

2018 REPORT TO MEMBERS

# Helping is who we are



**Foresters**   
Financial

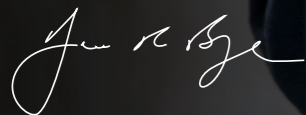
# Helping is at the heart of all we do

**"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 organise 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<sup>1</sup>

**2,141,994**

members strong

**"A"**  
(Excellent)

A.M. Best Financial Strength rating for the 18th consecutive year<sup>1</sup>

**£24.8 billion**

funds under management and administration<sup>2</sup>

**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<sup>3</sup>



# 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 fulfillment when I give freely. It's great that Foresters financial backing and support from fellow members makes helping other people easy."

**2018 helping by the numbers<sup>1,3</sup>**

**£1.38 million**  
in Foresters Competitive Scholarships awarded

**3,898**  
members supported through Foresters Emergency Assistance

**£1.0 million**  
in Emergency Assistance went to Foresters members

**6,536**  
hours of leadership training for member leaders

**900+**  
community organisations were supported by members donating time and effort through Granting activities

**£2.88 million**  
in Grants creating 1,954 fun family and volunteer activities attended by 76,991 members and guests

**To access or learn about your member benefits, visit [foresters.com](https://foresters.com)**

# Helping our Branch Councillors affect positive change

**"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."**

**CARYS SHARP**

**Branch Councillor, Newport Gwent, UK**

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."



**"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**

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."

# 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."



**"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.”



**“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.”**

**RENOS AONTONIOU**  
Forester Life Financial Adviser  
London, UK

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.”

# 2018 financial highlights

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



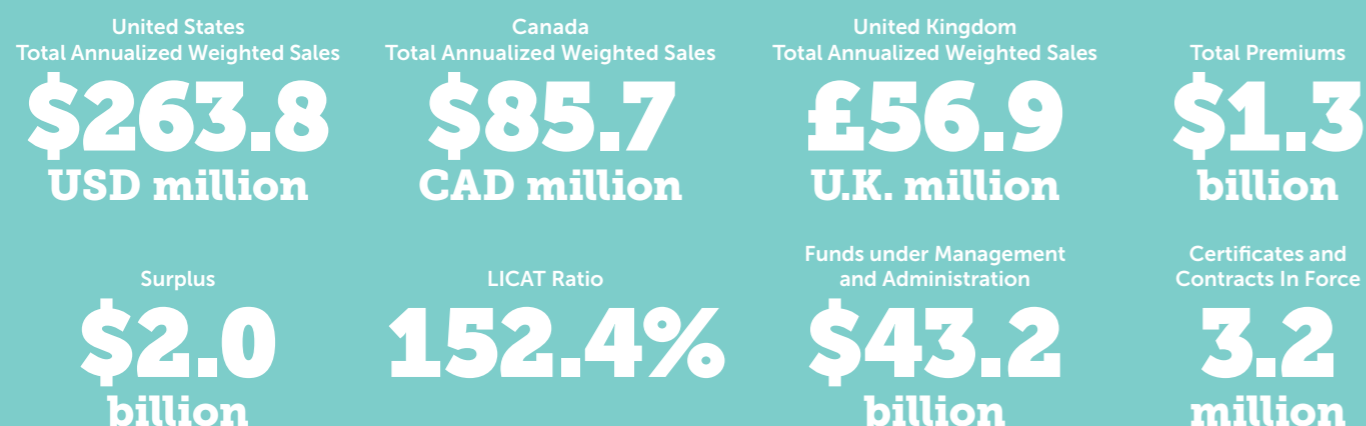
Dear fellow members,

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

## Key results at a glance



## 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 or owing 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 first and foremost gives Foresters Financial the ability 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 items not recorded in net income such as unrealized gains and losses from 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

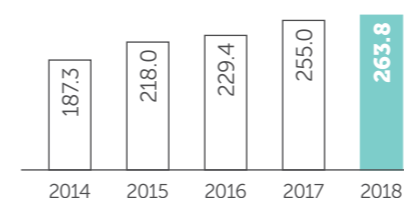
This is the total market value of the assets that we manage and administer on behalf of our members and customers.

### 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.

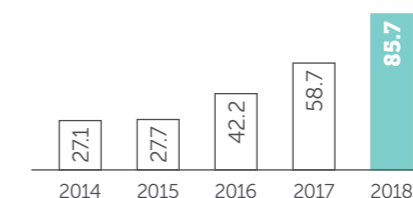
## Sales

**United States**  
Total Annualized Weighted Sales  
(USD millions)



Total U.S. annualized weighted sales were \$263.8 million, a 3.5% increase from 2017. The increase was driven by an 8.8% growth in life insurance and annuity sales over prior year.

**Canada**  
Total Annualized Weighted Sales  
(CAD millions)



Annualized weighted sales were \$85.7 million, a 46.0% increase over 2017. The Canada Protection Plan and Managing General Agent Brokerage sales channels continued to have strong sales levels with a growth of 9.9% and 9.2% respectively over prior year.

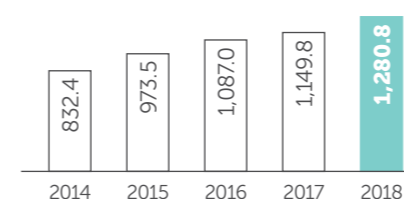
**United Kingdom**  
Total Annualized Weighted Sales  
(U.K. £ millions)



Total annualized weighted sales of £56.9 million, £44.6 million via the sales force channel and £12.3 million via direct-to-customer channel, decreased 0.4% over 2017. The slight decrease was primarily due to volatile investment markets throughout the year that resulted in a decrease in investments in single lump sums.

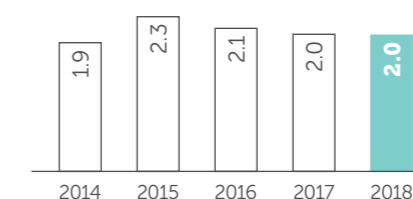
## Key results

**Total Premiums**  
(CAD millions)



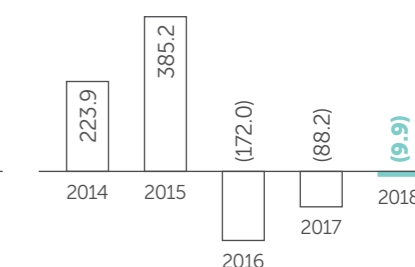
Total gross life insurance premiums were \$1.3 billion, an 11.4% increase from 2017. Premiums have steadily increased since 2014 largely due to our growing block of in-force policies and continued growth in new business sales.

**Surplus**  
(CAD billions)



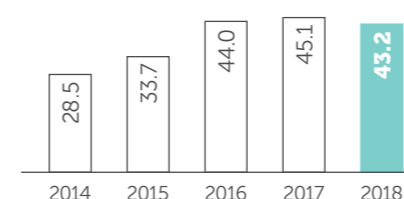
Total surplus was \$2.0 billion at the end of 2018. The net loss during the year was offset by net unrealized foreign currency gains. At December 31, 2018 our LICAT ratio was 152.4%, well above the Canadian life insurer average of 139% at December 31, 2018.<sup>1</sup>

**Total Comprehensive Income (Loss)**  
(CAD millions)



Total comprehensive loss of \$9.9 million for 2018 was largely due to declines in equity markets and government yields driving unrealized losses on investments of \$465.3 million, and industry updates impacting the assumptions and methodology used in determining actuarial liabilities which resulted in losses of \$38.1 million. These losses were partially offset by strong sales performance and net unrealized foreign currency translation gains.

**Funds under Management and Administration**  
(CAD billions)



Funds under management and administration were \$43.2 billion, a 4.4% decrease over 2017. The decrease was due primarily to volatile investment markets contributing to lower assets under management.

**Certificates and Contracts In Force**  
(thousands)



At December 31, 2018, Foresters Financial had nearly 3.2 million certificates and contracts in force. Since 2014, the number of in-force certificates and contracts has grown by 6.2% due to strong sales of our products.

<sup>1</sup> Office of the Superintendent of Financial Institutions Canada (OSFI), Financial Data for Life Insurance Companies, Total Canadian Life Companies, Life Insurance Capital Adequacy Test (LICAT).

## Summary Consolidated Statement of Comprehensive Income (Loss)

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

	2018	2017
<b>Revenue</b>		
Gross premiums	\$ 1,281	\$ 1,150
Ceded premiums	(112)	(95)
<b>Net Premiums</b>	<b>1,169</b>	<b>1,055</b>
Net investment (loss) income	(130)	542
Fee revenue	396	376
Other operating income	13	12
<b>Total Revenue</b>	<b>1,448</b>	<b>1,985</b>
<b>Benefits &amp; Expenses</b>		
Gross benefits	818	761
Ceded benefits	(54)	(60)
Gross change in insurance contract liabilities	(117)	380
Ceded change in insurance contract liabilities	(39)	(40)
Policy dividends	49	47
Commissions	407	371
Operating expenses	518	443
Ceded commissions and operating expenses	(30)	(21)
Fraternal investment	19	20
<b>Total Benefits &amp; Expenses</b>	<b>1,571</b>	<b>1,901</b>
(Loss) Income before income taxes	(123)	84
Income tax (expense) benefit	(6)	46
<b>Net (Loss) Income</b>	<b>(117)</b>	<b>38</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 taxes	11	(17)
Net unrealized gains on property	1	2
<b>Total items that will not be reclassified to net income</b>	<b>12</b>	<b>(15)</b>
<i>Items that are or may be reclassified subsequently to net income</i>		
Net unrealized losses on available-for-sale assets, net of income taxes	(32)	(13)
Reclassification of net realized gains (losses) on available-for-sale assets, net of income taxes	1	(1)
Net unrealized foreign currency translation gains (losses)	126	(97)
<b>Total items that are or may be reclassified subsequently to net income</b>	<b>95</b>	<b>(111)</b>
<b>Total Comprehensive Loss</b>	<b>\$ (10)</b>	<b>\$ (88)</b>

## Summary Consolidated Statement of Financial Position

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

	2018	2017
<b>Assets</b>		
<b>Invested Assets</b>		
Cash, cash equivalents and short-term securities	\$ 278	\$ 297
Bonds	7,529	7,209
Equities	749	772
Derivative financial instruments	-	16
Other invested assets	141	161
Loans to certificate holders	404	359
<b>Total Invested Assets</b>	<b>9,101</b>	<b>8,814</b>
Reinsurance assets	399	349
Accrued investment income	73	70
Deferred acquisition costs	74	75
Prepaid commissions	82	81
Deferred tax assets	32	43
Other assets	108	107
Property and equipment	69	64
Employee benefit assets	3	3
Goodwill and intangible assets	208	245
	10,149	9,851
Net investments for accounts of segregated fund unit holders	7,635	7,833
<b>Total Assets</b>	<b>\$ 17,784</b>	<b>\$ 17,684</b>
<b>Liabilities</b>		
Insurance contract liabilities	\$ 7,398	\$ 7,129
Investment contract liabilities	161	162
Derivative financial instruments	35	5
Benefits payable and provision for unreported claims	184	176
Other liabilities	269	263
Employee benefit obligations	84	85
	8,131	7,820
Liabilities for accounts of segregated fund unit holders	7,635	7,833
<b>Total Liabilities</b>	<b>15,766</b>	<b>15,563</b>
<b>Surplus</b>		
Retained earnings	1,654	1,774
Accumulated other comprehensive income	364	257
	2,018	2,031
<b>Total Liabilities and Surplus</b>	<b>\$ 17,784</b>	<b>\$ 17,684</b>

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

## 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 from The Independent Order of Foresters ("Foresters Financial") consolidated financial statements, which are prepared in accordance with International Financial Reporting Standards to portray in summarized form Foresters Financial's financial position and results of operations. The criteria applied by management in the preparation of these summary 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
- summary consolidated 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 Foresters Financial's consolidated 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's 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 as full an understanding of the results and state of affairs of Foresters Financial as would be provided by the full consolidated financial statements for the year ended December 31, 2018.

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

### 2. Basis of measurement

Foresters Financial's consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement 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;
- Reinsurance assets and 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 and buildings are measured at fair value.

Goodwill is initially measured as the excess of the purchase price of an acquisition of a subsidiary over the fair value of net identifiable assets acquired. After initial recognition, goodwill is carried at cost less any accumulated impairment losses, which are 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, these intangibles are carried at cost less accumulated amortization and impairment losses, which are tested when indicators are present and annually for indefinite life intangibles.

### 3. Foreign Currency

The Independent Order of Foresters functional and reporting currency is in Canadian dollars (CAD) which is the basis for the presentation of the consolidated financial statements. The functional currencies of the foreign subsidiaries and branch operations have been translated into Canadian dollars. All assets and liabilities are translated at the closing exchange rate at the balance sheet date, and the income and expenses are translated using the average exchange rate for the year. The accumulated gains or losses arising from translation are presented separately in the currency translation accounts, a separate component of accumulated other comprehensive income ("AOCI").

## Appointed Actuary's report

To 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, 2018 and their changes in the consolidated statement of comprehensive income (loss) 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's financial position, results of operations and cash flows, reference should be made to the related complete consolidated financial statements.



TRUDY ENGEL, F.S.A., F.C.I.A.  
Fellow, Canadian Institute of Actuaries  
February 12, 2019  
Toronto, Canada

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

To the Board of Directors of The Independent Order of Foresters

### Opinion

The summary consolidated financial statements of The Independent Order of Foresters (the Entity), 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.

### Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the Entity's audited consolidated financial statements and the auditor's report thereon.

### The 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 comprises:

- 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 and will not express any form of assurance conclusion 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 otherwise 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 as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

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 810, Engagements to Report on Summary Financial Statements.



Chartered Professional Accountants, Licensed Public Accountants  
February 12, 2019  
Toronto, Canada





**NOMINATIONS 2019**

# Enrich your life

## Nominate yourself for Branch Councillor

- 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 at [foresters.com/nominationsUK](https://foresters.com/nominationsUK) by 5:00pm on 12 June 2019**

**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.”



† An “A” (Excellent) Financial Strength 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. On August 2, 2018 A.M. Best assigned an “A” (Excellent) Financial Strength Rating to The Independent Order of Foresters and its subsidiary Foresters Life Insurance Company. In assigning its ratings, A.M. Best stated that the rating outlook is “stable”, which means it is unlikely to change in the near future. See [ambest.com](https://www.ambest.com) for the latest ratings. <sup>1</sup> All amounts in British pounds, unless otherwise indicated. <sup>2</sup> Amount based on consolidated financial results prepared in Canadian dollars as at December 31, 2018 and converted into British pounds using the Bloomberg spot exchange rate of 1.7403. <sup>3</sup> Amounts based on consolidated financial results prepared in Canadian dollars as at December 31, 2018 and converted into British pounds using the Bank of Canada annual average exchange rate of 1.7299. Description of member benefits that you may receive assumes you are a Foresters Financial member. To nominate, vote or run for Branch Councillor, you must be a Foresters voting member in good standing. Foresters Financial member benefits are non-contractual, subject to benefit specific eligibility requirements, definitions and limitations and may be changed or cancelled without notice. Foresters Financial and Foresters are trade names and trademarks of The Independent Order of Foresters (a fraternal benefit society, 789 Don Mills Road, Toronto, Canada M3C 1T9) and its subsidiaries. MB536