Helping is who we are
Helping is at the heart of all we do

“Foresters Financial” begins and ends with our Purpose: to enrich family and community well-being.”

Helping people is who we are, and it’s been so since the very beginning. Before terms like social responsibility and volunteerism were commonly used, our employees and members were actively giving back and making a difference in their communities.

Consumers now pledge their loyalty to companies that give back, and because Foresters is one of the oldest and most respected fraternal benefit societies, our authenticity and Purpose resonate deeply. In fact, it’s what motivates prospective employees who are seeking meaningful work to choose Foresters. They come to work to help the people that help others.

We don’t see helping as a choice; we see it as a gift. It’s who we’ve always been, and it will continue to be at the center of all we do.

JIM BOYLE,
International President and Chief Executive Officer

“Our Purpose drives everything we do. It’s the fibre of our individual and organisational lives at Foresters.”

As a Fraternal Benefit Society, Foresters is a purpose-driven organisation dedicated to enriching family and community well-being.

Helping people is who we are; but we can’t do it alone.

We have a representative governance system made up of member leaders who live our Purpose every day. In fact, our members provide well over 13,000 volunteer hours every year in their governance roles alone, and many also organize events in their communities.

Our member leaders are our ambassadors, and as we look to the future, I know they will help strengthen our Purpose and continue to provide valuable member feedback so we are always able to enrich the well-being of families and communities.

CHRIS STRANAHAN,
International Fraternal President

Financial strength

2,141,994 members strong

“A” (Excellent)
A.M. Best Financial Strength rating for the 18th consecutive year

£24.8 billion funds under management and administration

3.2 million certificates and contracts in force

11.4% increase in life insurance and annuity premiums from 2017

£469 million in insurance claims and benefits paid

2018 REPORT TO MEMBERS
Helping our members make a difference

“There are benefits of being a Foresters member, and I think being able to organise an event for your community or an organisation of your choice is one of them.”

RICKY CHEUNG
Foresters member, Alberta, Canada

As a new Branch Councillor, Ricky is determined to continue volunteering with Foresters, which has been a way of life since becoming a member five years ago. From playground builds and beautification projects, to meal prep at local shelters, Ricky has embraced a commitment to giving back to his community through Foresters volunteer opportunities. “Volunteering has helped me get through some rough patches in life,” he said. “I’ve learned the importance and value of giving my time and money, and I feel a sense of fulfilment when I give freely. It’s great that Foresters financial backing and support from fellow members makes helping other people easy.”
The first Foresters Community Grant programme event that Carys organised was for a cause dear to her heart. Her brother lived on the streets when Carys was a teenager, and she had always wanted to do something to give back to vulnerable youth because of it. Creating comfort kits for her local YMCA to provide to the homeless who use its resources was the perfect choice. After delivering a carload of sleeping bags and toiletries, Carys was filled with pride and satisfaction. “I had a big grin on my face knowing that so many people would be receiving these bags and would be warm and comfortable that night,” she said. “Without the financial support from Foresters, I simply wouldn’t be able to help so many people.”

CARYS SHARP
Branch Councillor, Newport Gwent, UK

“In my role as Branch Councillor, I help focus and support the impact Foresters makes in my community. I’m so proud to be able to make a difference this way.”

When Rodney found out about Foresters member benefits while searching for a life insurance product, he was hooked. Shortly after becoming a member, Rodney decided to run for Branch Councillor in the Mid-Atlantic Constitution Branch, and became Council President a year later. Unfortunately he had to resign his position when he relocated for work. But Rodney had developed a vested interest in the betterment of Foresters because of its long history of supporting members and their families, and he was eager to continue his service. That’s why he is now a Branch Councillor with the Central California and Reno Branch. “I wanted to finish what I started,” he said, “even if it meant finishing it on the other side of the country.”

As a Branch Councillor, I’m a conduit to my local community, and Foresters provides the tools and financial assistance to provide help to others.”

RODNEY HORTON
Branch Councillor, Fresno, US

Helping our Branch Councillors affect positive change
Helping our employees give back

“I care about the well-being of others and their overall quality of life. Being able to make that kind of difference at work is amazing.”

NICOLE GOURLEY
Global Chief Membership Officer,
Toronto, Canada

In November, Nicole and the team she leads at Foresters tied on aprons, rolled up their sleeves and cooked three different meals for Eva’s Place, an organisation that supports homeless youth in Toronto. The energy was contagious as the team worked together toward one common goal: helping youth in crisis understand that they matter, that they deserve warm, delicious food; and that others care about their well-being. “I’m fortunate that my role enables me to help others,” Nicole says. “It’s the reason I joined Foresters. Helping others is in our DNA.”

“Many of our employees live the Foresters Purpose by giving back and helping others. In 2018, UK employees took part in numerous activities including helping to restore Community Care Association gardens, and raising money for charities by holding events like a Macmillan’s Coffee Morning. At the end of last year, employees also supported Cash for Kids by helping to pack hundreds of Christmas presents for disadvantaged children who otherwise wouldn’t have received gifts.”

“To be employed by Foresters means it’s easy to reach out and be part of a community.”

CHERYL RODRIGUES
Customer Services Manager
Bromley, UK

“Many of our employees live the Foresters Purpose by giving back and helping others. In 2018, UK employees took part in numerous activities including helping to restore Community Care Association gardens, and raising money for charities by holding events like a Macmillan’s Coffee Morning. At the end of last year, employees also supported Cash for Kids by helping to pack hundreds of Christmas presents for disadvantaged children who otherwise wouldn’t have received gifts.”

“We’re in the business of helping to provide our customers with financial security for the future,” says Euan Allison, UK Chief Executive Officer. “But I’m proud that we are about more than that. Our employees at Head Office in Bromley and our Financial Advisers come up with new and interesting ways to go further to help our members and their families, and to improve local communities. This philosophy runs strongly throughout our employees.”
Helping out in our communities

“Being able to help local community groups and charities that need support means I can play a positive role in encouraging them to grow and thrive.”

ZOE SMITH
Foresters member, East Sussex, UK

Already an active volunteer who has used the Foresters Community Grants programme to help support her local food bank, Zoe saw another opportunity to put a grant to good use. The Secret Garden in her community is a volunteer-run space where locals can enjoy a peaceful, green oasis in an urban area. Funded entirely by donations, the garden was in need of some refurbishing to make it more accessible to the visually impaired, and safer for children. “I made lots of new friends and was able to tell them all about the Foresters grant that made this happen,” she said after the event day. Making a positive difference in a group doing wonderful things for my local community was definitely good for the soul.”

With over 20 community beautification events organised by our members throughout 2018 in the UK, our Financial Advisers and their families wanted to get involved. They went out, trowels and shovels in hand, to help make London a greener place as part of the “Making London a National Park City” project. The initiative saw thousands of people across London plant over 80,000 trees, and we were part of it. “For me, it’s important to have greener areas for my family to enjoy where they can spend the colder months kicking leaves and having picnics in the summer,” says Renos. “Making a difference enriches my sense of purpose—to help make a greener environment. And I’m grateful to have the support from Foresters.”

“It is great to be able to be part of something that makes a difference in our community — family, friends and colleagues getting involved and working together.”

RENOΣ AΩT ΝΙΟU
Forester Life Financial Adviser
London, UK

“Being able to help local community groups and charities that need support means I can play a positive role in encouraging them to grow and thrive.”

ZOE SMITH
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Dear fellow members,

The board is pleased with the strengthening of Foresters Executive Committee during the past year, which was led by our CEO, Jim Boyle. I’m confident Jim and his team possess the drive, experience and talent to continue to improve Foresters financial performance, ensuring our ability to deliver our purpose at a high level. We all look forward to a busy and productive 2019.

BOB LAMOUREUX,
Chair of the Board

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**2018 financial highlights**

Financial highlights for the year ended December 31, 2018
(All amounts are in Canadian dollars, unless otherwise stated)

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**Key results at a glance**

<table>
<thead>
<tr>
<th>United States</th>
<th>Total Annualized Weighted Sales</th>
<th>$263.8 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>Total Annualized Weighted Sales</td>
<td>$85.7 million</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Total Annualized Weighted Sales</td>
<td>£56.9 billion</td>
</tr>
<tr>
<td>Surplus</td>
<td>LICAT ratio</td>
<td>152.4%</td>
</tr>
<tr>
<td>Funds under Management and Administration</td>
<td>Certificates and Contracts in Force</td>
<td>$3.2 million</td>
</tr>
</tbody>
</table>

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**What the numbers mean**

**Annualized weighted sales**
Annualized weighted sales is a common measure used in the life insurance industry to measure new sales of products during the year. In this measure, for example, sales of policies with ongoing premium payments receive a higher weighting than sales of products with a single premium payment and fees earned on funds under management and administration.

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

**Surplus**
Surplus is the value of our assets minus our financial obligations to members and others. A strong surplus position enables us to withstand economic and business volatility, and it allows us to invest in the growth of our business through increased sales and acquisition activities. Also, a portion of earnings on surplus is used to fund member benefits and community investments in support of Foresters purpose.

**LICAT ratio**
The Life Insurance Capital Adequacy Test ("LICAT") ratio is a capital adequacy measure for life insurance companies established by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). It is a measure used to monitor that insurers maintain adequate capital to meet their financial obligations.

**Total comprehensive income (loss)**
This is the sum of net income and other income not recorded in net income. Other income includes unrealized gains and losses on foreign currency translation, unrealized gains and losses on assets backing our surplus and certain changes in employee benefit plan obligations.

**Funds under management and administration**
This is the total market value of the assets that we manage and administer on behalf of our members and customers.

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

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**United States**

- Total Annualized Weighted Sales (USD millions)
  - 2014: 201.5
  - 2015: 204.0
  - 2016: 209.4
  - 2017: 225.4
  - 2018: 263.6

**Canada**

- Total Annualized Weighted Sales (CAD millions)
  - 2014: 7.7
  - 2015: 7.7
  - 2016: 9.2
  - 2017: 12.2
  - 2018: 15.7

**United Kingdom**

- Total Annualized Weighted Sales (U.K. £ millions)
  - 2014: 4.7
  - 2015: 4.9
  - 2016: 6.6
  - 2017: 7.1
  - 2018: 9.9

---

**Key results**

- Total Premiums (CAD millions)
  - 2014: 8.0
  - 2015: 9.0
  - 2016: 10.9
  - 2017: 12.2
  - 2018: 14.3

- Total Premiums (U.S. million)
  - 2014: 2.3
  - 2015: 2.2
  - 2016: 2.4
  - 2017: 2.6
  - 2018: 2.9

- Total Surplus (CAD billions)
  - 2014: 0.8
  - 2015: 1.0
  - 2016: 1.2
  - 2017: 1.9
  - 2018: 2.0

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### Summary Consolidated Statement of Comprehensive Income (Loss)

For the year ended December 31, 2018 with comparative figures for 2017 (in millions of Canadian dollars)

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>$1,045</td>
</tr>
<tr>
<td>Net Premiums</td>
<td>1,169</td>
</tr>
<tr>
<td>Net investment (loss) income</td>
<td>(150)</td>
</tr>
<tr>
<td>Fee revenue</td>
<td>396</td>
</tr>
<tr>
<td>Other operating income</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$1,418</td>
</tr>
</tbody>
</table>

#### Benefits & Expenses

| Gross benefits | $816 | $761 |
| Ceded benefits | 640 | 600 |
| Gross change in contract proceeds | (117) | 380 |
| Ceded change in contract proceeds | (39) | (40) |
| Policy dividends | 49 | 47 |
| Commissions | 427 | 371 |
| Operating expenses | 518 | 443 |
| Ceded commissions and operating expenses | (20) | (21) |
| **Total Benefits & Expenses** | $1,931 | $1,901 |

#### (Loss) Income before income taxes

| Income tax expense | $123 | $84 |
| **Net (Loss) Income** | (117) | 38 |

#### Other Comprehensive Income (Loss)

Items that will not be reclassified to net income:
- Remeasurement gains (losses) on employee benefit plans, net of income taxes
- Net unrealized gains on property, net of income taxes

| Items that will not be reclassified to net income | 11 | 17 |
|**Total items that will not be reclassified to net income** | 2 | 2 |

Items that are or may be reclassified subsequently to net income:
- Net unrealized gains on available-for-sale assets, net of income taxes
- Net unrealized foreign currency translation gains (losses)

| Items that are or may be reclassified subsequently to net income | (32) | (13) |
|**Total items that are or may be reclassified subsequently to net income** | 1 | (1) |

#### Total Comprehensive Loss

| Total Comprehensive Loss | $20 | $20 |

### Summary Consolidated Statement of Financial Position

As of December 31, 2018 with comparative figures for 2017 (in millions of Canadian dollars)

#### Assets

| Invested Assets | Cash, cash equivalents and short-term securities | $276 | $297 |
| Bonds | 7,525 | 7,209 |
| Equities | 742 | 772 |
| Derivative financial instruments | 16 |
| Other invested assets | 141 | 161 |
| Loans to certificate holders | 406 | 399 |
| **Total Invested Assets** | $11,910 | $11,832 |
| **Reinsurance assets** | 399 | 349 |
| **Accrued investment income** | 73 | 70 |
| **Deferred acquisition costs** | 74 | 74 |
| **Prepaid commissions** | 83 | 81 |
| **Deferred tax assets** | 32 | 43 |
| **Other assets** | 108 | 107 |
| **Property and equipment** | 69 | 64 |
| **Employee benefit assets** | 7 | 3 |
| **Goodwill and intangible assets** | 208 | 245 |
| **Net investments for accounts segregated fund unit holders** | 7,635 | 7,853 |
| **Total Assets** | $12,784 | $12,684 |

#### Liabilities

| Insurance contract liabilities | $7,399 | $7,129 |
| Investment contract liabilities | 163 | 162 |
| Derivative financial instruments | 35 | 5 |
| Benefits payable and provision for unreported claims | 186 | 176 |
| Other liabilities | 260 | 233 |
| **Employee benefit obligations** | 84 | 85 |
| **Liabilities for accounts segregated fund unit holders** | 7,635 | 7,853 |
| **Total Liabilities** | $15,764 | $15,583 |

#### Surplus

| Retained earnings | 1,654 | 1,774 |
| Accumulated other comprehensive income | 364 | 257 |
| **Total Liabilities and Surplus** | $19,078 | $19,064 |

### Notes to the Summary Financial Statements

#### 1. Basis of Presentation of the Summary Financial Statements

The summary consolidated statement of financial position and summary consolidated statement of comprehensive income (loss) have been summarized for The Independent Order of Foresters (the “Foresters”) consolidated financial statements, which are prepared in accordance with International Financial Reporting Standards to portray in summarized form Foresters’ financial position and results of operations. The criteria applied by management in the preparation of such financial statements are as follows:
- The information in the summary consolidated financial statements is in agreement with the related information in the audited financial statements; and
- The summary consolidated statements of changes in equity, cash flows, significant acquisitions and other explanatory information have not been presented, as the relevant information can be obtained from the Foresters’ complete audited financial statements.

The summary consolidated statement of financial position and summary consolidated statement of comprehensive income (loss) are only a summary of the information in Foresters’ financial consolidated financial statements for the year ended December 31, 2018. They do not contain all the disclosures required by International Financial Reporting Standards or sufficient information to allow a reader to understand, analyze, and state of affairs of Foresters Financial in the year ended December 31, 2018.

#### 2. Basis of measurement

Foresters’ consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of comprehensive income (loss):
- Financial assets and financial liabilities are measured at fair value as defined in International Accounting Standard (IAS) 39 with respect to financial assets and financial liabilities and derivative financial instruments.
- Employee benefit assets and obligations represent the funded status of these plans which is calculated as the difference between plan assets at fair value and the present value of defined benefit obligations.
- Reinsurance assets and insurance contract liabilities are calculated using the simplified cashflow matching method which is based on accepted actuarial practice.
- Net unrealized gains and losses on financial assets and liabilities from derivative financial instruments are measured at fair value.
- Goodwill is carried at cost less accumulated amortization which is assessed annually. The initial cost of intangible assets acquired in a business combination is fair value at the date of acquisition. After the date of acquisition, intangible assets are amortized over their estimated useful lives. Internally generated intangible assets are amortized separately in the currency translation accounts, a separate component of accumulated other comprehensive income (OCI).”

### Report of the Independent Auditors on the Summary Financial Statements

#### Opinion

The summary consolidated financial statements of The Independent Order of Foresters (the “Foresters”), which comprise:
- the summary consolidated statement of financial position as at December 31, 2018,
- the summary consolidated statement of comprehensive income (loss) for the year then ended, and
- related notes,
hereinafter referred to as the “summary financial statements” are derived from the complete audited consolidated financial statements of The Independent Order of Foresters as at and for the year ended December 31, 2018.

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

#### Audited Financial Statements and Our Report Thereon

On our report dated February 12, 2019, we expressed an unmodified opinion on the audited consolidated financial statements.

#### Other Information

Management is responsible for the other information. Other information includes:
- Information other than the summary financial statements and the auditors’ report thereon, included in the 2018 financial highlights.

Our opinion on the summary financial statements does not cover the other information and we do not express an opinion or form an opinion thereon.

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

We obtained the information, other than the summary financial statements and the auditors’ report thereon, included in the 2018 financial highlights, which are the responsibility of the management.

We have nothing to report in this regard.

### Management’s Responsibility for the Summary Financial Statements

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

#### Auditors’ Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards B5, Engagements to Report on Summary Financial Statements.

### Chartered Professional Accountants, Licensed Public Accountants

February 22, 2019

Toronto, Canada
Develop skills that can help you both personally and professionally

Learn about your new role at a Councillor Orientation Meeting held annually in November

Receive unique training at a Leadership Development Conference each year in June

Collaborate and network with like-minded member leaders once a month by participating in one-hour-long meetings — 10 via teleconference and two in person

Guide decisions that will help Foresters improve the member experience

Nominate yourself for Branch Councillor

RODNEY HORTON
Branch Councillor, Fresno, US

“I want to take advantage of all the opportunities out there that can help me create a better version of myself. Being a Branch Councillor means I can hone the skills I already have, and develop new ones that I can use both professionally and in my personal life.”

Enrich your life

Nominate yourself at foresters.com/nominationsUK by 5:00pm on 12 June 2019