

# Our 2019 Financial Report



**"Driven to share,  
not shareholder driven."**

**EUAN ALLISON**  
UK Chief Executive Officer (CEO)

As a member of Foresters Financial, you have a constitutional right to see how we are performing. Our 2019 Financial Report is here to provide you with an overview of the total organisation, including the UK, US and Canada, where our international headquarters are based. The numbers are in Canadian dollars, and there are roughly \$1.6 to a pound.

As CEO my role is to run the UK operation. Here, we operate as Forester Life, and as of 31<sup>st</sup> December 2019 we looked after over 1.7 million Plans and over £4.5bn funds under management.



## Financial Security with a Purpose

In the UK we provide over 3 million members and customers with financial security for the future, with an added difference. We exist for the benefit of our members and customers and helping them has always remained at the heart of what we do. By actively giving back, we're here to continuously improve the lives of our members and customers, their families, and make a difference to the communities they live in.

From our humble beginnings over 145 years ago, we now offer personal insurance, mortgage protection and a range of savings and investment products. We are also the largest provider of children's savings in the UK, including looking after over 1.5 million Child Trust Funds and Junior ISAs. We serve generations of family members, helping them achieve long-term financial health and security and will continue to do so in the years ahead.



# Putting service at the heart of what we do

We're proud to say that our ethos and purpose runs strongly throughout our organisation. With around 180 employees based in Kent providing excellent customer service and over 170 Financial Advisers on hand to provide a home-based service, we're ready to help in whatever way suits you best. Whether that's online, face-to-face, by email, post, or over the phone, the choice is yours.

## What you thought

In 2019 we asked many of you to rate the service we provided, and we're pleased to say you rated us 4.7 out of 5 stars. Thank you to those that took the time to go out to provide us with feedback that helps shape us for the future, as we strive to continuously improve our excellent service.

## Want to hear more?

If you want to read more about us or hear about our volunteer days and community events, please visit [foresters.com](http://foresters.com) or simply find us on Facebook and Instagram.

 @ForestersUK

 @ForestersFinancialUK

## Are you under 18?

When you hold a Plan with us, and you are age 16 and above, you become a member of one of 50 branches across our three countries. As a branch member, you have the choice on whether you would like to vote and hold office, with elected leaders becoming part of our leadership teams.

If you are aged 16 or 17, and would like to get involved with our democratic process, please let us know. Simply email us your details (Plan number and address) to [register@foresters.co.uk](mailto:register@foresters.co.uk) with the subject headline of 'Register', by 8<sup>th</sup> June 2020. We will then ensure that you are sent voting information later this year. Members aged 18 and over will automatically receive their voting packs.



2019 REPORT TO MEMBERS

# Financial solutions with a larger purpose

Foresters  
Financial



# Committed to progress



**"We are excited  
about the future."**

Foresters Financial is a financial services provider with a larger purpose—to enrich family and community well-being. For over 145 years, this purpose has defined our strategy and business model, from the work that we do, to the employees we recruit, to the people we do business with—our members, like you.

This year was an exciting time of change and evolution for Foresters as we worked towards achieving our goal to become the most relevant and modern fraternal life insurer. Through 2019, we re-focused our strategy to get back to our roots as a fraternal life insurer that gives back to its members through innovative products and benefits they can use throughout their lives—such as scholarships and community improvement grants.

We are excited about the future as we continue to grow and modernise our products and benefits to deliver even more value to you. Be sure to visit [foresters.com](https://foresters.com), so you can keep exploring everything Foresters has to offer.

We are honoured you have chosen us as your financial services provider and look forward to serving you in the years to come.

**JIM BOYLE**  
International President and  
Chief Executive Officer



**"By any measure,  
this past year has been  
busy and successful."**

As I reflect on 2019, "successful" is the word that comes to mind.

When I speak to members and look at photos of hundreds of Community Involvement projects that have been undertaken across three countries, I see success. I see our members, employees, and the organisation as a whole positively impacting communities by participating in activities that support our Purpose and common bond.

We continued to move forward with initiatives that have helped modernise the organisation. Our new granting system was launched to deliver an enhanced member experience, and we announced new benefits for members, with more coming soon.

Thanks to your efforts and your continued dedication to the Foresters Purpose, the successes we've celebrated this year will positively impact 2020 and beyond.

**CHRIS STRAHAN**  
International Fraternal President



# Driven to make a difference

**"It's amazing that Foresters lets me do something great in the community."**

**SHERISSE WASHINGTON**  
Foresters member

Sherisse loves taking care of others. As a mum, teacher, and new Foresters member, she was excited that a Community Volunteer Grant could help her support local children.

Together with her family and other Foresters members, Sherisse built five cabinets and filled them with a variety of personal hygiene items. Through the local charity, Joshua's Place, these cabinets will be placed in schools, giving underprivileged kids access to basics they may not otherwise be able to afford.

And this is only the beginning for Sherisse. "The new grant application process was easy. I can't wait to do another event with Foresters."

**Visit [foresters.com](https://www.foresters.com) to learn more about how you can apply for a Community Volunteer Grant.**

## 2019 Community Volunteer Grants by the numbers

**936**

local community organisations were supported by members donating time and effort through granting activities

**£3.3**  
million\*

in funds were spent on granting activities

**93,836**

attendees came together to support Foresters granting activities





# Invest in yourself

Have your say as a Foresters Branch Councillor<sup>1</sup> and enjoy opportunities to:

- Help shape the future Foresters member experience
- 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
- Learn about your new role at a Councillor Orientation Meeting held annually
- Develop transferable leadership skills at our annual Leadership Development Conference
- Live your purpose and make an even bigger impact in your community and beyond

**Nominate  
yourself today at  
[foresters.com](https://foresters.com)**

<sup>1</sup> To nominate, vote or run for Branch Councillor, you must be a Foresters voting member in good standing. Please have your certificate number accessible and visit [foresters.com](https://foresters.com) for additional information on eligibility criteria.

## International Assembly Notice

Official Notice of the 43rd International Assembly (IA) —

Foresters supreme governing body will hold its 43rd quadrennial meeting on 12 June 2021 at the Red Rock Hotel in Las Vegas, Nevada. The 2021 IA will receive reports on the state of Foresters, review and amend Foresters Constitution, and elect the Board of Directors. This IA meeting is attended by 170 elected Representatives of the Foresters membership.

Nominations for Foresters Board of Directors, 2021–2025 — as required in Foresters Constitution, s 4.3.3, the Board of Directors has appointed a Nominating Committee to identify

and recommend candidates for election as Director at the 2021 IA. Interested nominees must be Voting Members with the qualifications, skills and experience which the Board is seeking. Further information on the nominating process and how to apply for a Board position will be published soon on [foresters.com/IA2020](https://foresters.com/IA2020).

If you require further information please contact René Zanin, Corporate Secretary, at [board@foresters.com](mailto:board@foresters.com) or by phone at 416-467-2530. While all applications will be acknowledged, only suitable candidates as determined by the Nominating Committee will be interviewed. The deadline for submission of applications is 30 September 2020.

# 2019 financial highlights

**Financial highlights for the year ended December 31, 2019**  
**(All amounts are in Canadian dollars, unless otherwise stated)**

## Key results at a glance

United States  
Total Annualized Weighted Sales

**\$82.1**  
USD million

Canada  
Total Annualized Weighted Sales

**\$55.6**  
CAD million

United Kingdom  
Total Annualized Weighted Sales

**£60.1**  
U.K. million

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

**\$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

**2.5**  
million

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

Total comprehensive income

**\$67.6**  
million

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 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 19th consecutive year<sup>1</sup>

**A**  
Excellent

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

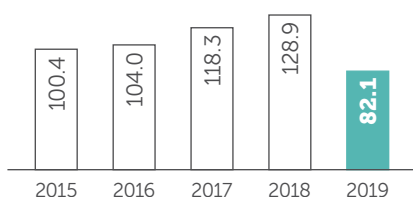
LICAT Ratio

**172.1%**

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.

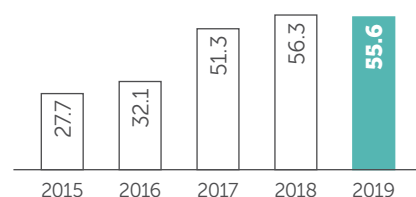
## Sales

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



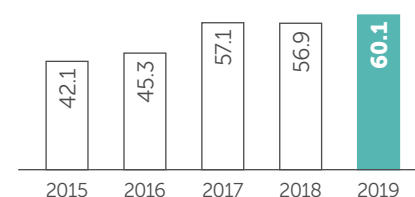
Total U.S. annualized weighted sales were \$82.1 million, a 36.3% decrease from 2018. The main contributor was a result of exiting certain non-core businesses, including our retail broker dealer, advisory businesses and affiliated career sales force.<sup>2</sup>

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



Total Canada annualized weighted sales were \$55.6 million and were largely flat over 2018 due to more simplified issue market entrants and increased competition in the family market.<sup>2</sup>

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



Total U.K. annualized weighted sales were £60.1 million, 5.7% higher than prior year. Sales were below expectation in the first half of 2019 mainly due to market volatility caused by political uncertainties in the U.K. but rebounded in the second half due to strong Field Force performance and the restructuring of the sales channels.

## Key results

### Total Premiums (CAD millions)



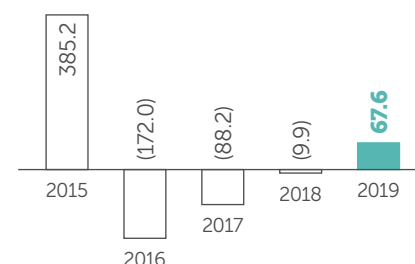
Total gross life insurance premiums were nearly \$1.2 billion, an 8.8% decrease from 2018. The decrease is largely due to lower sales of annuities in FLIAC due to the sale of the retail broker dealer and advisory businesses in Q2 which was the sole distribution channel of FLIAC products.

### Certificates and Contracts In Force (thousands)



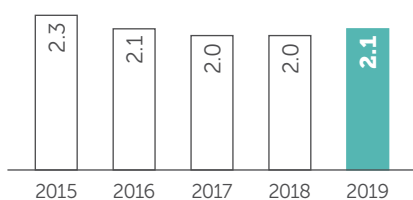
At December 31, 2019, Foresters Financial had nearly 2.5 million certificates and contracts in force. A decrease from the prior year in the number of in-force certificates and contracts by 0.5% due to the closed blocks of business in the U.K. that are running off.<sup>2</sup>

### Total Comprehensive Income (CAD millions)



Total comprehensive income of \$67.6 million for 2019 was largely due to strong earnings in the U.K., positive equity markets and the gain on the sale of the asset management businesses. These gains were offset by mortality and lapse assumptions including industry updates impacting actuarial liabilities and net unrealized foreign currency translation losses.

### Surplus (CAD billions)



Total surplus was \$2.1 billion at the end of 2019. The increase was due to strong equity markets contributing to positive investment income and the gain on the sale of the asset management businesses offset by 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. At December 31, 2019 our LICAT ratio was 172.1%, well above the Canadian life insurer average of 137% at December 31, 2019.<sup>1</sup>

<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)

<sup>2</sup> Sold entities have been removed for comparison purposes



## Summary Consolidated Statement of Comprehensive Income (Loss)

For the year ended December 31, 2019 with comparative figures for 2018 (In millions of Canadian dollars)

	2019	2018 Re-presented
<b>Revenue</b>		
Gross premiums	\$ 1,168	\$ 1,281
Ceded premiums	(139)	(112)
<b>Net Premiums</b>	<b>1,029</b>	<b>1,169</b>
Net investment income (loss)	997	(132)
Fee revenue	131	126
Other operating income	11	12
<b>Total Revenue</b>	<b>2,168</b>	<b>1,175</b>
<b>Benefits &amp; Expenses</b>		
Gross benefits	888	818
Ceded benefits	(81)	(54)
Gross change in insurance contract liabilities	752	(117)
Ceded change in insurance contract liabilities	(115)	(39)
Policy dividends	50	49
Commissions	286	353
Operating expenses	296	270
Ceded commissions and operating expenses	(54)	(30)
Fraternal investment	21	19
<b>Total Benefits &amp; Expenses</b>	<b>2,043</b>	<b>1,269</b>
Income (Loss) before income taxes	125	(94)
<b>Income Taxes</b>	<b>35</b>	<b>(13)</b>
<b>Net Income (Loss) from continuing operations</b>	<b>90</b>	<b>(81)</b>
<b>Net Income (Loss) from discontinued operations, net of tax</b>	<b>3</b>	<b>(36)</b>
<b>Total Net Income (Loss)</b>	<b>93</b>	<b>(117)</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	(2)	11
Net unrealized gains on property	1	1
<b>Total items that will not be reclassified to net income</b>	<b>(1)</b>	<b>12</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	55	(32)
Reclassification of net realized gains (losses) on available-for-sale assets, net of income taxes	-	1
Net unrealized foreign currency translation gains (losses)	(79)	126
<b>Total items that are or may be reclassified subsequently to net income</b>	<b>(24)</b>	<b>95</b>
<b>Total Comprehensive Income (Loss)</b>	<b>\$ 68</b>	<b>\$ (10)</b>

## Summary Consolidated Statement of Financial Position

As of December 31, 2019 with comparative figures for 2018 (In millions of Canadian dollars)

	2019	2018
<b>Assets</b>		
<b>Invested Assets</b>		
Cash, cash equivalents and short-term securities	\$ 306	\$ 278
Bonds	6,616	7,529
Equities	836	749
Derivative financial instruments	5	-
Other invested assets	144	141
Loans to certificate holders	261	404
<b>Total Invested Assets</b>	<b>8,168</b>	<b>9,101</b>
Reinsurance assets	502	399
Accrued investment income	56	73
Deferred acquisition costs	23	74
Prepaid commissions	68	82
Current income taxes	12	29
Deferred tax assets	15	32
Other assets	70	79
Property and equipment	60	69
Right of use assets	27	-
Employee benefit assets	-	3
Goodwill and intangible assets	47	208
Assets classified as held for sale	1,736	-
	10,784	10,149
Net investments for accounts of segregated fund unit holders	5,796	7,635
Net investments for accounts of segregated fund unit holders held for sale	1,940	-
<b>Total Assets</b>	<b>\$ 18,520</b>	<b>\$ 17,784</b>
<b>Liabilities</b>		
Insurance contract liabilities	\$ 6,481	\$ 7,398
Investment contract liabilities	144	161
Derivative financial instruments	27	35
Benefits payable and provision for unreported claims	184	184
Lease liabilities	36	-
Current income taxes	26	6
Deferred tax liabilities	9	3
Other liabilities	233	260
Employee benefit obligations	91	84
Liabilities classified as held for sale	1,467	-
	8,698	8,131
Liabilities for accounts of segregated fund unit holders	5,796	7,635
Liabilities for accounts of segregated fund unit holders held for sale	1,940	-
<b>Total Liabilities</b>	<b>16,434</b>	<b>15,766</b>
<b>Surplus</b>		
Retained earnings	1,747	1,654
Accumulated other comprehensive income	339	364
	2,086	2,018
<b>Total Liabilities and Surplus</b>	<b>\$ 18,520</b>	<b>\$ 17,784</b>

## 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, 2019. 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, 2019.

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

Certain comparative amounts in the consolidated statement of comprehensive income (loss) have been re-presented as a result of discontinued operations during the current year.

### 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 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, 2019 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  
February 19, 2020  
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, 2019
- 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, 2019.

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 auditors' report thereon, therefore, is not a substitute for reading the Entity's audited consolidated financial statements and the auditors' report thereon.

### The Audited Consolidated Financial Statements and Our Report Thereon

On our report dated February 19, 2020, 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 2019 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 2019 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.

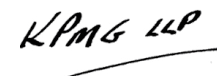
We have nothing to report in this regard.

### 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 19, 2020

\* Amounts based on consolidated financial results prepared in Canadian dollars as at December 31, 2019 and converted into British pounds using the Bank of Canada annual average exchange rate of 1.6945.  
† 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. In 2019 A.M. Best assigned Foresters subsidiary, Foresters Life Insurance Company an "A" (Excellent) Financial Strength Rating. In assigning the ratings for The Independent Order of Foresters (Foresters Financial) and its subsidiary Foresters Life Insurance Company on August 14, 2019, A.M. Best stated that the outlook for all ratings is "stable", which means they are unlikely to change in the near future, assuming our financial strength is maintained and our operations grow. See [ambest.com](http://ambest.com) for the latest ratings. Description of member benefits that you may receive assumes you are a Foresters Financial member. 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. MB584 DAC2020058/FS/BR (12/20)