



STATE OF NEW YORK INSURANCE DEPARTMENT
REPORT ON THE FINANCIAL CONDITION EXAMINATION
OF
THE INDEPENDENT ORDER OF FORESTERS

CONDITION:

DECEMBER 31, 2008

DATE OF REPORT:

MAY 11, 2010

STATE OF NEW YORK INSURANCE DEPARTMENT
REPORT ON THE FINANCIAL CONDITION EXAMINATION
OF
THE INDEPENDENT ORDER OF FORESTERS
AS OF
DECEMBER 31, 2008

DATE OF REPORT:

MAY 11, 2010

EXAMINER:

ERIC C. DERCHER, CFE

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE NO.</u>
1. Executive summary	2
2. Scope of examination	3
3. Description of Society	5
A. History	5
B. Management	5
4. Territory and plan of operations	9
A. Statutory and special deposits	9
B. Direct operations	9
C. Reinsurance	10
5. Significant operating results	11
6. Financial statements	13
A. Independent accountants	13
B. Net admitted assets	14
C. Liabilities, surplus and other funds	15
D. Condensed summary of operations	17
E. Capital and surplus account	18
F. Reserves	18
7. Prior report summary and conclusions	19
8. Summary and conclusions	20



STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

David Paterson
Governor

James J. Wynn
Superintendent

June 8, 2010

Honorable James J. Wynn
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 30258 , dated October, 23, 2008 and annexed hereto, an examination has been made into the condition and affairs of the Independent Order of Foresters, hereinafter referred to as “the Society,” at its home office located at 789 Don Mills Road, Toronto ON MC3 1Y9, Canada.

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

1. EXECUTIVE SUMMARY

The material comment contained in this report is summarized below:

- The Department conducted a review of reserves as of December 31, 2008 and December 31, 2009. During this review, material concerns arose with respect to excessive expenses. The Society addressed the Department's concerns by providing the Department with a plan for managing expenses over the next several years, by demonstrating to the Department's satisfaction that their maintenance expenses were reasonable, and by preparing an ongoing quarterly report to the Department so that progress in managing their expense overrun may be monitored. (See Item 5F of this Report).

2. SCOPE OF EXAMINATION

The examination of the Society was a financial condition examination as defined in the NAIC Financial Condition Examiners Handbook, 2008 Edition (the “Handbook”). The examination covers the three-year period from January 1, 2006 through December 31, 2008. 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, 2008 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 National Association of Insurance Commissioners (“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 Department statutes and guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

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 2006 through 2008, by the accounting firm of KPMG, LLP. 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. 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 violations and recommendations contained in the prior report on examination. The results of the examiner's review are contained in item 7 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.

3. 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 Society:

<u>Year</u>	<u>Name of Society</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 Society

B. Management

The Society's constitution provides that the board of directors shall be comprised of the International Fraternal President, the President and Chief Executive Officer, ex officio and 13 officers elected by the International Assembly, one of whom is designated the International Fraternal Vice president. If a board member dies, resigns, or becomes unable to continue in office, the other board members may elect a 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. As of December 31, 2008, the board of directors consisted of 15 members. Meetings of the board are held at least quarterly.

The 15 members and their principal business affiliation, as of December 31, 2008, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Bernard E. Bloom* Southampton, Hants United Kingdom	Sole Proprietor Insurance Consulting	2000
James R. Daugherty* Phoenix, AZ	Professor Glendale Community College	2005
William B. Foster* Bettendorf, IA	Retired	1997
Richard M. Freeborough* Oakville, ON	Retired	2005
Patrick W. Kenny* West Hartford, CT	President and Chief Executive Officer International Insurance Society	1997
Louise L. McCormick* Bloomfield, CT	Retired	2005
George S. Mohacsi Etobicoke, ON	President and Chief Executive Officer The United States Branch of The Independent Order of Foresters	2005
Barbara J. McDougall* Toronto, Ontario	Senior Adviser Aird and Berlis	1998
Christopher H. McElvaine* Kingston, ON	Retired	2005
Kashmir N. Manchuk* Hamilton, ON	Chartered Accountant Self-employed	2005
John P. Meyerholz* Short Hills, NJ	Retired	2005
E. Irene Miles* Gilbert, AZ	Vice President International Fraternal	2001

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
David E. Morrison* Winnipeg, Manitoba	Retired	2005
Glenn K. Reid Port Coquitlam, BC	Chartered Accountant Surrey Association of Community Living	2006
W. Ross Walker* Toronto, Ontario	Retired	1997

* Not affiliated with the Society

Every four years the International Assembly of Society Members meets to elect the Board of Directors and perform other general business. At the meeting held June 16, 2009 the following Board of Directors was elected:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Bernard E. Bloom* Southampton, Hants United Kingdom	Sole Proprietor Insurance Consulting	2000
Richard M. Freeborough* Oakville, ON	Retired	2005
Karen L. Gavan Toronto, ON	Retired	2009
Brian A. Isabelle * Prince George, BC	Management James Western Star Sterling Ltd	2009
Robert E. Lamoureux* Toronto, ON	Retired	2009
Frank N.C. Lochan* Oakville, ON	Retired	2009
Louis L. McCormick* Bloomington, CT	Retired	2009

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
George S. Mohacsi* Etbicoke, ON	President and Chief Executive Officer The United States Branch of The Independent Order of Foresters	2005
Christopher H. McElvaine* Kingston, ON	Retired	2005
Martha E. Marcon* Glendale, CA	Retired	2009
Laraine J. Morris* Overland Park, KS	Retired	2009
David E. Morrison* Winnipeg, MB	Retired	2005
David R. Saunders* Nottinghamshire, NG	Retired	2009
John B. Scott* Winnipeg, Manitoba	Retired	2009
Christopher J. Stranahan * Stow, OH	Owner Wild Birds Unlimited	2009

* Not affiliated with the Society

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, 2008:

<u>Name</u>	<u>Title</u>
George S. Mohacsi	President and Chief Executive Officer
Sharon T. Giffen	Senior Vice President and Chief Financial Officer
Katherine E. Rounthwaite	Senior Vice President, General Counsel and Executive Secretary
J. Stephen McDonald	International Finance Officer
Stephen Cheesmen*	US Division Compliance Officer and Assistant General Counsel

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 64

4. TERRITORY AND PLAN OF OPERATION

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 the District of Columbia and all states except Vermont. In 2008, 17% of life premiums, 22% of accident and health premiums, 45% of annuity considerations, and 21% of deposit type funds were received from California; 3% of life premiums, 2% of accident and health premiums, 1% of annuity considerations, and 2% of deposit type funds were received from New York. Certificates are written on a participating basis.

A. Statutory and Special Deposits

As of December 31, 2008, the society had \$1,000,000 (par value) of U.S. Treasury Notes on deposit with the State of New York, its port of entry state, for the benefit of all policyholders, claimants and creditors of the Society. As per confirmations received from the following states which were reported in Schedule E of the 2008 filed annual statement an additional \$900,000 was being held by 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 focuses on the middle-income market combining its financial service expertise with its community involvement. Currently in the United States, the Society markets a range of life insurance products, including universal life, whole life, term and annuities, through Independent Marketing Organizations (IMOs).

The Society transitioned its U.S. sales force from career agents to independent agents in 2007. The introduction of an alternative distribution channel through a National Agents Alliance (NAA) in 2005 was very successful and resulted in the appointment of over 6,800 agents by the end of 2007. NAA and additional IMO relationships entered into in 2007 and 2008 have been successful in substantially increasing proprietary sales in the United States. During 2008, Society recruited a number of IMOs and increased the number of contracted producers to well

over 12,000. Term sales represented the largest proportion of new life sales. The U.S. Division focuses on: diversifying the product portfolio, through the introduction of new permanent products; recruiting additional IMOs and producers; marketing the Society's value proposition to appointed producers; providing producers with a good service experience; and leveraging the Society's fraternal nature with prospects and members. NAA accounted for 79% of the Society's life business in 2008.

C. Reinsurance

As of December 31, 2008, the Society had reinsurance treaties in effect with three companies, of which one was authorized or accredited. The Society's life and accident and health business is reinsured on a yearly renewable term and coinsurance basis. Reinsurance is provided on a facultative basis.

The maximum retention limit for individual life contracts is \$500,000. The total face amount of life insurance ceded as of December 31, 2008, was \$681,308,395, which represents 3.66% of the total face amount of life insurance in force. There was no ceded reinsurance recoverable reported from unauthorized reinsurers during the examination period and no reserve credit taken for reinsurance ceded to unauthorized companies. A reserve credit for ceded accident and health reinsurance to an authorized reinsurer was taken totaling \$911,168.

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

5. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Society during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding. The following table indicates the Society's financial growth (decline) during the period under review:

	December 31, <u>2005</u>	December 31, <u>2008</u>	Increase (Decrease)
Admitted assets	<u>\$2,822,433,401</u>	<u>\$2,636,433,320</u>	<u>\$(186,000,081)</u>
Liabilities	<u>\$2,400,522,530</u>	<u>\$2,492,885,335</u>	<u>\$ 92,362,805</u>
Reserve for Future Fraternal Benefits	\$ 11,000,000	\$ 11,000,000	\$ 0
Special Reserve re: Arkansas	300,000	300,000	0
Unassigned funds (surplus)	<u>410,610,871</u>	<u>132,247,985</u>	<u>(278,362,886)</u>
Total surplus	<u>\$ 421,910,871</u>	<u>\$ 143,547,985</u>	<u>\$(278,362,886)</u>
Total liabilities and surplus	<u>\$2,822,433,401</u>	<u>\$2,636,433,320</u>	<u>\$(186,000,081)</u>

The trustee assets of a licensed alien insurer entered through this state are required to be continuously kept in this state. The following table indicates the Society's financial growth (decline) as shown in the trustee statements during the period under review:

	December 31, <u>2005</u>	December 31, <u>2008</u>	Increase (Decrease)
Trustee assets	\$2,339,244,259	\$2,421,242,487	\$ 81,998,228
Deposit with the State of New York	<u>1,002,545</u>	<u>1,005,164</u>	<u>2,619</u>
Total trustee assets	<u>\$2,340,246,804</u>	<u>\$2,422,247,650</u>	<u>\$ 82,000,846</u>
Liabilities	\$2,400,522,530	\$2,492,885,335	\$ 92,362,805
Deductions from liabilities	<u>188,195,907</u>	<u>180,482,759</u>	<u>(7,713,148)</u>
Net Liabilities	\$2,212,326,623	\$2,312,402,576	\$100,075,953
Trustee surplus	<u>127,920,181</u>	<u>109,845,074</u>	<u>(18,075,107)</u>
Total liabilities and trustee surplus	<u>\$2,340,246,804</u>	<u>\$2,422,247,650</u>	<u>\$ 82,000,846</u>

The Society has maintained the required trusteed surplus, during the period under examination, as required by Section 4503(c) of the New York Insurance Law

The Society's invested assets as of December 31, 2008 were mainly comprised of bonds (89.4%) and policy loans (5.4%).

The Society's entire bond portfolio, as of December 31, 2008, was comprised of investment grade obligations with 96.2% of the Society's portfolio invest in NAIC class 1 bonds.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Society's filed annual statements:

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Ordinary:			
Life insurance	\$(107,011,977)	\$(93,118,227)	\$(74,441,368)
Individual annuities	(10,019,793)	4,527,064	5,654,784
Supplementary contracts	<u>1,794,970</u>	<u>(1,204,535)</u>	<u>(1,517,038)</u>
Total ordinary	\$(<u>115,236,800</u>)	\$(<u>89,795,698</u>)	\$(<u>70,303,622</u>)
Accident and health:			
Other	\$ <u>(1,227,408)</u>	\$ <u>(332,628)</u>	\$ <u>(1,359,608)</u>
Total accident and health	\$ <u>(1,227,408)</u>	\$ <u>(332,628)</u>	\$ <u>(1,359,608)</u>
All other lines	\$ <u>(27,577)</u>	\$ <u>15,036,553</u>	\$ <u>11,956,364</u>
Total insurance	\$(<u>116,491,785</u>)	\$(<u>75,091,773</u>)	\$(<u>59,706,866</u>)
Fraternal	\$ <u>179,397</u>	\$ <u>2,829,560</u>	\$ <u>754,445</u>
Total	\$(<u>116,312,388</u>)	\$(<u>72,262,213</u>)	\$(<u>58,952,421</u>)

Several factors contributed to the Society's continuing losses in 2006, 2007, and 2008. In 2006 benefits, claims and payments increased 45% due primarily to increased annuity replacements. In 2007 the Society moved from captive to independent agents, this caused an increase in agent compensation and unusual severance and lease termination costs. During 2008, the Society incurred capital losses and expenses increased due to staffing costs, wage inflation and higher technology costs.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2008, as contained in the Society's 2008 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, 2008 filed annual statement.

A. Independent Accountants

The firm of KPMG, LLP was retained by the Society to audit the Society's consolidated statements of financial position of the Society as of December 31 of each year in the examination period, and the related statements of income (loss), surplus, cash flows and changes in segregated funds.

KPMG, LLP concluded that the consolidated Canadian GAAP financial statements presented fairly, in all material respects, the financial position of the Society at the respective audit dates. In addition, KPMG performed a review of the reconciliation of the consolidated statement of income to the US Branch statutory basis statement of operations and provided a standard Review Engagement Report with no comments noted.

B. Net Admitted Assets

Bonds	\$2,307,576,815
Stocks:	
Common stocks	97,067,794
Mortgage loans on real estate:	
First liens	17,295,685
Cash, cash equivalents and short term investments	9,508,415
Contract loans	139,446,622
Other invested assets	7,315,371
Receivable for securities	156,247
Student loans	5,120
Investment income due and accrued	28,192,426
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	255
Deferred premiums, agents' balances and installments booked but deferred and not yet due	29,043,905
Reinsurance:	
Amounts recoverable from reinsurers	14,474
Receivables from parent, subsidiaries and affiliates	<u>810,191</u>
Total admitted assets	<u>\$2,636,433,320</u>

C. Liabilities, Surplus and Other Funds

Aggregate reserve for life policies and contracts	\$2,242,900,550
Aggregate reserve for accident and health contracts	601,148
Liability for deposit-type contracts	60,781,319
Contract claims:	
Life	23,440,473
Accident and health	6,858
Refunds due and unpaid	13,609
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	26,380,608
Premiums and annuity considerations for life and accident and health contracts received in advance	621,457
Contract liabilities not included elsewhere:	
Interest maintenance reserve	32,898,486
Commissions to fieldworkers due or accrued	1,094,094
General expenses due or accrued	2,480,382
Amounts withheld or retained by Society as agent or trustee	218,137
Remittances and items not allocated	599,370
Liability for benefits for employees and agents if not included above	9,884,321
Miscellaneous liabilities:	
Asset valuation reserve	27,872,380
Payable for securities	60,741
Reserve for Fraternal Benefits Approved	60,419,141
Benevolent Fund	1,757,980
Interest on Certificate Claims	245,636
Miscellaneous Liabilities	<u>608,645</u>
Total liabilities	<u>\$2,492,885,335</u>
Reserve for Future Fraternal Benefits	11,000,000
Special Reserve re: Arkansas	300,000
Unassigned funds (surplus)	<u>132,247,985</u>
Total surplus and other funds	<u>\$ 143,547,985</u>
Total liabilities, surplus and other funds	<u>\$2,636,433,320</u>

As described in Item 4B of this report, the Society operates through three business segments by Country; The U.S. Division, the Canadian Division and the U.K. Division. Based on findings of the two prior examinations, the Society agreed to open a separate bank account for the United States Branch's portion of the Society's world surplus (surplus which is shared between business segments of the Society). As of December 31, 2008 the Society had not complied with this recommendation. Schedule E of the 2008 annual statement includes an adjustment of \$(27,903,000) to the State Street Bank & Trust Company N.A. cash account balance. The Society explained the adjustment as a net adjustment to transfer world surplus items into and out of the United States Branch's cash account.

During the review of investments, the examiner noted that the Society had commingled the custody of United States Branch's securities with the securities of World Surplus. A detailed reconciliation was necessary to confirm assets in custody at State Street Bank and Trust to the assets reported on Schedule D of the Annual Statement, including the World Surplus assets of \$158 million as a reconciling item. It was also discovered that a similar commingling of assets exists with respect to invested assets in the custody of Franklin Templeton Investments, Barclays Global Investors, and the JP Morgan Infrastructure Investment Fund.

The examiner recommends that the Society segregate the assets of the United States Branch from those of the other business segments.

D. Condensed Summary of Operations

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Premiums and considerations	\$ 228,873,919	\$164,594,217	\$185,762,071
Investment income	147,736,607	149,614,639	143,863,864
Commissions and reserve adjustments on reinsurance ceded	2,347	2,107	3,370
Miscellaneous income	<u>(101,917)</u>	<u>36,420</u>	<u>(80,633)</u>
 Total income	 <u>\$ 376,510,956</u>	 <u>\$314,247,383</u>	 <u>\$329,548,672</u>
 Benefit payments	 \$ 261,033,406	 \$187,652,075	 \$184,402,259
Increase in reserves	73,235,059	60,063,785	38,070,855
Commissions	30,345,009	33,205,856	49,958,261
General expenses and taxes	103,694,438	80,111,739	90,865,414
Miscellaneous deductions	<u>568,473</u>	<u>500</u>	<u>0</u>
 Total deductions	 <u>\$ 468,876,385</u>	 <u>\$361,033,955</u>	 <u>\$363,296,789</u>
 Net gain (loss)	 \$ (92,365,429)	 \$ (46,786,572)	 \$ (33,748,117)
Refunds to members	<u>23,946,959</u>	<u>25,475,641</u>	<u>25,204,304</u>
 Net gain (loss) from operations before net realized capital gains	 \$(116,312,388)	 \$ (72,262,213)	 \$ (58,952,421)
Net realized capital gains (losses)	<u>27,424,134</u>	<u>33,484,906</u>	<u>(24,540,740)</u>
 Net income	 <u>\$ (88,888,254)</u>	 <u>\$ (38,777,307)</u>	 <u>\$ (83,493,161)</u>

Operating losses on the life insurance line of business were the primary source of the operational losses, although operating results improved during the three-year period. Net realized capital gains and losses had a positive impact in 2006 and 2007, but were a major contributor to the negative net income in 2008, including an impairment loss provision of \$17 million.

E. Surplus Account

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Surplus, December 31, prior year	\$ <u>421,910,871</u>	\$ <u>349,734,289</u>	\$ <u>272,267,151</u>
Net income	\$ (88,888,254)	\$ (38,777,307)	\$ (83,493,161)
Change in net unrealized capital gains (losses)	19,847,887	(49,592,580)	(65,527,701)
Change in non-admitted assets and related items	(172,601)	(882,484)	2,901,938
Change in reserve valuation basis	(1,748,058)	359,473	(565,246)
Change in asset valuation reserve	(1,220,575)	11,425,760	17,965,004
Net Currency Translation Adjustments	<u>5,019</u>	<u>0</u>	<u>0</u>
Net change in surplus for the year	\$ <u>(72,176,582)</u>	\$ <u>(77,467,138)</u>	\$ <u>(128,719,166)</u>
Surplus, December 31, current year	\$ <u>349,734,289</u>	\$ <u>272,267,151</u>	\$ <u>143,547,985</u>

F. Reserves

The Department conducted a review of reserves as of December 31, 2008 and December 31, 2009 which included the related asset adequacy analyses pursuant to Department Regulation No. 126. During this review, material concerns arose with respect to excessive expenses and allocation between "acquisition" (i.e., related to new sales) and "maintenance" (i.e., related to maintenance of inforce business). The Society addressed the expense overrun concerns by providing the Department with a plan for managing down the "acquisition" expense overrun situation over the next several years, by demonstrating to the Department's satisfaction that their maintenance expenses were reasonable, and by preparing an ongoing quarterly report to the Department so that progress in managing their expense overrun may be monitored.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and comments contained in the prior report on examination and the subsequent actions taken by the Company in response to each citation:

<u>Item</u>	<u>Description</u>
A	<p>The Society violated Section 1411(a) of the New York Insurance Law by failing to have the board of directors or a committee of the board of directors, authorize or approve the investments made by the Society during the examination period.</p> <p>The Society began authorizing the investment transactions during 2008.</p>
B	<p>The examiner recommended that the Society report the amounts related to the Optimum Re and RGA treaties on Schedule S, Part 4 of the annual statement, as reinsurance ceded to unauthorized companies.</p> <p>The Society began reporting the unauthorized companies on Schedule S, Part 4.</p>
C	<p>The examiner recommended that the Society either, no longer report the adjustment which the examiner was unable to confirm as an admitted asset in their annual statement or open an independent bank account for any portion of the world surplus that they report as an admitted asset in their annual statement.</p> <p>The Society has failed to open a separate bank account for the United State Branch's portion of the Society's world surplus.</p>

8. SUMMARY AND CONCLUSIONS

Following are the recommendation and comment contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the Society segregate the assets of the United States Branch from those of the other business segments.	16
B	The Department conducted a review of reserves as of December 31, 2008 and December 31, 2009. During this review, material concerns arose with respect to excessive expenses. The Society addressed the Department's concerns by providing the Department with a plan for managing expenses over the next several years, by demonstrating to the Department's satisfaction that their maintenance expenses were reasonable, and by preparing an ongoing quarterly report to the Department so that progress in managing their expense overrun may be monitored.	18

Respectfully submitted,

Eric C. Dercher, CFE
Examiner-in-Charge

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

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

Eric C. Dercher, CFE

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 30258

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, JAMES J. WRYNN, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

ERIC DERCHER

as a proper person to examine into the affairs of the

INDEPENDENT ORDER OF FORESTERS

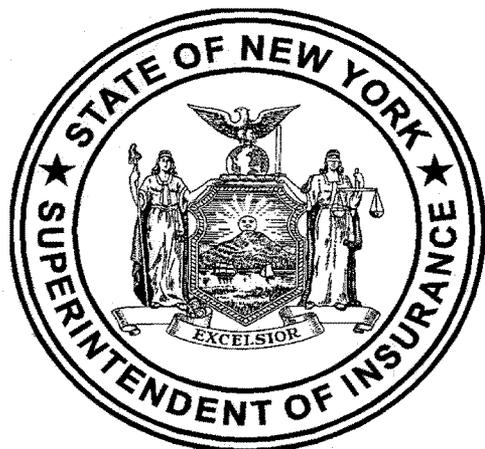
and to make a report to me in writing of the condition of the said

SOCIETY

with such other information as he shall deem requisite.

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

this 16th day of October, 2009



A handwritten signature in cursive script, reading "James J. Wrynn".

JAMES J. WRYNN
Superintendent of Insurance