

Foresters



2010 REPORT TO MEMBERS

OUR BEST YEAR EVER!

Children's
hospitals:
20 years
of support

PLAY MORE!
LIVE BETTER!

Quality Life Insurance, Family Well-Being and Community Impact



get more with **Foresters!**

As a member of Foresters™, you enjoy a wealth of complimentary benefits in addition to your life insurance.

In fact, in 2009 alone we shared \$36.3 million* with our members and communities through a variety of programs that include scholarships, orphan benefits, support for almost 1,500 community and family events, and more – all provided to members at little or no cost.

Sign up for *get more* now and you could take part in upcoming events like these:

- **SeaWorld San Diego** • San Diego, June 11
- **Montreal Alouettes CFL Football** • Montreal, July 26
- **State Fair of Texas®** • Dallas, September 25
- **Playground Build** • Tampa, October 2

Simply sign up at

*Don't
miss out!*

www.foresters.com/frgetmore

Turn the page to see examples of our more than 1,500 Foresters events held in 2009



Foresters™ is a trademark of The Independent Order of Foresters, a fraternal benefit society.

*All figures shown in Canadian dollars unless otherwise noted.



Foresters Purpose is to champion the well-being of families through quality life insurance, unique member benefits and inspiring community activities.

Foresters is more than a life insurance provider.

As a member of Foresters, you belong to an organization that works locally in your community to champion the well-being of families like yours.

In addition to providing you with quality life insurance, we re-invest our financial strength into member benefits¹ and community programs that benefit us all today and in years to come.

On the right, you can see just a few highlights of the more than 1,500 inspiring community and family activities we've recently funded.



¹ Foresters member benefits are non-contractual, subject to eligibility requirements and limitations and may be changed or canceled at any time. For details, visit www.foresters.com.

United States

Members created over 300 stuffed animals at a Foresters teddy bear build event in **Baton Rouge, Louisiana**, for their local Children's Miracle Network hospital, bringing sick kids much needed comfort and support

Foresters Night at Turner Field attracted more than 500 Peachtree Branch members in **Atlanta, Georgia**, for the Atlanta Braves season opener

2009 marked over six years of support from Foresters members and sales partners for the Children's Miracle Network Radiothon benefiting Rainbow Babies & Children's Hospital in **Cleveland, Ohio**. Last year alone, this Radiothon raised over \$325,000

More than 100 Foresters members joined Redemption CDC in **Houston, Texas**, to transform a neighborhood. From painting and digging, to planting or assembling, they created a fun and safe place for local children to play in just one day

Over 100 members built a new playground at Corona Park for local families in **La Habra, California**



Foresters – Investing in you, your family and the community

Foresters members in the **Los Angeles, California** area supported families at their local Ronald McDonald House with a volunteer day that included a teddy bear build for sick kids, a barbecue and some needed home renovations. Volunteers made the house feel a little more like home

Little Rock, Arkansas, was just one of nine locations in the Red River Valley Region where close to 1,500 members created almost 3,000 stuffed animals for sick kids at local children's hospitals

Green Road Community Park was the site where more than 200 members partnered with the Parks and Recreation Department of **Raleigh, North Carolina** to build a playground where children and their parents can spend quality play time together

750 members and their families cheered the Indiana Pacers on to victory as they played the Toronto Raptors in **Indianapolis, Indiana**. For the majority of attendees, this was a first-time Foresters event

158 members and their families joined Chabot and Diablo Branch for a Foresters Family Day at the Oakland Zoo in **Oakland, California**

Members traveled to Narnia during *The Lion, the Witch and the Wardrobe* dinner theater event, hosted by Lori Branch in **Fort Myers, Florida**

500 members and friends of Foresters joined Washington Wizards fans for a basketball game in **Washington, DC**

200 Arrowhead Branch members received the red carpet treatment at a private viewing of the film *Harry Potter and the Half-Blood Prince* in **Flint, Michigan**

Foresters Night with the Baltimore Orioles was a chance for 400 members to cheer on their local team while meeting other local Foresters families in **Baltimore, Maryland**



Canada

■ 275 members from across Canada, the U.S. and the U.K. joined forces to build a playground for École John W. MacLeod Fleming Tower School in **Halifax, Nova Scotia**

■ Over 300 members joined Foresters for some family fun at the Montreal Science Centre in **Montreal, Quebec**

■ 150 Foresters members joined forces with Frank McLoughlin Co-Operative Homes Inc. to build a new playground for the local community in **Brampton, Ontario**

■ Foresters families joined Hope Branch for a little magic at a *Disney On Ice* performance in **London, Ontario**

■ 1,800 Foresters members and their families enjoyed a kingly feast, knights on horseback and jousting matches at a Foresters *Medieval Times* event in **Toronto, Ontario**

■ Over 2,000 members from western Ontario joined Foresters for a day at Marineland in **Niagara Falls, Ontario**.

Families enjoyed a private barbecue and performances by resident dolphins and killer whales

■ Members in **Winnipeg, Manitoba**, volunteered at their Children's Miracle Network Radiothon to help raise funds for sick kids needing treatment at their local children's hospital. In 2009, Radiothons across North America and the U.K. raised close to U.S. \$45 million to fund specialized children's healthcare

■ Over 800 members attended a fun Foresters family day at the Calgary Zoo in **Calgary, Alberta**. Families met fellow members during an adventure through acres of animal habitats

■ Members from Pacific Rim Branch in **Lower Mainland, British Columbia**, offered three local elementary schools in depressed areas hot lunches over the course of the year as part of a school lunch program created to help kids in need

■ 500 members spent time with family and fellow members in **Vancouver, British Columbia** at the Vancouver Aquarium, the largest in Canada

Community where you live

Foresters Community Investment

Foresters is a proud member of LBG Canada, a group of organizations working toward a higher standard in the management, valuation and performance measurement of corporate community investment. As a function of our participation in this organization, the community investment figures quoted in this publication have been independently verified by SiMPACT Strategy Group, LBG Canada's program facilitator. To learn more about LBG Canada, visit www.lbg-canada.ca.

2009 Foresters Highlights

- \$36.3 million was invested in members and communities through Foresters member benefits
- Sales growth was achieved in all three countries during a time when industry averages were down
- Membership increased to 678,500 members, 4% growth over 2008
- A Special Financial Return of \$25 million was allocated to provide all members with a new member benefit, *Everyday Money*, a toll-free, phone-based financial counseling service, and some long-standing members with a waiver of premium
- Support of Children's Miracle Network Radiothons helped raise close to U.S. \$45 million for local children's hospitals
- The KaBOOM! playground build initiative was launched and eight new public playgrounds were created across North America
- Member representatives elected the Board of Directors and approved changes to the Constitution at the successful 40th International Assembly – Foresters highest governance meeting held every four years
- \$840,000 was awarded in Foresters Community Initiative grants to support member-run community projects in Canada, the U.S. and the U.K. Approximately 10,000 volunteer opportunities were created as part of this program
- Funding of over \$3 million was sustained for the more than 1,300 Foresters Competitive Scholarships



A Message from George Mohacsi, CEO

Looking back on our 135th year, I'm especially proud to be part of Foresters. In a very challenging economic environment, our members, employees and distributors rallied to make 2009 our best year ever – enabling Foresters to continue and even expand its mission of enriching the lives of members, their families and the communities where they live.

Thanks in part to a significantly expanded sales network, Foresters achieved a solid 37% increase in sales, adding 28,000 new members and generating \$497 million in premiums, which helped fund programs and benefits. More than \$430 million in insurance benefits and dividends were paid to our members and their families and financial assistance was provided to many other members through our complimentary member benefits. As well, Foresters allocated a Special Financial Return of \$25 million. The majority was used to provide premium waivers to long-standing members. In addition, a portion was used for *Everyday Money*, our new financial counseling member benefit.

There has never been a better time to be a Foresters member. Our organization is financially strong with assets of \$6.2 billion and surplus that grew last year to \$1.4 billion, further strengthening our ability to carry out our important mission over the long term.



In 2009, Foresters provided more social, volunteer and community events than ever – over 1,500 in all, involving more than 45,000 members. Through our partnership with KaBOOM!, we built eight new playgrounds in a number of communities, providing a safe environment for families to spend quality time together, while bringing financial assistance to many other members.

Last year, our ongoing support of Children's Miracle Network Radiothons helped raise close to U.S. \$45 million for children's hospitals. The value of Foresters assistance goes far beyond the financial. Our members volunteered almost 900,000 hours last year to support local charities – an essential part of our commitment to building stronger communities and healthier environments for families.

This past year, I was especially pleased to participate in Foresters 40th International Assembly in Halifax, Nova

Scotia. This important governance meeting brought member representatives together to share ideas and successes and elect our Board of Directors for the next four years.

I'm proud of the exceptional operational, financial and fraternal results achieved by Foresters in challenging times. I would like to express sincere appreciation to our members for their continued loyalty and support, and to our employees and distributors for their important contributions to Foresters success in 2009.

Sincerely,

A handwritten signature in black ink, appearing to read "George Mohacsi".

George Mohacsi
President and CEO



Foresters

Quality of life,
not just quality
life insurance

Difference





Now more than ever, people need an insurance provider they can trust. An organization that achieves profit with purpose. As a Foresters member, you belong to that type of organization.

Foresters exists to meet your needs, not the interests of shareholders and investors. Our financial strength is shared with you, your family and your community.

Our founding purpose is based on strengthening the well-being of families. This purpose is reflected not only through our life insurance and savings products, but our unique member benefits, programs and activities for families and communities.

PROFIT WITH PURPOSE

Kasia Czarski, our Senior Vice President, Chief Membership and Marketing Officer, believes Foresters purpose-based approach contributes to a better quality of life for our members and is the future of insurance. “Many companies make decisions based on their bottom line, but our focus has always been on what’s best for our members and their communities,” says Kasia. “For the socially conscious consumer, this is a business model with increasing appeal.”

It’s an approach that has endured for 135 years and sets Foresters apart. Today, Foresters continues to make members a priority with benefits to support life’s unexpected challenges.

“I didn’t know how grateful I’d be for this benefit and the caring folks in my Foresters family.”

When Barbara Loeding’s husband was diagnosed with cancer, Foresters complimentary \$4,000 Critical Illness Benefit eased her burden by paying for a portion of the mounting medical expenses. As a long-time member, she rediscovered the benefit when her husband began treatment. “When I bought Foresters insurance back in my 30s, I had no concept of what the future would bring,” explains Barbara. “I didn’t know how grateful I’d be for this benefit and the caring folks in my Foresters family.”

UNIQUE MEMBER BENEFITS

Foresters Competitive Scholarship benefit assists members and their families with the high costs of a post-secondary education, while also helping to cultivate the next generation of leaders and community volunteers – something Foresters is passionate about.

Every year, 350 Foresters Competitive Scholarship recipients receive up to \$8,000 towards a first post-secondary degree or diploma. In addition, five students who have demonstrated exceptional leadership and extraordinary ability to overcome adversity receive \$11,000 during a four-year course of study.


For members like 21-year-old Elias Alvarez, this money can be the difference between attending university or not. Elias, a native of Alberta, Canada, is studying political science at the University of Alberta, while pursuing his passion for music, learning and kung fu. At the same time, he’s giving back to his community. His volunteer work with groups like the Tourette Syndrome Foundation of Canada made him the perfect scholarship recipient.

Elias plans to pursue a degree in international law and is working toward a career that will allow him to make a difference in the lives of others – especially those who are vulnerable, such as children and families living in poverty.

“Growing up in a single parent home, I understand the challenges that many families face,” says Elias. “I hope to one day find a career that will allow me to help local families in the way that Foresters does everyday – perhaps with an organization like the United Nations.”

In the coming year, Foresters will be communicating more frequently to ensure our members understand the benefits available. “For many people, understanding our business model can be difficult,” Kasia explains. “Once they understand Foresters difference, they become loyal, even lifelong, members.”

Visit foresters.com/frgetmore to sign up and *get more!*



PLAY MORE! LIVE BETTER

Foresters partners with KaBOOM! to build 28 new playgrounds

It's recess time at R.N. Fickett Elementary School in southwest Atlanta, Georgia, and hundreds of young students are swinging, sliding and laughing in their school's colorful new playground. Not long ago, a decrepit playset sat ignored in a field here. But Foresters helped change all that.

Foresters believes in the value of play, not just as a form of recreation, but as a means of developing imagination, honing mental and physical skills, and as a way of enhancing healthy families. As the old saying goes, families that play together, stay together. And as playwright George Bernard Shaw once said, "We don't stop playing because we grow old, we grow old because we stop playing."

That's why Foresters has formed a partnership with KaBOOM!, a non-profit organization dedicated to providing a great place to play within walking distance of every child. For R.N. Fickett Elementary School, Foresters funded and organized the new 2,400 square foot playground. More than 500 Foresters members, students, teachers and local community members volunteered their time and energy to pour 15,000 pounds of concrete, install equipment and paint. With Foresters support and KaBOOM!'s expertise, this impressive new playground was built in just one day, and will provide a safe and enjoyable haven for more than 10,000 children and their families over its lifespan.

"This was a life-changing experience for me," says Jocelyn Williams, R.N. Fickett Elementary's Phys-Ed Instructor. "I was overwhelmed

"We don't stop playing because we grow old. We grow old because we stop playing."

George Bernard Shaw, Playwright

BETTER!

when more than 500 volunteers came to help us build a playground. This event showed me what can happen when a community comes together to better the lives of the children that are special to all of us!"

MORE THAN CHILDHOOD FUN

With nearly half of North American parents saying there are no family play spaces within walking distance of their homes, there is a need for initiatives such as this. The R.N. Fickett Elementary School build was just one of eight playgrounds built in 2009 under the Foresters and KaBOOM! partnership. It is estimated that about 80,000 children and their families will benefit from these playgrounds over the next two decades. And in 2010, twenty more playground builds are scheduled across North America.

To Foresters, playgrounds are about more than simple childhood fun. Playgrounds are community hubs, where families can meet and connect with their neighbors, where parents and children can play and bond together, and where children can get active while making lifelong friends. Also, a 2006 study by Oxford University Press showed that play enhances early literacy, mathematical skills and even problem-solving in young children.

"Being a Foresters member never meant more to me than it did today, when I felt I truly did something important for my community."

Foresters playground builds, like the one at R.N. Fickett Elementary School, are meaningful experiences for everyone involved, including participating member volunteers like Cindy Worley.

"Being a Foresters member never meant more to me than it did today, when I felt I truly did something important for my community," says Cindy. "To give children a wonderful space to play, exercise, explore and learn about themselves and the world was as much a gift to me as it was for them."



LET'S PLAY

Here are some fun games you and your children can play together. Each of these requires a group so why not hit the park and ask others to play.

BLOB TAG

1. Pick two people to act as the blob. Have them hold hands.
2. While still holding hands, the blob must try and tag the other players. Once someone is tagged, that player becomes part of the blob and must join hands with the other members of the blob.
3. The last player to be tagged by the blob wins!

SARDINES

1. Pick a safe place to play with lots of hiding places, like a backyard.
2. Choose one player to be It. This player must hide while the other players count to 30 or higher.
3. Once the group reaches 30, they must split up and look for the person who is It.
4. Every time a player finds It, they must join them in hiding. The more players in hiding the sillier this game becomes!
5. When the last player finds the group, the game is over.

RED LIGHT, GREEN LIGHT

For added fun, play with a soccer ball

1. Pick one player to be the stop light.
2. Have the rest of the players form a line about 20 feet away from the stop light.
3. The stop light then faces away from the line of players and yells "green light." Have the players run towards the stop light (or dribble a soccer ball).
4. At any point the stop light can yell "red light" and turn around. If any of the players are caught moving they are out.
5. The first player to reach the stop light wins!



Making Miracles Happen

Foresters and Children's Miracle Network – Investing in the Future of Families

When three-year-old Kylie Giralico was rushed to the Kosair Children's Hospital in Louisville, Kentucky, her grandmother Cheri Giralico wasn't sure she would make it.

"Hungry, thirsty. Hungry, thirsty," Kylie cried as she weakly clung to her grandmother.

For weeks Kylie had been mysteriously losing weight. Simple tasks like putting a puzzle together had become impossible – all she wanted to do was rest. Just two months before her fourth birthday, doctors at Kosair diagnosed Kylie's problem: juvenile diabetes.

Luckily for Kylie, the diagnosis meant that she could immediately start receiving treatment. Before long, Kylie was a happy and healthy little girl once again.

Kosair Children's Hospital is one of many Children's Miracle Network hospitals that receives support from Foresters every year – support that makes it possible for children like Kylie to get the specialized healthcare they need.

"Because of Foresters contributions to the Children's Miracle Network, my granddaughter Kylie was saved," says grandmother Cheri. "When she was admitted, her sugar level was 900, when it should have been between 100 and 150 at most. I don't think she would have survived another day."

Foresters twenty-year partnership with Children's Miracle Network grew out of a shared commitment to the health and well-being of families. Today, Foresters is the founding sponsor and international underwriter of the Children's Miracle Network Radiothon program. This program raises funds to help sick and injured children in 170 hospitals worldwide. In 2007, Foresters became the founding sponsor of the charity's expansion to the United Kingdom.

Foresters support of Radiothons allows 100% of funds donated to go directly to local children's hospitals. Last year, more than 340 radio stations joined thousands of Foresters volunteers to help raise close to U.S. \$45 million. Since 1990, Foresters has helped Children's Miracle Network raise more than U.S. \$370 million to help ensure all children have access to quality health care.

"Children's Miracle Network has been privileged to partner with Foresters for the past twenty years," says Children's Miracle Network CEO, Scott Burt. "Because of Foresters support, millions of children's lives have been touched. Foresters is truly making miracles happen."

Investing in the Future of Families™



Foresters twenty-year partnership with Children's Miracle Network grew out of a shared commitment to the health and well-being of families.



more family time

more community support

more security

- Competitive Scholarships
- Critical Illness Benefit
- Terminal Illness Loan
- Orphan Benefits
- *Everyday Money*

Get more out of life with
Foresters Benefits of Membership¹

Sign up at www.foresters.com/frgetmore

¹ Foresters member benefits are non-contractual, subject to eligibility requirements and limitations and may be changed or canceled at any time. For details, visit www.foresters.com.

Q AND A

WITH

FORESTERS PRESIDENT AND CEO
GEORGE MOHACSI



How would you characterize Foresters business achievements in 2009?

The past year was Foresters best ever. It was a year in which we recorded strong profitability, significantly grew our asset base and our surplus and enjoyed record sales levels. Of particular note, we were able to add 28,000 net new members and achieve an impressive 37% growth in sales at a time when industry sales generally declined or remained flat.

How did Foresters so dramatically outperform the market last year?

A number of factors allowed us to do this. These included the hard work we've done over the past several years to improve our products and to communicate the powerful message of fraternalism that sets us apart from our competitors. Another important factor was Foresters exceptional financial strength that allowed us to underwrite large amounts of new business and provided powerful appeal to customers seeking security in uncertain economic times.

In your opinion, where did Foresters current success really take root?

Four years ago the Board of Directors set an aggressive objective to grow our membership. At that time, we decided that, to achieve this ambitious objective, we would need to change our business model.

The changes we undertook included improving our products, significantly expanding our sales network, restructuring our organization on a geographic basis, and focusing intently on providing compelling benefits to our members. These changes, which are now all in place, are the main reason for our current success.

Looking back at all the changes that have occurred since 2005, what would you say are Foresters most significant achievements during this period?

Probably the most significant achievements include: the dramatic growth and development of our sales network, which now boasts over 22,000 sales representatives in the United States; the acquisition in 2008 of Unity Life, which has given us substantial national representation in Canada; and the improved productivity of our U.K. sales team.

The other achievement of which I am very proud is the success we have had in involving our members in community impact activities through our member involvement and community investment activities.

These achievements have given us a solid base on which to grow our business and carry out our mission.

Moving forward, what do you see as Foresters key strengths?

Our success in recent years reflects several key organizational strengths that give us a significant competitive advantage in the marketplace. First among these is our financial security and our strong bottom line that allows us to write significant amounts of new business, while continuing to offer meaningful member benefits and carry out important work in the community. Our fraternal character is another strong advantage that takes Foresters value proposition well beyond those of traditional insurance companies.

The message that Foresters champions the well-being of our members and their families is a powerful reason to choose us over our competitors. As well, the fact that we are organized along country lines allows us to be responsive to local market conditions and react quickly to change.

Given the remarkable success Foresters has seen in 2009, is it realistic to expect similar growth in 2010?

It would be nice if we could be certain of this and we'll do everything we can to make it happen. We will continue to improve our products, expand our sales network and tell the Foresters story. Because of this, 2010 should be another successful year. Just how successful will depend on a number of factors – particularly the state of the economy in our three markets.

Last year Foresters celebrated the 135th anniversary of its founding. What do you see as the key to the organization's longevity?

I think the fact that we have been true to ourselves and our purpose, which commits us to enriching the lives of our members, their families and the communities where they live, has had a lot to do with it. It's a compelling mission that resonates as well today as it did 135 years ago. I think the theme we selected for our 135th anniversary sums it up best: "Tested by time. Trusted for tomorrow."

What's next for Foresters?

We will continue to grow our business and increase our presence in our three markets. As we do this, it will be important to communicate the Foresters story broadly and make sure that current and potential members are engaged and understand the unique advantages and benefits of Foresters membership.

"A significant achievement of which I am very proud is the success we have had in involving our members in community impact activities."

MEET YOUR BOARD OF DIRECTORS

The Board of Directors are elected by member representatives to guide and supervise Foresters. As a member-governed organization, Foresters member representatives elect a new Board of Directors every four years. This Board was elected at our International Assembly (IA), held in June 2009 in Halifax, Nova Scotia, Canada.

The team is a dynamic mix of seasoned senior executives and long-time leaders in Foresters volunteer Branch system. All share a dedication to ensuring that Foresters continues to deliver the kinds of life insurance solutions, business results and life-enriching benefits our members have come to expect.

Richard (Dick) M. Freeborough
Chairman of the Board of Directors
Oakville, Ontario

Bernard E. Bloom
International Fraternal President
Southampton, England

George S. Mohacsi
Foresters President & Chief Executive Officer
Toronto, Ontario

Laraine J. Morris
International Fraternal Vice President
Overland Park, Kansas

Karen L. Gavan
Toronto, Ontario

Brian A. Isabelle
Prince George, British Columbia

Robert E. (Bob) Lamoureux
Toronto, Ontario

Frank N.C. Lochan
Oakville, Ontario

Martha E. Marcon
Glendale, California

Louise L. McCormick
Bloomfield, Connecticut

Christopher H. (Chris) McElvaine
Kingston, Ontario

David E. Morrison
Winnipeg, Manitoba

David R. Saunders
Nottinghamshire, England

John B. Scott
Arlington Heights, Illinois

Christopher J. (Chris) Stranahan
Stow, Ohio



Front row:

Louise McCormick, Dick Freeborough, Laraine Morris.

Row 2: John Scott, Bernard Bloom, Chris McElvaine.

Row 3: Karen Gavan, George Mohacsi.

Row 4: Frank Lochan, Martha Marcon, Chris Stranahan.

Back row: Dave Morrison, Dave Saunders, Brian Isabelle, Bob Lamoureux.

WHY FORESTERS?

"It's an exciting time at Foresters with life insurance operations expanding and our membership growing. Looking ahead there are challenges to be met and opportunities to explore. I am eagerly anticipating working with the Board to lead Foresters to even greater success."

Dick Freeborough, Board Chair

"Foresters helps ordinary members achieve greatness in their lives by offering them a chance to make a real difference in their communities. The experiences I've shared volunteering with my wife Maureen and fellow members have been life-changing. It may sound trite but it's true."

Bernard Bloom, International Fraternal President

"The grassroots nature of volunteerism at Foresters intrigued me right from the beginning. Today, I am excited to be a part of an organization with such a unique makeup. Strong leadership and responsible governance at the Board level will mean that Foresters volunteers will continue to have the resources needed to support their local communities."

Karen Gavan, Board Member

"Foresters is in my blood. I am a second-generation Foresters member, with a lifetime of experiences volunteering with my family at community involvement events and Foresters family events. Together, we've grown as a family and learned so much – today, I am a stronger leader because of Foresters."

Brian Isabelle, Board Member

"Foresters offers its members opportunities to participate in volunteer leadership roles, as a benefit of membership. It's been my privilege and honor to have held many of these positions over the past 36 years. Through these experiences I have gained valuable leadership skills that I hope to apply in my role as a Board Liaison to our Regional Councils. I am excited to have a part in shaping the future of Foresters for all our members."

Laraine Morris,

International Fraternal Vice President



Management's Discussion and Analysis

Financial Highlights for the Year Ended December 31, 2009

All amounts are in millions of Canadian dollars, unless otherwise stated.

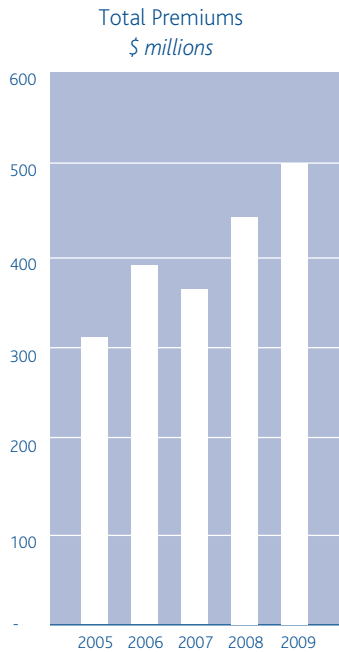
This section highlights Foresters financial and business performance for the period 2005–2009. It is designed to illustrate trends and enhance understanding of Foresters financial results, distribution, business and organizational strategy, as well as its investment and accounting policies.

Key Performance Measures

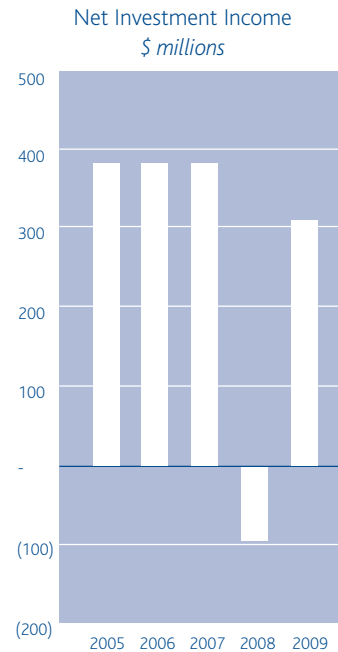
Exceptional Achievements

- Exceptional sales growth
- Solid profits from insurance operations
- Strong capital base with Canadian MCCR of 432% compared to regulatory minimum of 150%
- Return on equity of 6.8%
- A (Excellent) rating by A.M. Best*
- Total assets over \$6 billion
- Acquired MetLife Canada's remaining Canadian business (\$300 million in total assets)
- Improved unit costs

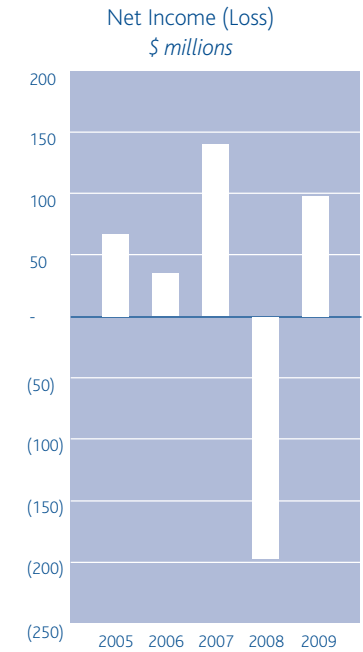
*Foresters financial strength, as measured by A.M. Best Company, is rated "A" (Excellent). An "A" (Excellent) rating is assigned to companies that have a strong ability to meet their ongoing obligations to policyholders and have, on balance, excellent balance sheet strength, operating performance and business profile when compared to the standards established by A.M. Best Company. In assigning our rating, A.M. Best stated that Foresters rating outlook is "stable", which means it is unlikely to change in the near future, assuming our financial strength is maintained and our operations grow. A.M. Best assigns ratings from A++ to F, A++ being superior ratings and A and A- being excellent ratings.



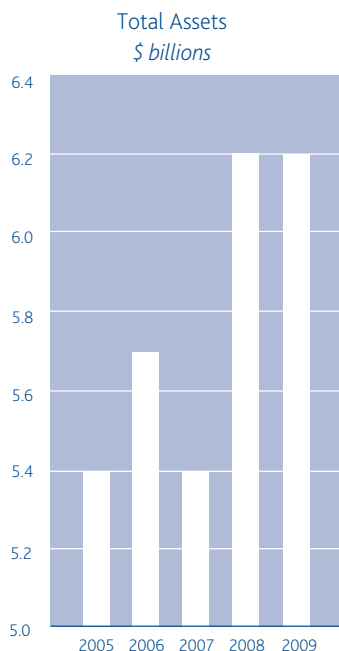
Total premiums have seen steady growth, 58.9% since 2005



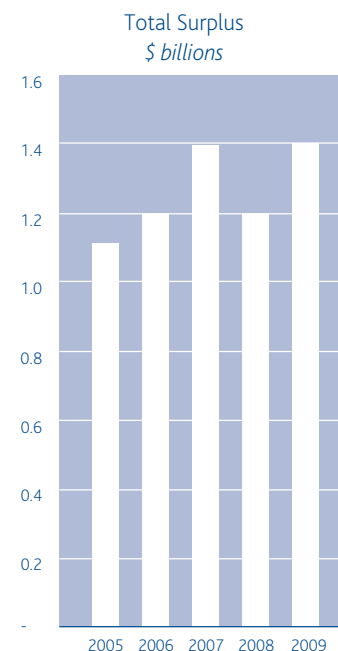
Steady investment returns with the exception of 2008 which reflected worldwide market declines



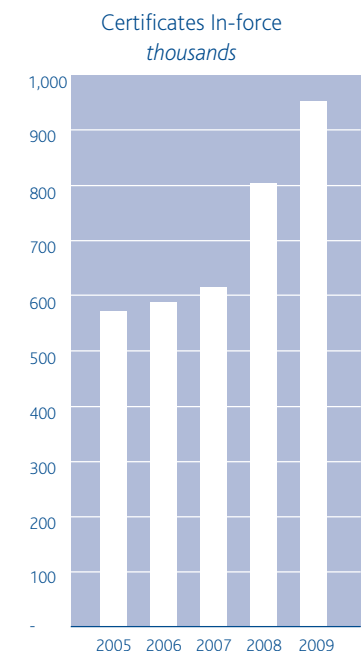
Positive net income for each year except 2008 when market declines led to \$197 million loss



Foresters consolidated assets total over \$6 billion



Surplus remains strong and has recovered significantly after the 2008 market declines



Strong U.S. and U.K. sales growth and acquisition of the insurance business of MetLife Canada in 2009 and Unity Life in 2008 have contributed to a 68% increase since 2005

Statement of Income – Overview of Operating Results – 2009

Consolidated net income for 2009, representing Foresters revenues less expenses and taxes, was \$96 million compared to a consolidated net loss of \$197 million in 2008.

In 2009, Foresters net income benefited from a return to more favorable market conditions, including improvements in equity markets and interest rates. Foresters avoided taking significant impairment losses in 2009 by following a prudent and conservative investment policy. Additionally, Foresters was able to reduce its unit costs in the future as a result of operating efficiencies and a significant improvement in sales in 2009.

Acquisitions

Foresters subsidiary, Unity Life of Canada (“Unity Life”) continued its history of successfully acquiring profitable blocks of business with the acquisition of the insurance business of MetLife Canada. As a result, the number of policies in-force under the Foresters umbrella increased by about 95,000 and total assets increased by almost \$300 million.

Revenue

Premium Income

Insurance premiums reached \$383 million in 2009, an increase of \$30 million over 2008. Strong sales in the United States and steady growth in the United Kingdom and Canada have all contributed to this significant increase in top-line revenue.

Annuity premiums and niche products sales of \$114 million in 2009 included \$66 million in annuities and \$48 million in niche products. Niche products include group creditor and funeral pre-planning business.

Net Investment Income

Net investment income is comprised of interest, dividends, net rental income, realized gains and losses on the sale of investments and unrealized gains and losses resulting from changes in the market value of certain investments less the expenses incurred to manage Foresters investments. Net investment income was \$306 million compared to a net investment loss of \$95 million in 2008 resulting from the substantial improvement in worldwide equity markets.

Certificateholder Benefits and Expenses

Certificateholder benefits and expenses include changes to actuarial liabilities, benefits and dividends paid, agent compensation and operating expenses, as well as fraternal investment.

Certificateholder Benefits and Dividends

Certificateholder benefits represent all payments to members, and include death benefits, surrenders, annuity payments, dividends and payment of fraternal benefits. Payments to members of \$430 million increased by 4%.

Change in Actuarial Liabilities

The increase in actuarial liabilities due to new business added during the year was mostly offset by decreases from improved investment returns and mortality assumptions, and reduced unit maintenance expense assumptions.

Agent Compensation and Operating Expenses

Agent compensation increased to \$112 million in 2009 compared to \$93 million in 2008 mainly as a result of continued strong sales.

Operating expenses of \$149 million in 2009 increased only marginally over the prior year, even with the significant growth in sales. The ratio of expenses to total premiums decreased from 33% in 2008 to 30% in 2009. The continued improvement in this ratio was achieved by a strong management focus on expense reduction in Foresters core life business and related variable costs.

Balance Sheet Overview

Invested Assets

Foresters uses a “prudent person” approach in managing its investments. The goal is to protect members’ assets, while providing reasonable growth and income. The result is a conservative, balanced approach characterized by:

- Investing in high quality securities – 56% of our total portfolio of invested assets is made up of bonds and fixed income securities with an average rating of AA or better;
- Maintaining a large surplus balance that allows management to take a longer-term view for the investments in this fund. Currently Foresters has significant equity holdings representing about 16% of Foresters investments at December 31, 2009; and

Executive Leadership Team

George Mohacsi

President and Chief Executive Officer

Euan Allison

Group Managing Director, United Kingdom Division

Kasia Czarski

Senior Vice President, Chief Membership and Marketing Officer

Sharon Giffen

Senior Vice President and Chief Financial Officer

Suanne M. Nielsen

Senior Vice President and Chief Talent Officer

Christopher Pinkerton

President, U.S. Division

Anthony Poole

President, Canada Division

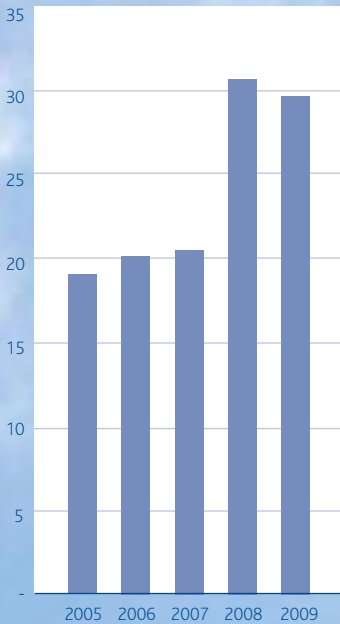
Katharine Rounthwaite

Senior Vice President, General Counsel, Chief Compliance Officer and Executive Secretary

Peter Sweers

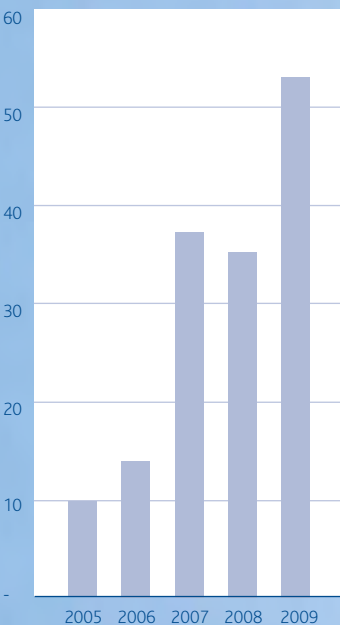
Senior Vice President and Chief Operations and Information Officer

Worldwide total insurance in-force
\$ billions



Removing the impact of the strengthening of the Canadian dollar against the U.S. dollar, insurance in-force would have grown to \$32.8 billion

U.S. Division
Total Annualized Sales
U.S. \$ millions



Increased sales since 2007 are due to the positive impact of the move to an independent distribution model

- Emphasizing the matching of assets to the related liabilities in terms of currency, duration and liquidity to reduce sensitivity to changes in economic conditions.

Surplus and Solvency

Financial strength is critical for future growth through new sales, acquisitions and expanding distribution networks. Foresters continues to maintain a strong surplus position and solvency ratios significantly in excess of local regulatory requirements in all three countries in which Foresters operates.

Surplus of \$1.4 billion reported at the end of 2009 increased by \$114 million over the prior year, primarily due to net income earned in the year. Return on equity was 6.8% in 2009 compared to a negative 13.5% in 2008.

Foresters consolidated Minimum Continuing Capital and Surplus Requirement (“MCCSR”) ratio was 432%

at the end of 2009, well above the average for Canadian insurers of 231%. The Risk Based Capital ratio for Foresters U.S. Branch at 564% and the Free Asset Ratio for the U.K. operation at 7% remain strong.

Total Assets and the Impact of Foreign Currency

Foresters conducts the majority of its business in the U.S. and is therefore subject to fluctuations in foreign exchange rates between the U.S. and Canadian dollars and, to a lesser extent, the U.K. pound sterling. The strengthening of the Canadian dollar in 2009 relative to the U.S. dollar had a significant impact on Foresters Canadian dollar results. Increases in total assets from operations and improvements in stock markets were wholly offset by the weaker U.S. dollar, leaving total assets of \$6.2 billion unchanged from the prior year.

Sales Results and Plans by Division

 **United States Division**

MAJOR PRODUCTS

Protection	Investment
Final expense whole life	Deferred annuity
Universal life	Immediate annuity
Term life	Equity indexed annuity

In 2009, the U.S. division achieved annualized sales of protection products of U.S. \$52 million, a 59% increase over 2008; investment sales were U.S. \$15 million. This was a significant achievement in a challenging economic environment, where the overall industry sales were down from the prior year. PlanRight, the new final expense product, achieved excellent sales of \$13 million from its launch date in March. Its success, partly attributable to the rapid underwriting decision process, contributed to the division’s ability to attract new agents – the total of which grew by 83% to over 22,000 at the end of 2009.

In 2010, the U.S. division will continue to deepen relationships with distribution partners and independent agents through improved service capabilities, high-touch marketing and reinforcing the uniqueness of the relationship with Foresters by providing opportunities to become involved in their local communities through Foresters sponsored events. In addition, the U.S. division will continue to focus on ensuring that its products remain profitable, and promote quality business and improved persistency with our distributors.



Canadian Division



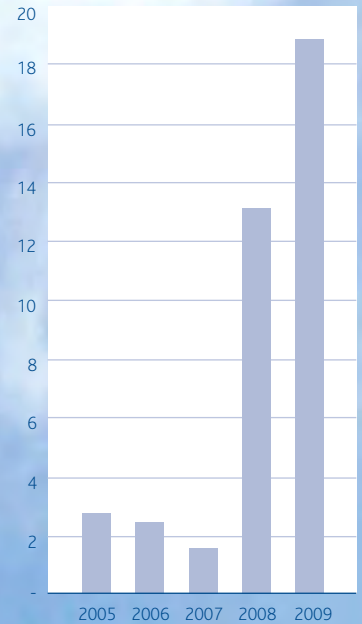
MAJOR PRODUCTS

Protection	Investment
Whole life	Registered (RRSP) and non-registered investment certificates
Universal life	Immediate annuity
Term life	Tax-free savings account (TFSA)
Critical illness	Segregated funds
Funeral pre-planning	
Group creditor	

In 2009, annualized protection sales in Canada reached \$13 million while sales of niche products (group creditor and funeral pre-planning coverage) and investment products were \$62 million. Sales increased 12% over 2008. This growth was significantly stronger than the Canadian insurance industry average. In Canada, products are sold through a distribution network of over 2,200 independent brokers, third-party marketers and contracted distribution partnerships.

Looking forward to 2010, the Canadian division expects another exciting year as it will continue the strategy of delivering competitive products, serving the needs of niche markets, and enhancing distribution relationships and member service.

Canadian Division
Total Annualized Sales
CDN. \$ millions



Increased sales since 2008 are due to the acquisition of Unity Life



United Kingdom Division

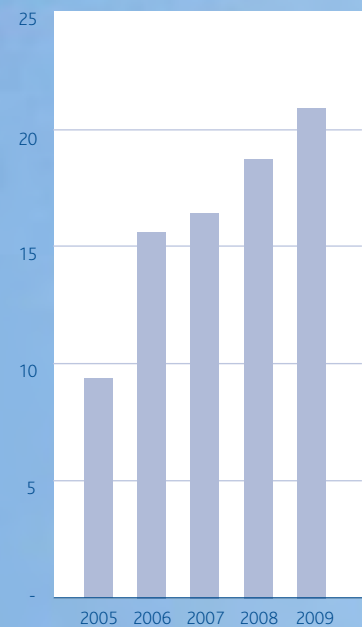
MAJOR PRODUCTS

Protection	Investment (savings)
Lifestyle protection options • (life cover, critical illness and income protection)	Individual Savings Account
Mortgage protection options • (life cover and critical illness)	Child Trust Fund
	Savings and investment plan
	Deferred annuity

In 2009, annualized sales of investment and savings products totaled £21 million, an increase of 14% over 2008. Sales of these products were helped by a recovery in the stock market and also by an increase in investment limits for some tax-free savings accounts. In particular, sales of Individual Savings Accounts were strong, rising by 28% compared with 2008 while Child Trust Funds increased by 17%. The U.K. division's underlying fundamentals continue to be positive, with rising sales and increasing productivity from the 122 advisers.

In 2010, the U.K. division intends to pursue its strategy of organic growth through its direct sales force and will examine the future implementation of online distribution for savings products.

U.K. Division
Total Annualized Sales
U.K. £ millions



Steady growth in sales since 2005

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Summarized Consolidated Balance Sheets

As at December 31, 2009, with comparative figures for 2008 (in millions of Canadian dollars)

	2009	2008
Assets		
Investments		
Cash and short-term securities	\$ 111	\$ 98
Bonds and other fixed-term securities	4,631	4,671
Mortgages	15	21
Stocks	962	969
Real estate	21	27
Loans to certificateholders	194	215
Other invested assets	132	105
	<u>6,066</u>	<u>6,106</u>
Other assets	106	95
Total assets	<u>\$ 6,172</u>	<u>\$ 6,201</u>
Liabilities and Surplus		
Actuarial liabilities	\$ 4,585	\$ 4,714
Other insurance certificate and contract liabilities	122	140
Other liabilities	89	80
Deferred net gains realized on disposal of investments	19	24
	<u>4,815</u>	<u>4,958</u>
Total liabilities	<u>4,815</u>	<u>4,958</u>
Surplus		
Retained earnings	1,458	1,362
Accumulated other comprehensive income (loss)	(101)	(119)
	<u>1,357</u>	<u>1,243</u>
Total surplus	<u>1,357</u>	<u>1,243</u>
Total liabilities and surplus	<u>\$ 6,172</u>	<u>\$ 6,201</u>

Summarized Consolidated Statements of Comprehensive Income (Loss)

For the year ended December 31, 2009, with comparative figures for 2008 (in millions of Canadian dollars)

	2009	2008
Revenue		
Premiums	\$ 497	\$ 451
Net investment income (loss)	306	(95)
Other income	10	22
	<u>813</u>	<u>378</u>
Certificateholder benefits and expenses		
Certificateholder benefits	387	367
Change in actuarial liabilities	4	(104)
Dividends to members	43	45
Agent compensation	112	93
Operating expenses	149	147
Fraternal investment	18	17
	<u>713</u>	<u>565</u>
Income (loss) before income taxes	100	(187)
Income taxes	4	10
Net income (loss)	\$ 96	\$ (197)
Other comprehensive income	18	24
Total comprehensive income (loss)	<u>\$ 114</u>	<u>\$ (173)</u>

The Summarized Consolidated Balance Sheets and Summarized Consolidated Statements of Income have been derived from Foresters Consolidated Financial Statements, which are prepared in accordance with Canadian generally accepted accounting principles and are available at www.foresters.com under About Us/Financial Strength.

Auditors' Report on Summarized Financial Statements

The Board of Directors, The Independent Order of Foresters

The accompanying summarized consolidated balance sheets and summarized consolidated statements of comprehensive income (loss) are derived from the complete consolidated financial statements of The Independent Order of Foresters ("Foresters") as at December 31, 2009 and for the year then ended on which we expressed an opinion without reservation in our report dated February 17, 2010. The fair summarization of the complete consolidated financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the summarized consolidated financial statements.

In our opinion, the accompanying consolidated financial statements fairly summarize, in all material respects, the related complete consolidated financial statements in accordance with the criteria described in the Guideline referred to above.

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



Chartered Accountants, Licensed Public Accountants
Toronto, Canada
February 17, 2010

Appointed Actuary's Report

The Board of Directors, The Independent Order of Foresters

I have valued the policy liabilities in the consolidated balance sheets of The Independent Order of Foresters as at December 31, 2009 and, except as noted in the following paragraph, their change in the consolidated statements of income (loss) for the years then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods and I expressed an opinion on these liabilities without reservation in my report dated February 17, 2010.

I became the Appointed Actuary on July 1, 2009 and have relied upon the previous Appointed Actuary, Sharon Giffen, for the valuation as of December 31, 2008.

In my opinion, the amount of policy liabilities contained in the accompanying summarized financial statements is consistent with the related complete consolidated financial statements.

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



Paul M. Winokur
Fellow, Canadian Institute of Actuaries
Toronto, Canada
February 17, 2010

IMPORTANT MEMBER NOTICE

The 40th International Assembly, held in Halifax Nova Scotia from June 15–16, 2009, elected its Board of Directors, and amended Foresters Constitution. A summary of these amendments and the 2009 Constitution approved at the International Assembly are posted on Foresters website in the About Us section, under How Foresters is Organized.

Each Voting Member has the right to participate in Foresters system of representative government through voting in Branch elections, and in holding office. Branch Elections are being held in fall 2010 and spring 2011.



Foresters Report to Members (ISSN 1197-5016) is printed and mailed at Toronto, Canada on paper that is certified according to the Forest Stewardship Council (FSC) standards. This paper is from well-managed forests and contains 10% post-consumer waste.

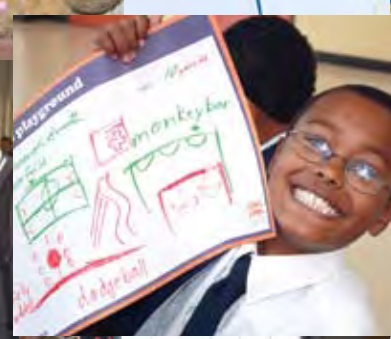
By printing Foresters Report to Members on paper with 10% post-consumer content, we have saved 65 trees, conserved 2,790 kilograms of energy, avoided 2,790 kilograms of CO₂ gas emissions, diverted 998 kilograms of solid waste from landfills, and prevented 109,777 liters of waste water from being produced. Environmental impact estimates were made using the Environmental Defense Paper Calculator.

For more information, visit
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Members in Action



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"When I brag about the things you offer us and all the work you do in the community, my friends say 'Our insurance company doesn't do that for us.' I tell them they need to join Foresters."

Carolyn White, Overland Park, Kansas, U.S.A.

"I think giving these bears to kids who are sad because they are in the hospital is good because it helps them concentrate on something else besides what is happening to them. The bears give them someone to cuddle and talk to about their feelings so they won't be so scared. I feel good knowing I'm doing a good deed."

*Robbie, 11-year-old Foresters Teddy Bear Build volunteer,
Mississauga, Ontario, Canada*

"We were pleased to help makeover our local CLIC House, as the home is used and loved by families with children undergoing cancer treatment. I know we are making a real difference in their lives. Our regional team was proud to be a part of such a positive project."

Martin Coward, Bristol, U.K.

"The Osmond Family and John Schneider set up Children's Miracle Network more than 25 years ago with the dream of helping children in hospitals throughout the world. With the support of Foresters as we roll out our program to U.K. children's hospitals, we are another step closer to seeing that dream become a reality."

Jimmy Osmond, Board of Trustees, Children's Miracle Network

"For the children we represent there is no miracle cure, theirs is a lifelong disorder that challenges child and parent alike. Thank you Foresters for both your financial support and for your participation at the grassroots level in picnics, sport outings and walkathons."

*Richard D. Hensley, Executive Director,
The Tourette Syndrome Association of Ontario*