



**FINANCIAL CONDITION REPORT ON EXAMINATION
OF
THE UNITED STATES BRANCH
OF
THE INDEPENDENT ORDER OF FORESTERS**

AS OF DECEMBER 31, 2020

**EXAMINER:
DATE OF REPORT:**

**JAMES RIDDICK, CFE
MAY 31, 2022**

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

June 7, 2022

Honorable Adrienne A. Harris
Superintendent of Financial Services
New York, New York 10004

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 32262, dated June 17, 2021, and annexed hereto, an examination has been made into the condition and affairs of the United States Branch of The Independent Order of Foresters, hereinafter referred to as “the Society”. The Society’s home office is located at 789 Don Mills Road, Toronto, Ontario M3C 1T9 Canada. Due to the COVID-19 pandemic, the examination was conducted remotely.

Wherever “Department” appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. SCOPE OF EXAMINATION

The examination of the Society was a full-scope examination as defined in the National Association of Insurance Commissioners' ("NAIC") *Financial Condition Examiners Handbook, 2021 Edition* (the "Handbook"). The examination covers the three-year period from January 1, 2018, through December 31, 2020. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2020, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook published by the NAIC. The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

The examination was called by the Department in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. No other states participated in the examination.

Information about the Society's organizational structure, business approach and control environment were utilized to develop the examination approach. The Society's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market

- Liquidity
- Legal
- Reputational

The Society was audited annually, for the years 2018 through 2020, by the accounting firm of KPMG, LLP (“KPMG”). The Society received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Society has an internal audit department, which provides assurance that the organization’s risk management, governance and internal control processes are operating effectively. Where applicable, internal audit workpapers and reports were reviewed, and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Society with respect to the financial condition recommendation contained in the prior report on examination. The result of the examiner’s review is contained in item 5 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations, or rules, or which require explanation or description.

2. DESCRIPTION OF SOCIETY

A. History

The Society's origin traces back to a reincorporation under the name of the Right Worthy High Court of the Independent Order of Foresters, in Ontario Canada in 1881.

The Society was reincorporated in 1889 as a federal corporation by an act of the Canadian Parliament and has continued to be a federal corporation under Canadian law. In 1890, the Society received a license from the State of New York to conduct business in the United States as an alien fraternal benefit society. In 1913, the Society's name was changed to The Independent Order of Foresters. Since 1926, the following societies have been merged into the U.S. Branch:

<u>Year</u>	<u>Organization Name</u>
1926	The Ancient Order of the United Workmen of Ontario
1926	The United States Branch of the Canadian Home Circles
1931	Royal Templars of Temperance, 1931 Modern Brotherhood of America
1952	Catholic Mutual Benefit Organization
1971	The Royal Clan Order of Scottish Clans
1971	The Canadian Business of Modern Woodmen of America
1992	Canadian Foresters Life Insurance U.S. Branch

On January 19, 2011, the Society acquired First Investors Consolidated Corporation ("FICC"), which wholly owned First Investors Life Insurance Society ("FILIC"), a domestic stock life insurer, and collectively known as First Investors.

On September 21, 2015, FICC changed its name to Foresters Financial Holding Society, Inc. ("FFHC"), and FILIC changed its name to Foresters Life Insurance and Annuity Society ("FLIAC"). The Foresters family of companies are known collectively by one brand – Foresters Financial. The Society operates FLIAC as a standalone entity in its U.S. Division.

On May 4, 2016, FFHC acquired Aegon Capital Management Inc. and Aegon Fund Management Inc. These entities were renamed to Foresters Asset Management Inc. and Foresters Financial Investment Management Society of Canada Inc.

On June 17, 2020, the Department approved the acquisition of FLIAC by Nassau Life Insurance Society, a New York stock life insurance society, and its controlling persons.

On October 1, 2020, Foresters Financial acquired Canada Protection Plan ("CPP") and TPA Outsourcing Inc. ("TPA") through the acquisition of 100% of their common shares. CPP is a licensed insurance brokerage principally involved in the development, sales, and marketing of

insurance products. TPA performs policy administration and information processing functions on behalf of insurance companies.

B. Management

As of December 31, 2020, the board of directors consisted of 15 members comprised of the International Fraternal President, the President and Chief Executive Officer, and 13 members elected by the International Assembly, one of whom is designated International Fraternal Vice President. The board of directors hold meetings at least four times in each calendar year. Every four years the International Assembly meets to elect the board of directors and perform other general business. If a board member dies, resigns, or becomes unable to continue in office, the other board members may elect any voting member of the Society to fill the vacancy. The new board member will remain in office until the next regular meeting of the International Assembly.

The 15 board members and their principal business affiliation, as of December 31, 2020, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Katherine A. Bardswick* Burlington, Ontario	Chief Executive Officer Canadian Institute for Clean Growth and Climate Change	2017
Sonia A. Baxendale* Toronto, Ontario	President and Chief Executive Officer Global Risk Institute	2012
James M. Bowden* Rowlett, Texas	Owner Diamond Jim LLC and JiNiN-Co Enterprises LLC	2009
James R. Boyle Hingham, Massachusetts	President and Chief Executive Officer United States Branch of The Independent Order Of Foresters	2017
Michael C. Edge* Caerphilly, United Kingdom	Retired Businessowner Vehicle Distribution Sub-Contracting	2017
Daniel J. Fortin* Pickering, Ontario	Retired Executive IBM Canada	2017
Richard P. Hennick* Yukon, Oklahoma	Retired Service Technical Manager Opti-Net, Inc.	2017
Robert E. Lamoureux* Toronto, Ontario	Retired Auditor PricewaterhouseCoopers, LLP	2009

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Frank N.C. Lochan* Oakville, Ontario	Retired Executive Brookfield Asset Management Inc.	2009
Michael Lombardi* Maple, Ontario	Owner Michael Lombardi Business Consulting	2017
Martha E. Marcon* Glendale, California	Retired Accountant KPMG, LLP (California)	2009
Michael P. Stramaglia* Toronto, Ontario	President and Owner Matrisc Advisory Group Inc.	2013
Christopher J. Stranahan* Stow, Ohio	Owner of Retail Shop Nature's Flight Ltd.	2009
Wendy A. Watson* Boston, Massachusetts	Retired Bank Executive State Street Corporation	2013
Robert W. Wight* Georgetown, Ontario	Retired Maintenance Mechanic Owens-Illinois, Inc. (Canada)	2017

* Not affiliated with the Society or any other Society in the holding Society system

In June 2021, directors Robert E. Lamoureux, Frank N.C. Lochan, Martha E. Marcon, and Christopher J. Stranahan resigned from the board, while director James M. Bowden was not reelected. These directors were replaced in June 2021 by Shelly A. Herman, Janice M. Madon, Gino A. Scapillati, Linda A. Davis Watters, and Cynthia L. Worley.

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended, and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Society as of December 31, 2020:

<u>Name</u>	<u>Title</u>
James R. Boyle	President and Chief Executive Officer
Rene Zanin	Global Chief Legal Officer, Chief Compliance Officer and Executive Secretary
Jon S. McDonald	Vice President, Controller and Executive Treasurer
Peter Boyko	Vice President and Appointed Actuary
Alvin Sharma	Vice President and Global Chief Financial Officer
Mehul N. Kapadia	Vice President and Chief Information Officer

<u>Name</u>	<u>Title</u>
Nicole S. C. Gourley	Vice President and Global Chief Membership Officer
Gaurav Upadhy	Vice President, Global Chief Actuary and Chief Risk Officer
Patrizia Colavita	Vice President and Chief Internal Auditor
Clark D. Wagner	Vice President and Chief Investment Officer
Valerie Howes*	Assistant Vice President, Special Investigations and Consumer Complaints

*Designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64)

In September 2021, Louis Gagnon was appointed President and Chief Executive Officer, to be effective January 1, 2022, replacing James R. Boyle who will conclude his term as President and Chief Executive Officer effective December 31, 2021.

3. TERRITORY AND PLAN OF OPERATIONS

The Society is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Society is licensed to transact business in all fifty states and the District of Columbia. In 2020, the top five states from consisted of 9.0% of premiums (life, accident and health premiums, annuity considerations, deposit type funds) received from Texas, Florida (9.0%), California (7.7%), Georgia (4.8%), and North Carolina (4.7%). Certificates are written on a participating basis.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2020:

<u>Life Insurance Premiums</u>		<u>Annuity Considerations</u>	
Florida	9.4%	Illinois	15.0%
Texas	9.4	Michigan	8.8
California	8.0	Texas	5.8
Georgia	5.0	Pennsylvania	5.5
New York	<u>5.0</u>	Ohio	<u>5.0</u>
Subtotal	36.8%	Subtotal	40.1%
All others	<u>63.2</u>	All others	<u>59.9</u>
Total	<u>100.0%</u>	Total	<u>100.0%</u>
<u>Deposit Type Funds</u>			
California	16.1%		
Florida	8.6		
Illinois	8.4		
New York	8.0		
Ohio	<u>7.1</u>		
Subtotal	48.2%		
All others	<u>51.8</u>		
Total	<u>100.0%</u>		

A. Statutory and Special Deposits

As of December 31, 2020, the Society had \$1,000,000 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all

policyholders, claimants, and creditors of the Society. As reported in Schedule E of the 2020 filed annual statement, an additional \$1,100,000 (par value) was being held for the states of Florida, New Hampshire, and North Carolina.

B. Direct Operations

The Society operates under three business segments by Country: the U.S. Division, the Canadian Division, and the U.K. Division. The Society is under the U.S. Division and focuses on sales to the middle-income market with a range of life insurance products, including whole life, universal life, and term life. All products have been marketed through independent marketing organizations. The Society's percentage of business sold in 2020 was attributable to the following organizations:

Symmetry Financial Group	36%
National Agent Alliance	24%
Equis Financial	22%
National Agent Alliance Wholesale Channel	10%
Family First Life	7%
People Helping People	1%

The principal lines of business sold during the examination period were participating and non-participating life products. The Society focuses on sales to the middle-income market with a range of life insurance products, including whole life, universal life, and term life.

On October 4, 2018, the Society ceased marketing its accidental death term life product because of product repricing needed to reflect a new CSO Table. The Society reintroduced the product on December 13, 2020, together with increased face amounts and added reinsurance. The product was entry level and provided accident-only protection when the insured did not qualify for all-cause mortality coverage.

The Society enhanced its product portfolio by diversifying products and distribution channels. In the fourth quarter of 2019, the Society introduced product refreshes such as "PlanRight", a final expense product, and modernized diabetes underwriting that aided in re-establishing sales momentum following the decommissioning of its Single Premium Whole Life and other product withdrawals. The Society also enhanced non-face-to-face capabilities along with a distribution and product mix that was more diversified which reduced historical concentration risk with its distribution partners.

During the current examination period, the number of independent agents appointed with the Society was 51,476 for 2018, 54,544 for 2019, and 76,119 for 2020. Included in these numbers were New York appointed agents of 1,467 in 2018, 1,404 in 2019, and 1,404 in 2020.

C. Reinsurance

As of December 31, 2020, the Society had reinsurance treaties in effect with five companies, of which two were authorized, accredited, or certified. The Society's business is reinsured on a coinsurance and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is \$1,000,000. The total face amount of life insurance ceded as of December 31, 2020, was \$22,062,824,240, which represents 45% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$320,666,021, was supported by trust agreements, funds withheld, and other miscellaneous balances.

The Society did not assume any insurance business during the examination period.

4. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2020, as contained in the Society's 2020 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Society's financial condition as presented in its financial statements contained in the December 31, 2020, filed annual statement.

A. Independent Accountants

KPMG was retained by the Society to audit the Society's combined statutory basis statements of financial position of the Society as of December 31st of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

KPMG concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Society at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	\$3,238,566,673
Common stocks	170,154,192
Mortgage loans on real estate: First liens	23,939,453
Cash, cash equivalents and short-term investments	18,623,806
Contract loans	168,714,357
Other invested assets	16,612,385
Receivable for securities	154,647
Investment income due and accrued	26,924,039
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	11,387
Deferred premiums, agents' balances and installments booked but deferred and not yet due	96,990,829
Amounts recoverable from reinsurers	<u>11,052,058</u>
Total admitted assets	<u>\$3,771,743,826</u>

C. Liabilities, Surplus and Other Funds

Aggregate reserve for life policies and contracts	\$2,849,945,020
Aggregate reserve for accident and health contracts	10,226,402
Liability for deposit-type contracts	15,584,800
Contract claims:	
Life	94,096,747
Accident and health	1,375
Provision for policyholders' dividends and coupons payable in:	
Dividends apportioned for payment	24,453,500
Premiums and annuity considerations for life and accident and health contracts received in advance	876,271
Contract liabilities not included elsewhere:	
Interest maintenance reserve	313,191,675
Commissions to agents due or accrued	5,374,329
Commissions and expense allowances payable on reinsurance assumed	0
General expenses due or accrued	9,852,240
Amounts withheld or retained by Society as agent or trustee	544,900
Remittances and items not allocated	11,684,384
Liability for benefits for employees and agents if not included above	9,588,402
Miscellaneous liabilities:	
Asset valuation reserve	48,953,652
Funds held under reinsurance treaties with unauthorized reinsurers	202,088,917
Reserve for fraternal benefits approved	11,625,346
Miscellaneous liabilities	5,841,186
Other liability reinsurance	2,785,617
Interbranch payables and benevolent fund	331,435
Interest on certificate claims	232,000
 Total liabilities	 <u>\$3,617,278,198</u>
 Reserve for future fraternal benefits	 11,000,000
Special reserve re: Arkansas	300,000
Unassigned funds (surplus)	<u>143,164,994</u>
 Total surplus and other funds	 <u>\$ 154,464,994</u>
 Total liabilities, surplus and other funds	 <u>\$3,771,743,192</u>

D. Condensed Summary of Operations

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Premiums and considerations	\$463,819,400	\$450,293,596	\$448,581,160
Investment income	136,040,065	142,400,605	148,333,364
Commissions and reserve adjustments on reinsurance ceded	53,174,893	41,246,6650	48,881,041
Miscellaneous income	<u>8,018,061</u>	<u>8,566,454</u>	<u>3,442,889</u>
 Total income	 <u>\$661,052,419</u>	 <u>\$642,507,320</u>	 <u>\$649,238,454</u>
Benefit payments	\$271,968,195	\$280,136,287	\$324,184,750
Increase in reserves	125,495,446	123,860,272	140,331,579
Commissions	153,205,297	129,613,884	124,039,242
General expenses and taxes	110,808,169	99,153,610	99,153,610
Fraternal donations to members	142,000	374,725	186,225
Increase (decrease) in reserves for Fraternal Benefits Approved	<u>(595,043)</u>	<u>(1,408,378)</u>	<u>1,356,982</u>
 Total deductions	 <u>\$661,024,064</u>	 <u>\$634,107,382</u>	 <u>\$689,252,388</u>
Net gain (loss)	\$ 28,355	\$ 8,399,938	\$(40,013,934)
Refunds to members	<u>24,476,910</u>	<u>24,450,827</u>	<u>23,985,911</u>
 Net gain (loss) from operations before net realized capital gains (losses)	 \$(24,448,555)	 \$(16,050,889)	 (63,999,845)
Net realized capital gains (losses)	<u>2,692,692</u>	<u>(28,040)</u>	<u>(3,246,772)</u>
 Net income	 <u>\$(21,755,863)</u>	 <u>\$(16,078,929)</u>	 <u>\$(67,246,617)</u>

E. Surplus Account

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Surplus, December 31, prior year	\$ <u>169,613,643</u>	\$ <u>148,105,732</u>	\$ <u>172,391,484</u>
Net income	\$ (21,755,863)	\$ (16,078,929)	\$ (67,246,617)
Change in net unrealized capital gains (losses)	(19,662,487)	22,190,292	35,706,153
Change in non-admitted assets	(420,675)	5,523,434	(12,763,949)
Change in reserve on account of change in valuation basis	883,557	0	0
Change in asset valuation reserve	1,055,106	(8,817,975)	(13,983,373)
Change in surplus as a result of reinsurance	(36,851,176)	(8,638,794)	(3,638,704)
Surplus contributions from parent	<u>55,243,627</u>	<u>30,107,724</u>	<u>44,000,000</u>
Net change in surplus for the year	\$ <u>21,507,911</u>	\$ <u>24,285,752</u>	\$ <u>(17,926,490)</u>
Surplus, December 31, current year	\$ <u>148,105,732</u>	\$ <u>172,391,484</u>	\$ <u>154,464,994</u>

5. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the recommendation and comment contained in the prior report on examination and the subsequent actions taken by the Society in response to each citation:

<u>Item</u>	<u>Description</u>
A	<p>At this juncture, the certificate of reserve valuation is being held and is not expected to be issued until the Department's concerns are resolved.</p> <p>The Department issued the 2017 Certificate of Reserve Valuation on January 15, 2020.</p>
B	<p>The Department recommends that the Society continue to reduce expenses and provide quarterly reports to the Department so that progress in managing their expense overrun may be monitored.</p> <p>The examination revealed that the Company provided quarterly expense updates to the Department and that the updates showed a decrease in expenses.</p>

Respectfully submitted,

James Riddick

James Riddick, CFE

INS Regulatory Insurance Services, Inc.

STATE OF NEW YORK)
) SS:
COUNTY OF NEW YORK)

James Riddick, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

James Riddick

James Riddick

Subscribed and sworn to before me

this 17th day of June, 2022

Audrey Hall

AUDREY HALL
Notary Public, State of New York
No. 01HA8274900
Qualified in Kings County
Commission Expires January 28, 2025

Respectfully submitted,

_____/s/
Vincent Targia
Principal Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Vincent Targia, being duly sworn, deposes and says that the foregoing report, subscribed by her,
is true to the best of her knowledge and belief.

_____/s/
Vincent Targia

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 32262

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, LINDA A. LACEWELL, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

JAMES RIDDICK
(INS REGULATORY INSURANCE SERVICES, INC.)

as a proper person to examine the affairs of the

UNITED STATES BRANCH OF THE INDEPENDENT ORDER OF FORESTERS

and to make a report to me in writing of the condition of said

SOCIETY

with such other information as he shall deem requisite.

*In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York*

this 17th day of June, 2021

LINDA A. LACEWELL
Superintendent of Financial Services

By: *Mark McLeod*

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

