

2019 LICAT Disclosure

Amounts in \$CAD (000s)		Foresters Financial		
		Current Period	Prior Period	Change %
Available Capital (AC1+B)	(AC)	1,989,948	1,738,085	14.5%
<i>Tier 1 Capital</i>	(AC1)	1,604,397	1,367,321	17.3%
<i>Tier 2 Capital</i>	B	385,551	370,764	4.0%
Surplus Allowance and Eligible Deposits	(SA+ED)	1,031,017	936,363	10.1%
Base Solvency Buffer	(BSB)	1,754,954	1,755,049	(0.0%)
Total Ratio ([AC + SA + ED] / BSB) x 100		172.1%	152.4%	19.7 pts
Core Ratio ([AC1 + 70% SA + 70% ED] / BSB) x 100		132.6%	115.3%	17.3 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 minimum ratio of 90%. The Core Ratio is subject to a supervisory target of 70% and minimum ratio of 55%.

The Total Ratio for Foresters Financial™ (“IOF”) as at December 31, 2019 was 172.1%, compared with 152.4% as at December 31, 2018. The 19.7 percentage point increase was primarily driven by earnings in the year along with the positive impact from sale of the asset management business which more than offset growth in capital requirements. The impact of currency movements was minor over the year.

The Core Ratio as at December 31, 2019 was 132.6%, compared with 115.3% as at December 31, 2018. The 17.3 percentage point increase was primarily driven by the same factors.

2019 LICAT Disclosure

Amounts in \$CAD (000s)		Foresters Life Insurance Company		
		Current Period	Prior Period	Change %
Available Capital (AC1+B)	(AC)	264,934	253,371	4.6 %
<i>Tier 1 Capital</i>	(AC1)	192,067	192,274	0.1 %
<i>Tier 2 Capital</i>	B	72,867	61,098	19.3 %
Surplus Allowance and Eligible Deposits	(SA+ED)	260,691	210,349	23.9 %
Base Solvency Buffer	(BSB)	446,596	392,819	13.7 %
Total Ratio ([AC + SA + ED] / BSB) x 100		117.7%	118.0%	-0.3 pts
Core Ratio ([AC1 + 70% SA + 70% ED] / BSB) x 100		83.9%	86.4%	-2.5 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, 2019 was 117.7%, compared with 118.0% as at December 31, 2018. The 0.3 percentage point decrease was primarily driven by growth in capital requirements due to business growth which more than offset earnings in the year.

The Core Ratio as at December 31, 2019 was 83.9%, compared with 86.4% as at December 31, 2018. The 2.5 percentage point decrease was primarily driven by the same factors.