

2020 REPORT TO MEMBERS

Living well by doing good

Foresters
Financial

Helping is who we are.™



We are stronger together



“When challenged, Foresters proved resilient.”

The global pandemic and recession challenged us in 2020 but Foresters Financial™ proved resilient. Our strong team, solid systems and innovative thinking carried us through.

My thanks and praise go to all our employees who seamlessly converted to a work-from-home reality. I also want to acknowledge the dedication and talent of our Senior Management Team, skillfully led by our CEO, Jim Boyle. This team is one of Foresters’ greatest assets!

Finally, your Board of Directors supported management with its wisdom and experience providing oversight and encouragement. Four of us who joined the Board in 2009 will end our tenure in June: Frank Lochan, Martha Marcon, Chris Stranahan and yours truly. With three excellent nominees for Business Directors and an experienced group of Fraternal Director candidates, I assure you, your new Board will be outstanding!

Being your Board Chair has been a pleasure and an honor. I will cherish the memories and the good friends I’ve made along the way.

BOB LAMOUREUX
Chair of the Board



“We were awed by our members’ generosity of spirit.”

With Purpose as our guide, we pulled together and thrived during this unprecedented year.

Foresters is stronger today than it was entering the pandemic. We overcame challenges, kept employees safe and digitally transformed our business. Sales exceeded plan and service improved—all with our teams working from home.

Together, we delivered on our Purpose with new member benefits and programs that safely supported frontline workers and those in crisis. More than 2,400 Caring Through Crisis grants helped hundreds of thousands of people affected by COVID-19. We were awed by our members’ generosity of spirit.

We are on strategy to be the finest modern fraternal life insurer. We closed the sale of our non-core businesses and made two acquisitions. Canada Protection Plan ensures our long-term viability in the Canadian market and Halifax Child Trust Funds enhances our U.K. business.

With advanced products, best-in-class technology and our suite of member benefits, the future is bright for Foresters. Sign up for MyForesters.com to get involved.

JIM BOYLE
President and Chief Executive Officer



“Member leaders didn’t let distance stand in the way of progress.”

Now more than ever, resilience, strength and member connection are of paramount importance. As Foresters members navigated the challenges presented by COVID-19, we witnessed an incredible commitment to living and delivering our purpose.

Member leaders didn’t let distance stand in the way of progress. Monthly and quarterly meetings continued, and vital Branch and Region business was successfully conducted virtually.

Together, we grew the business, supported our local communities and launched new member benefits, including Lifelong Learning, LawAssure and a Diabetes benefit in the U.S. To help those affected by the pandemic, Caring Through Crisis grants empowered members to safely make a difference in their communities.

Our success in 2020 was made possible by our valued member leaders, dedicated members and the many staff and professionals who bring the Foresters Purpose to life every day.

Thank you for everything you do. We look forward to meeting in person as soon as it is safe to do so.

CHRIS STRANAHAN
International Fraternal President



Inspired by everyday heroes

2,460

Caring Through Crisis (CTC)
grants were funded

"This pandemic
shone a light on
what's most
important in life."

MATTHEW FLEMING-DUFFY

Matthew Fleming-Duffy, U.K.

"I'm just an ordinary guy with a job," says Matthew.
"But I can apply for funding and help support people.
It's an incredible feeling."

Matthew called his local Food Bank and asked how his family could help. With a Foresters CTC grant, Matthew put his eldest son in charge of budgeting (adding a math lesson!) and they safely supplied their community with much-needed food and essentials during the pandemic.

"Suddenly, I had a sense of purpose."



"It's hard to describe
how good you
feel when you're
doing good things.
It's gratifying to be
able to help."

MELISSA LEMAY

Melissa Lemay and Alicia Lackey, U.S.

When Melissa and Alicia heard about the CTC grant, they decided to apply and show some love to the staff at their local hospital.

They delivered lunch from a local business (pitching in to make sandwiches and reduce costs!) for exhausted hospital workers during an overwhelming time.

"I was at home feeling helpless," says Melissa.
"I saw the grant and knew this is something we can
do to help the front line."

Fiona Ho, Canada

The hands-on nature of Foresters grants is important to Fiona. She wants to get involved and show her young children compassion in action. Fiona used a Foresters CTC grant to safely deliver food and supplies to a local organization in her area. She brought her kids and they sure asked a lot of questions!

"It's not just about giving money," says Fiona. "But really giving your time and effort and helping those in need."



\$705,000

of CTC grants were
used to help those
impacted by COVID-19

"Being a Foresters
member and
volunteering with my
kids, it brings us
closer as a family."

FIONA HO



More than
200,000

people helped by
CTC grants



VICKIE TAYLOR-NANCE
Foresters Regional Councillor

You've got what it takes

You know your community best. That's why Foresters offers you opportunities to become a local leader. Nominations are now open for positions on your local Foresters Branch Council.¹

Influence

Make your voice heard. Meet new people and grow your personal network. Join monthly meetings to collaborate, share ideas and help shape the Foresters member experience.

Build

Together, we can amplify your giving. Connect with other members and rally around causes that matter to you and your community. Take the next step in living your purpose.

Learn

Gain new leadership skills to enrich your life and career. Get started with a motivating orientation session and learn from world-class speakers at our annual leadership conference.

Nominate yourself by June 15, 2021 at [MyForesters.com](https://www.myforesters.com)

¹ To nominate, vote or run for Branch Councillor, you must be a Foresters voting member in good standing. Please visit [MyForesters.com](https://www.myforesters.com) for additional information on eligibility criteria.

2020 financial highlights

Financial highlights for the year ended December 31, 2020
(All amounts are in Canadian dollars, unless otherwise stated)

Key results at a glance

United States
Total Annualized Weighted Sales

\$85.0
USD million

Canada
Total Annualized Weighted Sales

\$62.2
CAD million

United Kingdom
Total Annualized Weighted Sales

£48.0
GBP million

Annualized weighted sales are comprised of 100% of regular premiums/deposits and 10% of single premiums/deposits and annuities. Annualized weighted sales are also expressed on a constant currency basis, which is a measure of sales that provides greater comparability across reporting periods by excluding the impact of exchange rate fluctuations from the translation of functional currencies to the Canadian dollar. There is no directly comparable IFRS measure.

Total Premiums

\$1.2
billion

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.

Certificates and Contracts In Force

2.8
million

This is the total number of certificates and contracts that are active or "in force" at Foresters Financial and its subsidiaries.

Total Comprehensive Income (Loss)

\$(34.6)
million

This is the sum of net income and other comprehensive income which includes unrealized gains and losses from foreign currency translation and unrealized gains and losses on assets backing our surplus and certain changes in employee benefit plan obligations.

Surplus

\$2.1
billion

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.

A.M. Best Financial Strength Rating
for the 20th consecutive year¹

A
Excellent

A.M. Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations.

LICAT Ratio

193%

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.

Sales

United States

Total Annualized Weighted Sales (USD millions)



Total U.S. annualized weighted sales were \$85.0 million, a 3.5% increase from 2019 despite the challenges associated with the COVID-19 pandemic. Normalizing for the 2019 divestiture of our career sales force, year-over-year growth is 23%.

Canada

Total Annualized Weighted Sales (CAD millions)



Total Canada annualized weighted sales were \$62.2 million a 11.9% increase over 2019 largely due to Canada Protection Plan's (CPP) market leading reflexive e-application capabilities and the Q2 launch of its simplified issue Critical Illness product.

United Kingdom

Total Annualized Weighted Sales (GBP millions)

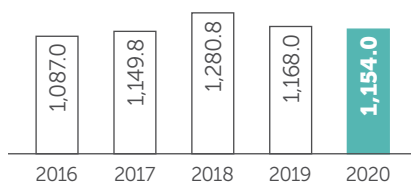


Total U.K. annualized weighted sales were £48.0 million, a 20.1% decrease from prior year. Sales slumped when the first wave of COVID-19 hit the U.K. in early March and the majority of the Field Force financial advisers were put on furlough. During those months, new business continued to be generated through online and other direct channels. Sales rebounded in the last quarter of the year with the resumption of Field Force selling activities and additional capabilities to offer video appointments as an alternative to face-to-face selling.

Key results

Total Premiums

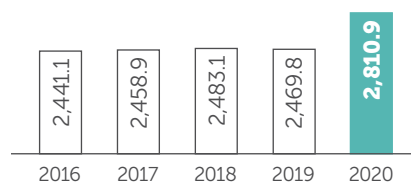
(CAD millions)



Total gross life insurance premiums were nearly \$1.2 billion, a 1.2% decrease from 2019. The decrease is largely due to lower sales of annuities following the sale of our U.S. variable life and annuity subsidiary in 2020 and the prior year divestiture of our retail broker dealer and advisory businesses.

Certificates and Contracts In Force

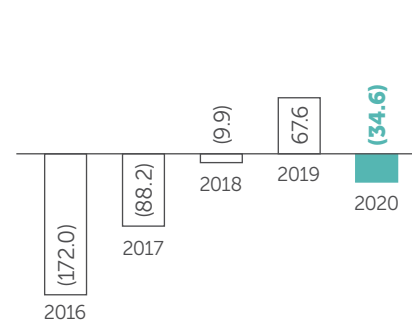
(thousands)



At December 31, 2020, Foresters Financial had 2.8 million certificates and contracts in force. The increase in the number of in-force certificates over the prior year is due to the acquisition of the Halifax Child Trust Funds (Halifax) in the second quarter of 2020.

Total Comprehensive Income (Loss)

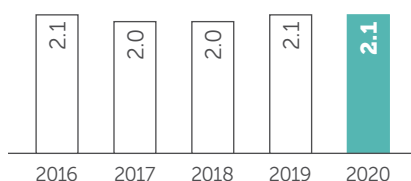
(CAD millions)



Total comprehensive loss of \$34.6 million for 2020 was due to volatile economic conditions resulting in strong equity gains offset by a decrease in risk free rates, narrowing of credit spreads and the impact of COVID-19 on mortality and lapse experience. The weakening of the U.S. dollar relative to the Canadian dollar was the primary driver of unrealized currency translation losses of \$58.0 million.

Surplus

(CAD billions)



Total surplus was nearly \$2.1 billion at the end of 2020. The decrease was due to the impact of COVID-19 and the related economic conditions along with foreign currency translation losses due to the weakening of the U.S. dollar where a significant portion of the surplus is denominated in U.S. dollars. This was offset by strong equity markets contributing to positive investment income. At December 31, 2020 our LICAT ratio was 193%, well above the Canadian life insurer average of 139% at December 31, 2020.¹

¹ 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, 2020 with comparative figures for 2019 (In millions of Canadian dollars)

	2020	2019
Revenue		
Gross premiums	\$ 1,154	\$ 1,168
Ceded premiums	(174)	(139)
Net Premiums	980	1,029
Net investment income (loss)	883	997
Fee revenue	120	131
Other operating income	8	11
Total Revenue	1,991	2,168
Benefits & Expenses		
Gross benefits	924	888
Ceded benefits	(92)	(81)
Gross change in insurance contract liabilities	768	752
Ceded change in insurance contract liabilities	(159)	(115)
Policy dividends	49	50
Commissions	292	286
Operating expenses	336	296
Interest Expenses	2	-
Ceded commissions and operating expenses	(76)	(54)
Fraternal investment	14	21
Total Benefits & Expenses	2,058	2,043
Gain on sale of disposal group held for sale	58	-
Income (Loss) before income taxes	(9)	125
Income Taxes	(11)	35
Net Income (Loss) from continuing operations	2	90
Net Income (Loss) from discontinued operations, net of tax	(3)	3
Total Net Income (Loss)	(1)	93
Other Comprehensive Income (Loss)		
<i>Items that will not be reclassified to net income (loss)</i>		
Remeasurement gains (losses) on employee benefit plans, net of income taxes	(12)	(2)
Net unrealized (losses) gains on property, net of income taxes	(1)	1
Total items that will not be reclassified to net income (loss)	(13)	(1)
<i>Items that are or may be reclassified subsequently to net income (loss)</i>		
Net change in unrealized gains on available-for-sale assets, net of income tax	87	55
Reclassification of net realized gains (losses) on available-for-sale assets, net of income taxes	(50)	-
Net unrealized foreign currency translation gains (losses)	(58)	(79)
Total items that are or may be reclassified subsequently to net income (loss)	(21)	(24)
Total Comprehensive Income (Loss)	\$ (35)	\$ 68

Summary Consolidated Statement of Financial Position

As of December 31, 2020 with comparative figures for 2019 (In millions of Canadian dollars)

	2020	2019
Assets		
Invested Assets		
Cash, cash equivalents and short-term securities	\$ 385	\$ 306
Bonds	7,198	6,616
Equities	875	836
Mortgages	31	-
Derivative financial instruments	1	5
Other invested assets	136	144
Loans to certificate holders	265	261
Total Invested Assets	8,891	8,168
Reinsurance assets	656	502
Accrued investment income	52	56
Deferred acquisition costs	24	23
Prepaid commissions	74	68
Current income taxes	29	12
Deferred tax assets	9	15
Other assets	65	70
Property and equipment	56	60
Right of use assets	24	27
Goodwill and intangible assets	206	54
Assets classified as held for sale	-	1,736
	10,086	10,791
Net investments for accounts of segregated fund unit holders	8,000	5,796
Net investments for accounts of segregated fund unit holders held for sale	-	1,941
Total Assets	\$ 18,086	\$ 18,528
Liabilities		
Insurance contract liabilities	\$ 7,023	\$ 6,481
Investment contract liabilities	149	144
Derivative financial instruments	22	27
Benefits payable and provision for unreported claims	210	184
Lease liabilities	37	36
Current income taxes	27	26
Deferred tax liabilities	48	16
Other liabilities	179	233
Subordinated debt	249	-
Employee benefit obligations	91	91
Liabilities classified as held for sale	-	1,467
	8,035	8,705
Liabilities for accounts of segregated fund unit holders	8,000	5,796
Liabilities for accounts of segregated fund unit holders held for sale	-	1,941
Total Liabilities	16,035	16,442
Surplus		
Retained earnings	1,747	1,747
Accumulated other comprehensive income	304	339
	2,051	2,086
Total Liabilities and Surplus	\$ 18,086	\$ 18,528

The full consolidated financial statements are available at 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 audited financial statements.

The summary 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, 2020. They do not contain 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, 2020.

The full consolidated financial statements are available at www.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.

The duration and impact of the COVID-19 pandemic is unknown at this time and can introduce additional uncertainty around estimates, assumptions and judgements used in preparing these consolidated financial statements.

3. Foreign Currency

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, 2020 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 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
Toronto, Canada
February 17, 2021

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, 2020
- 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, 2020.

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 Consolidated Financial Statements and Our Report Thereon

On our report dated February 17, 2021, we expressed an unmodified opinion on the audited consolidated financial statements.

Other Information

Management is responsible for other information. Other information comprises:

- Information, other than the summary financial statements and the auditors' report thereon, included in the 2020 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 2020 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
Toronto, Canada
February 17, 2021