

2022 LICAT Disclosure

Amounts in \$CDN (000s)		Foresters Financial		
		Current Period	Prior Period	Change %
Available Capital (AC1+B)	(AC)	2,220,064	2,012,482	10.3%
<i>Tier 1 Capital</i>	(AC1)	1,469,582	1,284,989	14.4%
<i>Tier 2 Capital</i>	B	750,482	727,493	3.2%
Surplus Allowance and Eligible Deposits	(SA+ED)	917,991	1,117,014	(17.8%)
Base Solvency Buffer	(BSB)	1,895,454	1,775,141	6.8%
Total Ratio ([AC + SA + ED] / BSB) x 100		165.6%	176.3%	-10.7 pts
Core Ratio ([AC1 + 70% SA + 70% ED] / BSB) x 100		111.4%	116.4%	-5.0 pts

The Office of the Superintendent of Financial Institutions (“OSFI”) introduced the Life Insurance Capital Adequacy Test (LICAT) as the regulatory capital standard for life insurers effective January 1st, 2018. LICAT replaces the former life insurance capital test, the Minimum Continuing Capital and Surplus Requirements Guideline (MCCSR), in place since 1992. Under LICAT, the Total Ratio is subject to a supervisory target of 100% and a minimum ratio of 90%. The Core Ratio is subject to a supervisory target of 70% and a minimum ratio of 55%.

The Total Ratio for Foresters Financial (“IOF”) as at December 31, 2022 was 165.6%, compared with 176.3% as at December 31, 2021. The 10.7 percentage point decrease was primarily driven by the rise in interest rates and the increase in liabilities from updated actuarial assumptions partially offset by a reinsurance agreement on an inforce block.

The Core Ratio as at December 31, 2022 was 111.4%, compared with 116.4% as at December 31, 2021. The 5.0 percentage point decrease was primarily driven by similar factors.

2022 LICAT Disclosure

Amounts in \$CDN (000s)		Foresters Life Insurance Company		
		Current Period	Prior Period	Change %
Available Capital (AC1+B)	(AC)	280,805	298,024	(5.8%)
<i>Tier 1 Capital</i>	(AC1)	213,975	262,495	(18.5%)
<i>Tier 2 Capital</i>	B	66,830	35,530	88.1%
Surplus Allowance and Eligible Deposits	(SA+ED)	67,182	46,803	43.5%
Base Solvency Buffer	(BSB)	229,137	181,575	26.2%
Total Ratio ([AC + SA + ED] / BSB) x 100		151.9%	189.9%	-38.0 pts
Core Ratio ([AC1 + 70% SA + 70% ED] / BSB) x 100		113.9%	162.6%	-48.7 pts

The LICAT ratio of the Canadian subsidiary, Foresters Life Insurance Company ("FLIC"), is managed to a lower capital ratio than the overall organization, recognizing the capital support of the parent.

The Total Ratio for FLIC as at December 31, 2022 was 151.9%, compared with 189.9% as at December 31, 2021. The 38.0 percentage point decrease was primarily driven by the rise in interest rates and the growth in the inforce block partially offset by capital injections.

The Core Ratio as at December 31, 2022 was 113.9%, compared with 162.6% as at December 31, 2021. The 48.7 percentage point decrease was primarily driven by similar factors.