

FORESTERS FINANCIAL | 2022 REPORT TO MEMBERS

Creating a better future together



We can all make a difference

Sustainability has been part of our DNA for nearly 150 years here at Foresters, and it's what pushes us every day to work towards creating a better future. But it's members like you who are the real difference makers. When you come together over causes like sustainability, amazing things happen.

I'm so excited to see the positive change we all make this year as we continue to take the right steps forward to a more sustainable world!



Scan the QR code to see my personal message to our members

LOUIS GAGNON
President and Chief Executive Officer

It's an honor and privilege to be a part of the Foresters family, as we bring focus to the well-being of our members, their families, and their communities. Anchored by our financial strength we bring our purpose to work every day, as we also look towards building a bright and sustainable future.

I'm proud to share that we have:

2.7 million

certificates and contracts in force

That means 2.7 million people across Canada, the US and the UK have more financial peace of mind and access to member benefits that inspire them to give back and live life to the fullest.

DANIEL FORTIN
Chair of the Board

From my time as a Branch Councillor to now as the International Fraternal President, I have seen firsthand the willingness of members to help create a brighter world. And through programs like Growing a Better Future, our members have more opportunities than ever to help their communities.

Another great way to make a difference in your community is to become a Branch Councillor! Your local community belongs to a Foresters Branch, and as a Branch Councillor, you can play a crucial role in inspiring change.

500

seats across 50 Branches are up for elections this year

That's 500 opportunities for members like you to make a positive impact. Anyone can become a leader; you only need the passion for making a difference.

RICHARD HENNICK
International Fraternal President



Your Board of Directors: Mike Lombardi, Wendy Watson, Cynthia Worley, Robert Wight, Linda Davis Watters, Louis Gagnon, Shelly Herman, Daniel Fortin, Sonia Baxendale, Michael Edge, Richard Hennick, Katherine Bardswick, Michael Stramaglia, Gino Scapillati, Janice Madon

A brighter tomorrow. One activity at a time.

Grow it Forward

Community gardens?
Public food forests?
Oh, kale yeah. Bring your community together over fresh fruits and vegetables.

Pick Me Up

Breathe new life into your community's parks and trails with community cleanups, and help give tomorrow a clean slate.

Bee the Change

Save the bees and get busy with activities like building bee houses and planting pollinator-friendly flowers.

Let's Get Growing

Sprout some healthy foods at home. Whether it's a backyard garden or countertop microgreens – grow it your way!

In 2022, our Growing a Better Future program took off! Members like you joined in on the program's impactful activities to reconnect with and enrich the world around us.

Interested in joining a Growing a Better Future activity? Contact engagement@foresters.com to get started!

Mailing this report is a requirement of the Insurance Act of Canada – the country our head office is located in. But to be more sustainable, we created this report using recycled paper, vegetable-based ink and water-based coatings. You can also help by recycling this when you're done!

Foraging wild foods

On September 10, 2022, members in Portsmouth visited Queen Elizabeth Country Park with our partner, **Wild Food UK**, to forage for seasonal ingredients. They finished the day with a three-course meal from the ingredients they found!

Clean dream team

On September 17, 2022, families across Canada participated in **Pick Me Up** activities for National Cleanup Day alongside our partner **Clean Trails**. They received cleaning supplies to clean up their favorite green spaces.

Veggies for the community

On October 8, 2022, members joined with our partner, **Whole Kids Foundation**, at Bonton Farms in Dallas, Texas. Together they helped **Grow it Forward** by harvesting okra, eggplant and carrots for local restaurants and farmers' markets.

Our approach to sustainability

For close to 150 years, members like you, the people you love and the places you call home have driven Foresters sustainability efforts. We're creating a better future together.

It starts with our day-to-day business



Empowering our members and employees



To support families and communities



Together, we shape a better world for everyone



\$460 million

of our assets are in green or sustainable bonds²

22,109

unique members engaged with benefits

2,900

grants made to communities

13,000

trees planted by members and employees

Learn more about our sustainability approach at foresters.com/sustainability

We need members like you!

Use your valuable membership experience to influence change at Foresters and in your community as a Branch Councillor!



Rally people around causes that matter to your community



Have a say in how our member benefits improve and grow



Travel to conferences and learn from leadership experts

Visit [MyForesters.com/leaders](https://myforesters.com/leaders) to learn more about the role and to join us as a Branch Councillor. Submit your application by **June 15, 2023!**



2022 financial highlights

Financial highlights for the year ended December 31, 2022
(All amounts are in Canadian dollars unless otherwise stated)

Key results at a glance

United States
Total Annualized Weighted Sales

\$86.6
USD million

Canada
Total Annualized Weighted Sales

\$48.3
CAD million

United Kingdom
Total Annualized Weighted Sales

£99.6
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

\$1.3
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

2.7
million

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

Total Comprehensive Income

\$116.1
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 initiatives in support of Foresters purpose.

AM Best Financial Strength Rating
for the 22nd consecutive year¹

A
Excellent

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

LICAT Ratio

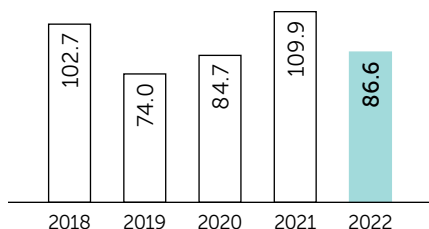
166%

Foresters Financial's 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 ("OSFI") in Canada. It is a measure used to monitor that insurers maintain adequate capital to meet their financial obligations.

Sales

United States

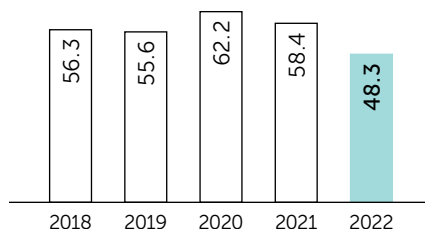
Total Annualized Weighted Sales (USD millions)



Total U.S. annualized weighted sales were \$86.6 million, a 21.2% decrease over the prior year driven by inflationary pressures on the middle market household and rising mortgage interest rates.

Canada

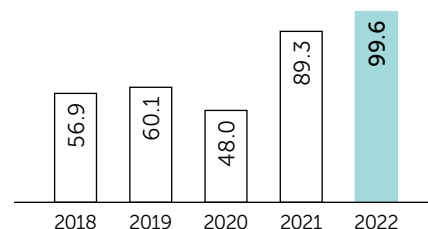
Total Annualized Weighted Sales (CAD millions)



Total Canada annualized weighted sales were \$48.3 million, a 17.3% decrease over the prior year, driven by lower sales of Term and Critical Illness products and consistent with the industry where life insurance applications were down year over year.

United Kingdom

Total Annualized Weighted Sales (GBP millions)

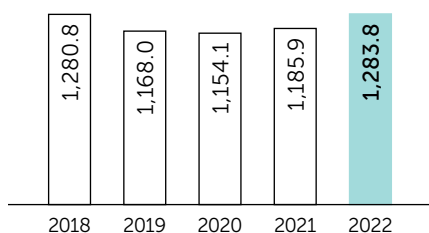


Total U.K. annualized weighted sales were £99.6 million, an 11.5% increase over the prior year. Sales continued to benefit from online and other direct channels during the year which made up 46.3% of total sales.

Key results

Total Premiums

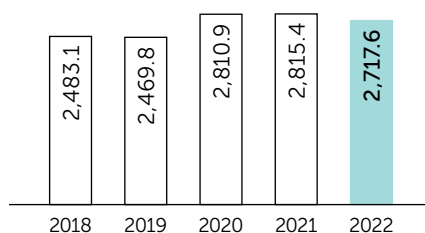
(CAD millions)



Total gross life insurance premiums were nearly \$1.3 billion, an 8.3% increase over the prior year driven by the U.S. in force growth.

Certificates and Contracts in Force

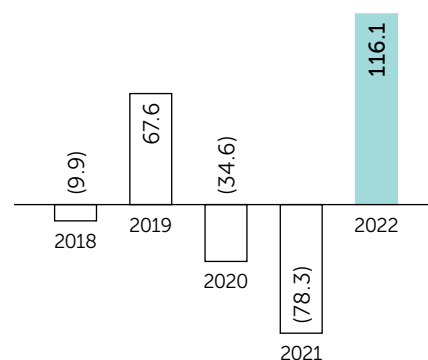
(thousands)



At December 31, 2022, Foresters Financial had 2.7 million certificates and contracts in force. The increase in 2020 was due to the acquisition of the Halifax Child Trust Funds in the U.K. and the resulting decrease in 2022 was due to the maturing Child Trust Funds.

Total Comprehensive Income

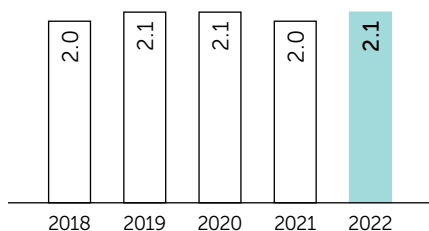
(CAD millions)



Total comprehensive income was \$116.1 million in 2022 driven by favorable market-related impacts offset by changes in assumptions relating to mortality and lapse rates.

Surplus

(CAD billions)



The consolidated surplus was \$2.09 billion at the end of 2022 as Foresters Financial's capital remains strong with a LICAT ratio of 165.6%, well above the Canadian life insurer average of 129% at December 31, 2022.¹

Summary Consolidated Statement of Financial Position

As of December 31, 2022 with comparative figures for 2021
(In millions of Canadian dollars)

	2022	2021
Assets		
Invested Assets		
Cash, cash equivalents and short-term securities	\$ 280	\$ 195
Bonds	5,452	6,879
Equities	809	947
Mortgages	168	111
Derivative financial instruments	2	4
Other invested assets	339	233
Loans to certificate holders	317	275
Total Invested Assets	7,367	8,644
Reinsurance assets	882	797
Accrued investment income	53	50
Deferred acquisition costs	28	28
Current income taxes	23	54
Deferred tax assets	26	5
Due from reinsurers	68	60
Other assets	85	41
Property and equipment	16	18
Right of use assets	18	12
Employee benefit assets	-	26
Goodwill and intangible assets	87	136
Assets classified as held for sale	-	78
	8,653	9,949
Net investments for accounts of segregated fund unit holders	7,808	8,775
Total Assets	\$ 16,461	\$ 18,724
Liabilities		
Insurance contract liabilities	\$ 5,514	\$ 6,907
Investment contract liabilities	167	185
Derivative financial instruments	38	24
Benefits payable and provision for unreported claims	285	266
Lease liabilities	35	31
Current income taxes	2	-
Deferred tax liabilities	7	38
Accounts payable and accrued liabilities	100	98
Due to accounts of segregated fund unit holders	55	81
Other liabilities	55	51
Subordinated debt	248	248
Employee benefit obligations	58	47
	6,564	7,976
Liabilities for accounts of segregated fund unit holders	7,808	8,775
Total Liabilities	14,372	16,751
Surplus		
Retained earnings	1,956	1,676
Accumulated other comprehensive income	133	297
	2,089	1,973
Total Liabilities and Surplus	\$ 16,461	\$ 18,724

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

Summary Consolidated Statement of Comprehensive Income (Loss)

For the year ended December 31, 2022 with comparative figures for 2021 (In millions of Canadian dollars)

	2022	2021
Revenue		
Gross premiums	\$ 1,284	\$ 1,186
Ceded premiums	(247)	(200)
Net Premiums	1,037	986
Net investment income (loss)	(1,247)	73
Fee revenue	105	114
Other operating income	12	4
Total Revenue	(93)	1,177
Benefits & Expenses		
Gross benefits	884	909
Ceded benefits	(125)	(113)
Gross change in insurance contract liabilities	(1,609)	10
Ceded change in insurance contract liabilities	(60)	(142)
Policy dividends	45	46
Commissions	270	292
Operating expenses	324	283
Interest expense	7	7
Ceded commissions and operating expenses	(83)	(83)
Fraternal investment	15	13
Total Benefits & Expenses	(332)	1,222
Impairment on goodwill and intangibles	(48)	(58)
Income (Loss) before income taxes	191	(103)
Income Taxes	(31)	(29)
Net Income (Loss) from continuing operations	222	(74)
Net Income (Loss) from discontinued operations, net of tax	(4)	3
Total Net Income (Loss)	218	(71)
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 tax expense	(45)	32
Net unrealized gains (losses) on property, net of income taxes	6	43
Total items that will not be reclassified to net income (loss)	(39)	75
<i>Items that are or may be reclassified subsequently to net income (loss)</i>		
Net change in unrealized gains (losses) on available-for-sale assets, net of income tax	(251)	(49)
Reclassification of net realized gains (losses) on available-for-sale assets, net of income taxes	92	(14)
Net unrealized foreign currency translation gains (losses)	96	(19)
Total items that are or may be reclassified subsequently to net (loss)	(63)	(82)
Total Other Comprehensive (Loss)	(102)	(7)
Total Comprehensive Income (Loss)	\$ 116	\$ (78)

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 the financial position and results of operations of Foresters Financial. 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 consolidated financial statements for the year ended December 31, 2022. 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, 2022.

The full consolidated financial statements are available at foresters.com under Financial Strength.

2. Basis of measurement

Foresters Financial 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;
- Land and buildings are measured at fair value; and
- Right-of-use assets comprise the amount of lease liability and lease liabilities are measured at the present value of the lease payments.

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").

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, 2022
- 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, 2022.

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

In our report dated February 14, 2023, 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 auditor's report thereon, included in the 2022 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 auditor's report thereon, included in the 2022 financial highlights as at the date of this auditor's 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 auditor's 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.

Auditor's 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 14, 2023

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, 2022, and their changes in the consolidated statement of comprehensive income (loss) for the year then ended in accordance with the accepted actuarial practice in Canada including the 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 14, 2023

† 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 AM Best Company. AM Best assigns ratings from A++ to F, A++ and A+ being superior ratings and A and A- being excellent ratings. In 2022 AM Best assigned Forester's 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 4, 2022, AM 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 for the latest ratings. ¹ 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 or are no longer available. Some of these benefits may be administered by third parties. For further details, go to foresters.com. ² Dollar amount in CAD. Green or sustainable bonds held in Foresters asset portfolios have been represented by their respective issuers in public securities filings to be in alignment with green or sustainable principles established by the International Capital Market Association. For more information, please visit <https://www.icmagroup.org/sustainable-finance>. Foresters Financial, Foresters, Foresters Care, Foresters Moments, Foresters Renew, Foresters Go, the Foresters Go logo and Helping Is Who We Are are trade names and trademarks of The Independent Order of Foresters (a fraternal benefit society, 789 Don Mills Rd, Toronto, Ontario, Canada M3C 1T9) and its subsidiaries. MB742 200914 US 05/23