366,456
Pre-Tax Income	89,671	245,196
Income Taxes Incurred	...	-498
Income before Attribution to Participating Policyholders and Other Funds	89,671	92,749
Net Income	89,671	92,749

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Financial Results

Financial exhibits presented in this report provide calculated ratios using the most recent company-filed statements available in BestLink - Best's Statement File – L/H, Canada.

Currency: CAD

Company's local Currency: Canadian Dollar

Key Financial Indicators

Year End - December 31

Key Financial Indicators CAD (000)

	2020	2019	2018	2017	2016
Assets:					
General Account	7,634,193	6,724,442	6,217,997	6,105,894	6,054,717
Segregated Funds	66,253	67,516	68,018	80,056	79,701
Total Assets	7,700,446	6,791,958	6,286,015	6,185,950	6,134,418
Liabilities:					
Actuarial Liabilities:					
Participating	815,449	704,670	611,361	608,679	578,881
Total Canada	815,449	704,670	611,361	608,679	578,881
Out of Canada	4,080,944	3,607,318	3,258,107	3,165,923	3,062,653
Other Contract Liabilities	171,489	154,851	162,503	145,925	143,778
Other Liabilities, including Segregated Funds	490,229	239,084	235,589	234,845	230,338
Total Liabilities	5,558,111	4,705,923	4,267,560	4,155,372	4,015,650
Equity	2,142,335	2,086,035	2,018,455	2,030,578	2,118,768
Net Income	89,671	92,749	-116,931	38,077	-75,332
Net Premiums	747,300	734,095	728,536	691,170	627,836
Net Investment Income	674,999	627,093	-116,546	344,557	224,816

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Year End - December 31

Key Financial Ratios (%)

	2020	2019	2018	2017	2016	Weighted Average
Operating Return on Net Premiums	12.0	12.6	-16.1	5.5	-12.0	0.8
Operating Return on Equity	4.2	4.5	-5.8	1.8	-3.4	0.3
Pre-Tax Investment Total Return	9.9	10.3	-2.0	6.1	4.0	6.2

Leverage

General Account Liabilities to Equity	2.6	2.2	2.1	2.0	1.9	...
Mortgages and Investment Properties to Equity	1.4

Liquidity Analysis

Current Liquidity	118.5	114.0	115.4	115.8	120.7	...
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Source: BestLink® - Best's Financial Suite

Balance Sheet Highlights

Year End - December 31

Capital Generation Analysis CAD (000)

	2020	2019	2018	2017	2016
Beginning Equity	2,086,035	2,018,455	2,030,578	2,118,768	2,290,747
Net Income	89,671	92,749	-116,931	38,077	-75,332
Net Unrealized Capital Gains (Losses) in AOCI	66,021	51,536	-26,110	7,260	12,841
Other Changes in Equity	-99,392	-77,122	133,191	-134,527	-109,488
Net Change in Equity	56,300	67,580	-12,123	-88,190	-171,979
Ending Equity	2,142,335	2,086,035	2,018,455	2,030,578	2,118,768
Net Change in Equity (%)	2.7	3.3	-0.6	-4.2	-7.5
Net Change in Equity (5 Yr CAGR)	-1.3	...	...	...	...

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Balance Sheet Highlights

Asset Liability Management | Investments

	Year End - December 31				
	2020	2019	2018	2017	2016
Composition of Cash and Invested Assets					
Total Cash and Invested Assets CAD (000)	7,226,456	6,392,877	5,790,159	5,693,518	5,657,458
Composition Percentages (%)					
Unaffiliated:					
Cash and Short Term Investments	3.7	1.7	0.7	1.6	2.5
Bonds	76.0	77.6	79.5	76.8	76.6
Stocks	3.6	2.8	3.0	3.7	4.3
Mortgage Loans	0.4	...	...	...	...
Other Invested Assets	6.8	5.1	5.6	5.9	5.7
Total Unaffiliated	90.6	87.2	88.8	88.0	89.1
Investments in Affiliates	9.4	12.8	11.2	12.0	10.9
Total	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

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.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

In arriving at a rating decision, AM Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, AM Best does not independently verify the accuracy or reliability of the information. Any and all ratings, opinions and information contained herein are provided "as is," without any express or implied warranty.

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