

2020 LICAT Disclosure

Amounts in \$CDN (000s)		Foresters Financial		
		Current Period	Prior Period	Change %
Available Capital (AC1+B)	(AC)	2,078,348	1,989,948	4.4%
<i>Tier 1 Capital</i>	(AC1)	1,440,348	1,604,397	(10.2%)
<i>Tier 2 Capital</i>	B	638,000	385,551	65.5%
Surplus Allowance and Eligible Deposits	(SA+ED)	1,043,627	1,031,017	1.2%
Base Solvency Buffer	(BSB)	1,621,808	1,754,954	(7.6%)
Total Ratio ([AC + SA + ED] / BSB) x 100		192.5%	172.1%	20.4 pts
Core Ratio ([AC1 + 70% SA + 70% ED] / BSB) x 100		133.9%	132.6%	1.3 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, 2020 was 192.5%, compared with 172.1% as at December 31, 2019. The 20.4 percentage point increase was primarily driven by the positive impacts from the sale of an insurance subsidiary and the issuance of subordinated debt which were partially offset by intangibles acquired, business growth and an increase in liabilities for anticipated COVID-19 mortality.

The Core Ratio as at December 31, 2020 was 133.9%, compared with 132.6% as at December 31, 2019. The 1.3 percentage point increase was primarily driven by similar factors other than the issuance of subordinated debt.

2020 LICAT Disclosure

		Foresters Life Insurance Company		
		Current	Prior	Change
Amounts in \$CDN (000s)		Period	Period	%
Available Capital (AC1+B)	(AC)	388,975	264,934	46.8%
<i>Tier 1 Capital</i>	(AC1)	269,259	192,067	40.2%
<i>Tier 2 Capital</i>	B	119,716	72,867	64.3%
Surplus Allowance and Eligible Deposits	(SA+ED)	319,114	260,691	22.4%
Base Solvency Buffer	(BSB)	508,814	446,596	13.9%
Total Ratio ([AC + SA + ED] / BSB) x 100		139.2%	117.7%	21.5 pts
Core Ratio ([AC1 + 70% SA + 70% ED] / BSB) x 100		96.8%	83.9%	13.0 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, 2020 was 139.2%, compared with 117.7% as at December 31, 2019. The 21.5 percentage point increase was primarily driven by a capital injection, favourable earnings and a decrease in liabilities due to expense synergies from an acquisition which were partially offset by an increase in liabilities for anticipated COVID-19 mortality.

The Core Ratio as at December 31, 2020 was 96.8%, compared with 83.9% as at December 31, 2019. The 13.0 percentage point increase was primarily driven by the same factors.