

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

August 05, 2020

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Information

[Best's Credit Rating Methodology](#)
[Understanding 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 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. Also mitigating this exposure is the sale of Foresters Life Insurance & Annuity Company, which had a relatively significant variable block of business.

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.
- Foresters Financial has made a strategic decision to sell its asset management business, which is no longer considered core to the group. Its recent sale of Foresters Life Insurance & Annuity Company also sharpens the group's focus on its core ordinary life insurance business.
- 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 group 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 level of balance sheet strength assessment.

Rating Drivers

- Negative rating action may occur if there is a significant decline in risk-adjusted capitalization.
- Negative rating action may occur if the group reports declining earnings trends.

Key Financial Indicators

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

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	50.1	36.2	30.5	29.6

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

Year End - December 31

Key Financial Indicators CAD (000)

	2019	2018	2017	2016	2015
Assets:					
General Account	12,724,594	10,149,365	9,850,695	9,771,370	9,913,803
Segregated Funds	5,795,825	7,635,014	7,832,864	3,673,561	3,746,007
Total Assets	18,520,419	17,784,379	17,683,559	13,444,931	13,659,810
Liabilities:					
Actuarial Liabilities:					
Non-Participating Life	706,131	903,976	836,065	887,179	886,971
Non-Participating Annuity	501,593	1,520,745	1,297,202	1,205,334	1,073,094
Non-Participating Accident & Sickness	22,434	25,729	26,362	25,034	20,296
Participating	4,345,097	3,962,617	3,885,538	3,753,034	3,646,955
Other	905,850	985,361	1,083,616	1,124,121	1,377,393
Other Contract Liabilities	340,572	363,072	353,969	332,831	359,210
Other Liabilities, including Segregated Funds	9,612,707	8,004,424	8,170,229	3,998,630	4,005,144
Total Liabilities	16,434,384	15,765,924	15,652,981	11,326,163	11,369,063
Net Income	92,749	-116,931	38,077	-75,332	124,113
Net Premiums	1,028,952	1,168,611	1,055,161	998,666	888,327
Net Investment Income	997,095	-129,618	541,657	466,846	107,153

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Year End - December 31

Key Financial Ratios (%)

	2019	2018	2017	2016	2015	Weighted Average
Operating Return on Net Premiums	-54.9	21.9	-13.6	-22.0	36.8	-6.7
Pre-Tax Investment Total Return	10.0	-1.8	6.2	5.5	1.0	4.4

Source: BestLink® - Best's Financial Suite

Year End - December 31

Liquidity Analysis (%)

	2019	2018	2017	2016	2015
Current Liquidity	73.1	105.7	106.6	108.5	110.5

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. Relative to stock insurance companies, Foresters Financial's flexibility is more limited, but is offset by its strongest absolute and risk-adjusted capitalization, good quality of capital and good liquidity capability.

Quality of capital is considered good with overall good credit quality of invested assets, no financial leverage, organic earnings growth and efficient 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.

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. Proceeds realized from the sale of its asset management businesses and Foresters Life Insurance and Annuity Company will be used in part to build on Forester's capital position. Lastly, AM Best notes that there may be some impact to capital from the COVID-19 pandemic due to lower operating income from increased claims and the impact of credit rating downgrades which may increase risk charges.

Balance Sheet Strength (Continued...)

Year End - December 31

Capital Generation Analysis CAD (000)	2019	2018	2017	2016	2015
Pre-Tax Operating Income	-564,492	255,380	-143,605	-219,895	326,532
Net Realized Capital Gains (Losses)	99,037	42,559	129,480	73,361	165,525
Income Taxes	35,009	-6,280	46,263	24,095	34,714
Net Unrealized Capital Gains (Losses)	651,722	-450,560	104,603	117,836	-352,419
Other Changes in Equity	-151,258	146,341	-44,215	52,793	-104,924

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Asset Liability Management - Investments

At year-end, 2019, invested assets by segment are: IOF US Branch (50%), FLIAC (17%), Foresters Life (13%), UK (13%) and Canada Branch (7%). All segments have bond allocations of at least 80%, with the exception of the UK branch, which has about half of its allocations in bonds. With the sale of FLIAC on July 1, 2020, asset allocations are expected to increase for all segments.

Foresters Financial is exposed to some currency risk with operations that span three countries, although a majority of 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 are comprised of about 90% in bonds, 3% in equities, with the balance in policy loans, real estate, cash & short-term and other invested assets. About a quarter of bonds are NAIC-2 rated which is consistent with the prior year.

Foresters Life Insurance Company's invested assets have about 85% in fixed income, 4% in other invested assets with the rest in cash & short-term, equities, and policy loans. Bond holdings are about 60% in corporates, with allocations in the Financial, Utilities and Industrial sectors. Energy sector bonds comprise 11% of total bond allocations.

UK's allocations are comprised mostly of bonds and equities, with a roughly even split, with modest allocations in cash & short-term and policy loans. Half of bond holdings are allocated to governments and corporates.

Liquidity capability is good, with 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	2019	2018	2017	2016	2015
Total Cash and Invested Assets CAD (000)	11,900,667	9,173,915	8,883,592	8,859,551	9,020,246
Composition Percentages (%)					
Unaffiliated:					
Cash and Short Term Investments	2.6	3.0	3.3	4.1	4.4
Bonds	55.6	82.1	81.1	80.3	79.6
Stocks	7.0	8.2	8.7	8.9	9.5
Other Invested Assets	34.8	6.7	6.8	6.7	6.6
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...)**Year End - December 31**

Bonds - Distribution by Issuer	2019	2018	2017	2016	2015
Bonds CAD (000)	6,616,543	7,528,999	7,208,479	7,114,582	7,176,269
Government (%)	31.4	28.5	30.7	38.9	37.2
Municipal, Public Authority (%)	6.7	8.8	8.0	2.2	3.5
Corporate:					
Investment Grade (%)	61.6	61.8	60.2	57.3	58.1
Below Investment Grade (%)	0.4	0.9	1.1	1.6	1.3

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.

Operating Performance

Total Comprehensive Income/(Loss) (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.

Total comprehensive income/(loss) for 2018 and 2017 is (\$10M) CAD and (\$88M) CAD. The main drivers of change include market related deferred acquisition cost amortization, reserve releases due to updated allocation methodologies and equity market volatility in late, 2018, which impacted fair value accounting. The Canadian dollar also lost value relative to the U.S. dollar and English pound, resulting in an unrealized foreign currency gain of over \$125 million, which was partially offset by Foresters' Financial's currency hedge. Also impacting net income is the write-down of goodwill of Foresters Financial's U.S. and Canadian asset management firms.

Also, Forester Financial's 2017 total comprehensive income/(loss) of (\$88) million CAD is due to foreign currency translation losses, impact on reserves due to tax reform in the United States and reserve strengthening. Partially offsetting factors include unrealized gains on general account assets, expense savings in the United Kingdom and investment management savings in the North American Life Insurance & Annuity (NALIA) segment.

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 2019, 2018 and 2017 is \$997 million CAD, (\$132) million CAD and \$542 million CAD. The main driver of investment income is favorable equity markets in 2019, compared to an equity market decline in late, 2018.

Premium growth has declined modestly in 2019, largely due to declining sales at FLIAC. Compound annual growth rate in net premiums of 11%. Foresters Life Insurance in Canada reported flat premiums, mostly Canada Protection Plan sales, which can be very competitive. Ordinary life sales in the IOF-US Branch have been flat, as a leading multi-level marketer reported lower sales. FLIAC sales declined significantly as the company was no longer considered core to the group's business, and sales were subsequently de-emphasized. Sales declined in 2018 in the UK due to equity market volatility.

Operating Performance (Continued...)

Net Premiums by Line of Business CAD (000)	Year End - December 31				
	2019	2018	2017	2016	2015
Non-Participating Life:					
Individual	169,656	148,283	128,617	108,006	96,884
Group	2,657	3,196	4,012	7,175	10,813
Non-Participating Annuity:					
Individual	71,104	228,806	160,078	171,017	129,762
Group	1,835	2,428	3,271	4,563	6,683
Non-Participating Accident and Sickness:					
Individual	3,394	3,062	2,476	2,415	2,254
Group	1,026	1,683	2,190	4,021	5,908
Participating	738,133	732,647	695,355	632,249	552,382
Other	41,147	48,506	59,162	69,220	83,641
Total	1,028,952	1,168,611	1,055,161	998,666	888,327

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Total Revenue By Line of Business CAD (000)	Year End - December 31				
	2019	2018	2017	2016	2015
Non-Participating Life:					
Individual	257,404	198,724	206,673	156,956	160,876
Group	2,682	3,209	4,075	7,221	10,760
Non-Participating Annuity:					
Individual	224,614	232,976	211,480	211,360	139,152
Group	53,770	4,716	37,885	25,390	21,432
Non-Participating Accident and Sickness:					
Individual	3,493	3,266	2,807	2,649	2,307
Group	1,053	1,709	2,253	4,009	5,882
Participating	1,374,664	623,601	975,455	866,750	813,989
Other	241,513	370,885	537,447	547,999	178,740
Total	2,159,193	1,439,086	1,978,075	1,822,334	1,333,138

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Net Income by Line of Business CAD (000)	Year End - December 31				
	2019	2018	2017	2016	2015
Non-Participating Life:					
Individual	-2,512	-26,282	50,762	7,586	40,217
Group	3,200	-1,463	2,749	2,758	-2,254
Non-Participating Annuity:					
Individual	41,443	-17,479	6,800	10,049	-1,478
Group	6,469	1,482	11,419	-2,465	12,233
Non-Participating Accident and Sickness:					
Individual	-2,024	46	-857	989	101
Group	-139	2,140	624	-4,793	-369
Participating	-6,684	-26,200	-130,150	-66,054	70,136
Other	50,016	-49,175	96,730	-23,402	5,527
Total	89,769	-116,931	38,077	-75,332	124,113

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. In terms of direct premiums by country, 73% of total premiums are generated from the United States, 4% from the UK, and 23% from Canada.

Over the past couple of years, Foresters Financial has refocused its strategy to emphasize life insurance sales, and no longer considered its asset management concerns as core to their business. 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. Lastly, Foresters Life Insurance & Annuity Company was sold to the Nassau Life Group, which closed July 1, 2020. With the sale of FLIAC, the group's overall exposure to interest sensitive and variable products is expected to decline.

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 agreed to acquire 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, 2019, assets under management is about \$3.3 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.

2019 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	225,596	19.3	...	...	55,940	40.2	169,656	16.5	75.2
Group	2,749	0.2	...	...	92	0.1	2,657	0.3	96.7
Non-Participating Annuity:									
Individual	71,104	6.1	...	...	...	...	71,104	6.9	100.0
Group	1,824	0.2	...	...	-11	...	1,835	0.2	100.6
Non-Participating Accident and Sickness:									
Individual	5,513	0.5	...	...	2,119	1.5	3,394	0.3	61.6
Group	1,074	0.1	...	...	48	...	1,026	0.1	95.5
Participating	817,919	70.0	-14	100.0	79,772	57.4	738,133	71.7	90.2
Other	892,965	76.5	...	...	1,079	0.8	41,147	78.1	97.4
Total	1,168,005	100.0	-14	100.0	139,039	100.0	1,028,952	100.0	88.1

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...)

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 will report to this individual. The ERM 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 ERM 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 ERM 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 DCAT 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 is done monthly. Scenario and stress testing is done 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 SwissRe, 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			
	2019		2018	
Balance Sheet	CAD (000)	%	CAD (000)	%
Cash and Short Term Investments	305,679	1.7	278,170	1.6
Bonds	6,616,543	35.7	7,528,999	42.3
Preferred and Common Stock	836,526	4.5	748,531	4.2
Other Invested Assets	4,141,919	22.4	618,215	3.5
Total Cash and Invested Assets	11,900,667	64.3	9,173,915	51.6
Accounts Receivable	54,847	0.3	61,617	0.3
Reinsurance Recoverables	501,767	2.7	398,562	2.2
Goodwill and Other Intangible Assets	46,763	0.3	207,680	1.2
Other Assets	220,550	1.2	307,591	1.7

Year End - December 31

	2019		2018	
Balance Sheet	CAD (000)	%	CAD (000)	%
Total General Account Assets	12,724,594	68.7	10,149,365	57.1
Segregated Funds Assets	5,795,825	31.3	7,635,014	42.9
Total Assets	18,520,419	100.0	17,784,379	100.0
Gross Actuarial Liabilities	6,481,105	35.0	7,398,428	41.6
Other Contract Liabilities	340,572	1.8	363,072	2.0
Other Liabilities	3,816,882	20.6	369,410	2.1
Total General Account Liabilities	10,638,559	57.4	8,130,910	45.7
Segregated Funds Liabilities	5,795,825	31.3	7,635,014	42.9
Total Liabilities	16,434,384	88.7	15,765,924	88.7
Other Capital and Equity	2,086,035	11.3	2,018,455	11.3
Total Liabilities and Equity	18,520,419	100.0	17,784,379	100.0

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

Year End - December 31

Income Statement CAD (000)	2019	2018
Net Premiums Earned	1,028,952	1,168,611
Net Investment Income	997,095	-129,618
Other Revenue	133,146	400,093
Total Revenue	2,159,193	1,439,086
Net Policy and Contract Benefits	856,768	812,756
Net Changes to Actuarial and Contract Liabilities	637,334	-156,016
Commissions	233,318	378,415
General and Other Expenses	315,794	536,256
Net Transfers to (from) Segregated Funds	-8,799	-9,114
Total Benefits and Expenses	2,034,415	1,562,297
Pre-Tax Income	124,778	-123,211
Income Taxes Incurred	35,009	-6,280
Income before Attribution to Participating Policyholders and Other Funds	92,749	-116,931
Net Income	92,749	-116,931

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

Last Update

August 05, 2020

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 Boyle

Last Update

September 14, 2020

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 -						
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
Aug 19, 2016	A	Stable	Affirmed	a+	Stable	Affirmed

Corporate Structure

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 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.

Management

Officers

President and CEO: James R. Boyle

CEO: Euan T. Allison (UK)

CFO: Alvin Sharma (Global)

Chief Investment Officer: Clark D. Wagner

Chief Risk Officer: Guarav Upadhyia (Global)

Chief Marketing Officer: David Longfritz (Global)

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

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

Directors (Continued...)

Michael P. Stramaglia
Christopher J. Stranahan
Wendy A. Watson
Robert W. Wight

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 2019 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

	2019		2018	
	CAD (000)	%	CAD (000)	%
Balance Sheet				
Cash and Short Term Investments	109,260	1.6	43,404	0.7
Bonds	4,957,912	73.0	4,600,834	73.2
Preferred and Common Stock	180,641	2.7	174,231	2.8
Other Invested Assets	1,145,064	16.9	971,690	15.5
Total Cash and Invested Assets	6,392,877	94.1	5,790,159	92.1
Accounts Receivable	32,636	0.5	12,649	0.2
Reinsurance Recoverables	195,353	2.9	142,487	2.3
Goodwill and Other Intangible Assets	5,903	0.1	160,531	2.6
Other Assets	97,673	1.4	112,171	1.8
Total General Account Assets	6,724,442	99.0	6,217,997	98.9
Segregated Funds Assets	67,516	1.0	68,018	1.1
Total Assets	6,791,958	100.0	6,286,015	100.0
Gross Actuarial Liabilities	4,311,988	63.5	3,869,468	61.6
Other Contract Liabilities	154,851	2.3	162,503	2.6
Other Liabilities	171,568	2.5	167,571	2.7
Total General Account Liabilities	4,638,407	68.3	4,199,542	66.8
Segregated Funds Liabilities	67,516	1.0	68,018	1.1
Total Liabilities	4,705,923	69.3	4,267,560	67.9
Other Capital and Equity	2,086,035	30.7	2,018,455	32.1
Total Equity	2,086,035	30.7	2,018,455	32.1
Total Liabilities and Equity	6,791,958	100.0	6,286,015	100.0

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Year End - December 31

Income Statement CAD (000)

	2019	2018
Net Premiums Earned	734,095	728,536
Net Investment Income	627,093	-116,546
Other Revenue	250,464	-21,752
Total Revenue	1,611,652	590,238
Net Policy and Contract Benefits	504,006	481,108
Net Changes to Actuarial and Contract Liabilities	546,128	-182,668
Commissions	132,991	185,541
General and Other Expenses	183,331	222,716
Total Benefits and Expenses	1,366,456	706,697
Pre-Tax Income	245,196	-116,459
Income Taxes Incurred	-498	472
Income before Attribution to Participating Policyholders and Other Funds	92,749	-116,931
Net Income	92,749	-116,931

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)

	2019	2018	2017	2016	2015
Assets:					
General Account	6,724,442	6,217,997	6,105,894	6,054,717	6,108,632
Segregated Funds	67,516	68,018	80,056	79,701	76,618
Total Assets	6,791,958	6,286,015	6,185,950	6,134,418	6,185,250
Liabilities:					
Actuarial Liabilities:					
Participating	704,670	611,361	608,679	578,881	560,093
Total Canada	704,670	611,361	608,679	578,881	560,093
Out of Canada	3,607,318	3,258,107	3,165,923	3,062,653	2,982,171
Other Contract Liabilities	154,851	162,503	145,925	143,778	158,827
Other Liabilities, including Segregated Funds	239,084	235,589	234,845	230,338	193,412
Total Liabilities	4,705,923	4,267,560	4,155,372	4,015,650	3,894,503
Equity	2,086,035	2,018,455	2,030,578	2,118,768	2,290,747
Net Income	92,749	-116,931	38,077	-75,332	124,113
Net Premiums	734,095	728,536	691,170	627,836	548,009
Net Investment Income	627,093	-116,546	344,557	224,816	45,411

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Year End - December 31

Key Financial Ratios (%)

	2019	2018	2017	2016	2015	Weighted Average
Operating Return on Net Premiums	12.6	-16.1	5.5	-12.0	22.6	1.9
Operating Return on Equity	4.5	-5.8	1.8	-3.4	5.9	0.6
Pre-Tax Investment Total Return	10.3	-2.0	6.1	4.0	0.8	4.0

Leverage

General Account Liabilities to Equity	2.2	2.1	2.0	1.9	1.7	...
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Liquidity Analysis

Current Liquidity	114.0	115.4	115.8	120.7	125.3	...
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Source: BestLink® - Best's Financial Suite

Balance Sheet Highlights

Year End - December 31

Capital Generation Analysis CAD (000)

	2019	2018	2017	2016	2015
Beginning Equity	2,018,455	2,030,578	2,118,768	2,290,747	1,905,546
Net Income	92,749	-116,931	38,077	-75,332	124,113
Net Unrealized Capital Gains (Losses) in AOCI	51,536	-26,110	7,260	12,841	-18,233
Other Changes in Equity	-77,122	133,191	-134,527	-109,488	279,321
Net Change in Equity	67,580	-12,123	-88,190	-171,979	385,201
Ending Equity	2,086,035	2,018,455	2,030,578	2,118,768	2,290,747
Net Change in Equity (%)	3.3	-0.6	-4.2	-7.5	20.2
Net Change in Equity (5 Yr CAGR)	1.8	...	...	...	...

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Balance Sheet Highlights

Asset Liability Management | Investments

	Year End - December 31				
	2019	2018	2017	2016	2015
Composition of Cash and Invested Assets					
Total Cash and Invested Assets CAD (000)	6,392,877	5,790,159	5,693,518	5,657,458	5,690,769
Composition Percentages (%)					
Unaffiliated:					
Cash and Short Term Investments	1.7	0.7	1.6	2.5	2.8
Bonds	77.6	79.5	76.8	76.6	76.0
Stocks	2.8	3.0	3.7	4.3	4.8
Other Invested Assets	5.1	5.6	5.9	5.7	5.8
Total Unaffiliated	87.2	88.8	88.0	89.1	89.3
Investments in Affiliates	12.8	11.2	12.0	10.9	10.7
Total	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Operating Performance Highlights

	Year End - December 31				
	2019	2018	2017	2016	2015
Net Premiums by Line of Business CAD (000)					
Life:					
Individual	726,662	720,589	683,957	620,683	542,365
Annuity:					
Individual	661	1,026	1,302	2,155	1,643
Accident and Sickness:					
Individual	6,772	6,921	5,911	4,998	4,001
Total	734,095	728,536	691,170	627,836	548,009

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Business Profile Highlights

2019 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)	%	%
Life:									
Individual	789,575	99.1	16,725	100.0	79,638	100.0	726,662	99.0	90.1
Annuity:									
Individual	661	0.1	...	...	...	...	661	0.1	100.0
Accident and Sickness:									
Individual	6,772	0.8	...	...	...	...	6,772	0.9	100.0
Total	797,008	100.0	16,725	100.0	79,638	100.0	734,095	100.0	90.2

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Business Profile Highlights

Historical Market Presence

Geographic Breakdown by Direct Premiums Written CAD (000)

	2019	2018	2017	2016	2015
Out of Canada	746,174	724,142	684,039	621,054	540,827
Ontario	30,313	27,630	25,148	22,017	20,093
Quebec	8,373	6,365	4,023	2,999	2,457
British Columbia	5,328	4,958	4,545	4,528	4,435
Alberta	4,619	4,455	4,319	4,444	4,531
Manitoba	935	858	900	923	920
Saskatchewan	551	554	560	562	579
Nova Scotia	457	439	448	454	459
New Brunswick	178	177	176	181	192
Newfoundland and Labrador	67	62	73	54	37
All Other	13	11	3	2	1
Total	797,008	769,651	724,234	657,218	574,531

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.

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