

The Independent  
Order of Foresters

Year ended  
December 31, 2014

# 2014 financial highlights

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Financial highlights  
for the year ended  
December 31, 2014

(All amounts are in Canadian dollars, unless otherwise stated)

With a 140-year history, Foresters is financially strong now, and more importantly, is well-positioned for long-term financial health. On these pages, we share our key financial results, the indicators of our growth and stability.

## Sales

Foresters US Branch  
Total Annualized Sales

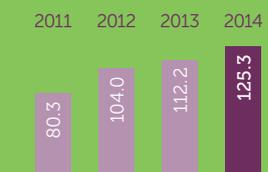
**62**  
US \$ million



Annualized weighted sales were US \$62 million, a 9% decrease from 2013 due to actions taken to improve long-term profitability of Foresters products and increased market competition. We also launched a single premium whole life product (Your Legacy) and an accelerated benefit rider.

First Investors  
Consolidated Corporation  
Total Annualized Sales

**125**  
US \$ million



Weighted sales of life insurance products, annuities and mutual funds were \$125.3 million, an 11.6% increase over 2013. The increase was driven mainly by continued investor confidence in the markets leading to greater interest in mutual funds and our fixed deferred annuity products.

Foresters Canada  
Total Annualized Sales

**27**  
CDN \$ million



Canadian annualized weighted sales were \$27 million, an 11% increase over 2013. The increase was mostly due to growth in the group creditor product line, partially offset by lower preneed sales. Competitive pressures resulted in a 10% decline from our Canada Protection Plan products. Brokerage sales were up 4% from 2013.

Foresters UK  
Total Annualized Sales

**42**  
UK £ million



The United Kingdom (UK) total annualized weighted sales were £42.5 million, a 7% increase over 2013. £30 million came via our sales force and £12.4 million came from our direct-to-customer channel.

# Key results

## Total Premiums

832  
\$ million

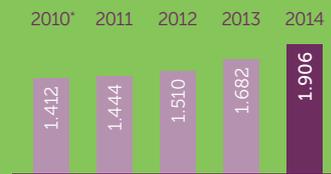


\*Restated to reflect impact of IFRS accounting on gross reported premiums.

Total gross premiums were \$832 million, a 20% increase over 2013. The increase is mainly due to our growing block of in-force policies and strong annuity sales at First Investors.

## Surplus

1.9  
\$ billion



\*Restated on an IFRS basis.

Foresters surplus increased to \$1.9 billion due to our strong total comprehensive income of \$224 million in 2014. At December 31, 2014 our MCCSR ratio was 409%, well above the Canadian life insurer average of 238% at September 30, 2014.<sup>2</sup>

## Total Comprehensive Income

224  
\$ million



\*Restated on an IFRS basis.

Total comprehensive income of \$224 million reflects an upward trend in earnings since 2010. Foresters total comprehensive income benefited from stronger earnings as well as foreign currency translation gains of \$105 million due to the strengthening of the US dollar and the UK pound sterling relative to the Canadian dollar.

## Funds under Management

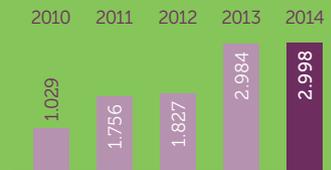
28  
\$ billion



Funds under management grew to \$28.5 billion, a 16% increase over 2013. The increase was largely due to the strengthening of the US dollar and the UK pound sterling relative to the Canadian dollar. Excluding the impact of currency changes, funds under management grew by \$1.7 billion year over year.

## Certificates and Contracts In Force

3  
million



At December 31, 2014, Foresters had 3 million certificates and contracts in-force. Since 2010, the number of in-force certificates and contracts has grown by almost 2 million due to the acquisitions of First Investors Consolidated Corporation and The Children's Mutual and strong sales of our products.

# What do the numbers mean?

## Annualized weighted sales

is a common measure used in the life insurance industry to measure new sales of products during the year. In this measure, for example, sales of policies with ongoing premium payments receive a higher weighting than sales of products with a single premium payment.

**Total premiums** is the total insurance premiums paid or owing to Foresters during the year from certificate and contract holders.

**Surplus** is the value of our assets minus our financial obligations to members and others. We use our surplus to deliver our fraternal purpose through member benefits, community investment and to grow the business through increased sales and strategic acquisitions.

**The Minimum Continuing Capital and Surplus Requirements ("MCCSR") ratio** is a capital adequacy measure for life insurance companies established by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). It is a measure used to ensure that insurers maintain adequate capital to meet their financial obligations.

**Total comprehensive income** is the sum of net income and other items not recorded in net income such as unrealized gains and losses from foreign currency translation and unrealized gains and losses on assets backing our surplus.

**Funds under management** 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** is the total number of certificates and contracts that are active or "in force".

<sup>2</sup> Source: Office of the Superintendent of Financial Institutions Canada (OSFI), Financial Data for Life Insurance Companies, Total Canadian Life Companies, MCCSR - Total capital required/available.

## Summary Consolidated Statements of Comprehensive Income

For the year ended December 31, 2014 with comparative figures for 2013 (In millions of Canadian dollars)

	2014	2013
<b>Revenue</b>		
Gross premiums	\$ 832	\$ 693
Ceded premiums	(75)	(70)
<b>Net Premiums</b>	<b>757</b>	<b>623</b>
<b>Net Investment Income</b>		
Interest and dividends (net)	263	241
Net realized gains	63	127
Net unrealized gains on fair value through profit and loss investments	368	(461)
Net foreign currency losses on available-for-sale assets	13	5
<b>Total Investment Income</b>	<b>707</b>	<b>(88)</b>
Fee Revenue	257	200
Other operating income	22	15
<b>Total Revenue</b>	<b>1,743</b>	<b>750</b>
<b>Benefits &amp; Expenses</b>		
Gross benefits	639	534
Ceded benefits	(35)	(34)
Gross change in insurance contract liabilities	426	(477)
Ceded change in insurance contract liabilities	(24)	32
Dividends	41	38
Commissions	249	227
Operating expenses	338	298
Ceded commissions and operating expenses	(14)	(18)
Fraternal investment	18	18
<b>Total Benefits &amp; Expenses</b>	<b>1,638</b>	<b>618</b>
Income before income taxes	105	132
<b>Income Taxes</b>		
Current	1	13
Deferred	1	4
<b>Total Income Taxes</b>	<b>2</b>	<b>17</b>
<b>Net Income</b>	<b>103</b>	<b>115</b>
<b>Other Comprehensive Income (Loss)</b>		
<i>Items that will not be reclassified to net income</i>		
Remeasurement gains (losses) on employee benefit plans, net of income tax expense	(31)	21
Net unrealized gains on property	5	1
<b>Total items that will not be reclassified to net income</b>	<b>(26)</b>	<b>22</b>
<i>Items that are or may be reclassified subsequently to net income</i>		
Net unrealized gains (losses) on available-for-sale assets, net of income tax recovery (expense) of \$(1) (\$(2) in 2013)	46	(57)
Reclassification of net realized (gains) losses on available-for-sale assets, net of income tax recovery to net income	(3)	6
Net unrealized foreign currency translation gains (losses)	104	86
<b>Total items that are or may be reclassified subsequently to net income</b>	<b>147</b>	<b>35</b>
<b>Total Comprehensive Income</b>	<b>\$ 224</b>	<b>\$ 172</b>

## Summary Consolidated Statements of Financial Position

As of December 31, 2014 with comparative figures for 2013 (In millions of Canadian dollars)

	Dec 31, 2014	Dec 31, 2013
<b>Assets</b>		
<b>Invested Assets</b>		
Cash, cash equivalents and short-term securities	\$ 322	\$ 191
Bonds	6,450	5,657
Equities	760	727
Mortgages	1	1
Derivative financial instruments	20	51
Other invested assets	119	116
Loans to certificate holders	317	287
<b>Total Invested Assets</b>	<b>7,989</b>	<b>7,030</b>
Reinsurance assets	217	187
Accrued investment income	69	65
Deferred acquisition costs on investment contracts	44	33
Other assets	164	153
Property and equipment	53	46
Employee benefit assets	8	34
Goodwill and intangible assets	254	260
	8,798	7,808
Net investments for accounts of segregated fund unit holders	3,184	2,720
<b>Total Assets</b>	<b>\$ 11,982</b>	<b>\$ 10,528</b>
<b>Liabilities</b>		
Insurance contract liabilities	\$ 6,362	\$ 5,647
Investment contract liabilities	160	157
Benefits payable and provision for unreported claims	134	126
Other liabilities	172	146
Employee benefit obligation	64	50
	6,892	6,126
Investment contract liabilities for accounts of segregated fund unit holders	3,184	2,720
<b>Total Liabilities</b>	<b>10,076</b>	<b>8,846</b>
<b>Surplus</b>		
Retained earnings	1,687	1,584
Accumulated other comprehensive income	219	98
	1,906	1,682
<b>Total Liabilities and Surplus</b>	<b>\$ 11,982</b>	<b>\$ 10,528</b>

Foresters Report and foresters.com are Foresters official publications. Information about Foresters governance, a members right to vote and attend branch meetings, and Foresters Constitution are posted on foresters.com.

## Notes to the Summary Financial Statements

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

The summary consolidated statements of financial position and summary consolidated statements of comprehensive income have been summarized from 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 these summary financial statements are as follows:

- a. The information in the summary financial statements is in agreement with the related information in the audited financial statements; and
- b. Summary statements of changes in equity, cash flows, significant accounting policies and other explanatory information have not been presented, as the relevant information can be obtained from the audited financial statements.

The summary statements of financial position and summary consolidated statements of comprehensive income are only a summary of information in Foresters consolidated financial statements for the year ended December 31, 2014. They do not contain sufficient information to allow as full an understanding of the results and state of affairs of Foresters as would be provided by the full consolidated financial statements for the year ended December 31, 2014.

The full consolidated financial statements are available at [foresters.com](http://foresters.com).

### 2. Basis of Measurement

Foresters consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- Financial assets at fair value through profit or loss, available-for-sale financial assets and derivative financial instruments are measured at fair value;
- Employee benefit assets and obligations represent the funded status of these plans which is calculated as the difference between plan assets at fair value and the present value of defined benefit obligations;
- Insurance contract liabilities are calculated using the Canadian Asset Liability Method ("CALM") which is based on accepted actuarial practices according to standards established by the Canadian Institute of Actuaries and the requirements of the Office of the Superintendent of Financial Institutions Canada. This method involves the projection of future events in order to determine the amount of assets that must be set aside currently to provide for all future obligations, including the provision of fraternal benefits, and involves a significant amount of judgment; and
- Land, buildings and investment properties are measured at fair value.

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

### To the Board of Directors of The Independent Order of Foresters

The accompanying summary consolidated financial statements of The Independent Order of Foresters, which comprise the summary consolidated statements of financial position as at December 31, 2014 and the summary consolidated statements of comprehensive income (loss) for the year then ended, and related notes, are derived from the audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards, of The Independent Order of Foresters for the year ended December 31, 2014. We expressed an unmodified audit opinion on those financial statements in our report dated February 18, 2015.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the audited consolidated financial statements of The Independent Order of Foresters. Reading the summary financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of The Independent Order of Foresters.

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

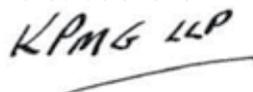
Management is responsible for the preparation of the summary consolidated financial statements in accordance with the basis described in the notes to the summary consolidated financial statements.

### Auditor's Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

### Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of The Independent Order of Foresters as at and for the year ended December 31, 2014 are a fair summary of those consolidated financial statements, in accordance with the basis described in the notes to the summary consolidated financial statements.



Chartered Professional Accountants, Licensed Public Accountants,  
Toronto Canada

## Appointed Actuary's Report

### The Board of Directors of The Independent Order of Foresters

I have valued the policy liabilities and reinsurance recoverables of The Independent Order of Foresters for its consolidated statement of financial position as at December 31, 2014 and their changes in the consolidated statement of comprehensive income for the year then ended in accordance with accepted actuarial practice in Canada including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities net of reinsurance recoverables makes appropriate provision for all policy obligations and the consolidated financial statements fairly present the results of the valuation.

These summarized consolidated financial statements do not contain all the disclosures required by accepted actuarial practice. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on Foresters financial position, results of operations and cash flows, reference should be made to the related complete consolidated financial statements.



Ralph Ovsec, F.S.A., F.C.I.A., M.A.A.A.  
Fellow, Canadian Institute of Actuaries  
Toronto, Canada  
February 18, 2015

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Foresters member benefits are non-contractual, subject to benefit specific eligibility requirements, definitions and limitations and may be changed or cancelled without notice.

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<sup>1</sup> Figures are in Canadian dollars, unless otherwise indicated. All values have been rounded.

† An "A" (Excellent) rating is assigned to companies that have a strong ability to meet their ongoing obligations to policyholders and have, on balance, excellent balance sheet strength, operating performance and business profile when compared to the standards established by A.M. Best Company. A.M. Best assigns ratings from A++ to F, A++ and A+ being superior ratings and A and A- being excellent ratings. In assigning the ratings for The Independent Order of Foresters (Foresters) and its subsidiaries Foresters Life Insurance Company and First Investors Life Insurance Company on July 2, 2014, A.M. Best stated that the outlook for all ratings is "stable", which means they are unlikely to change in the near future. See [ambest.com](http://ambest.com) for the latest ratings. 412401B CAN/US/UK (04/15)