

Toronto Police Widows and Orphans Fund

LICAT PUBLIC DISCLOSURE

2024

LICAT Ratios Public Disclosure Summary Table				
(thousands of dollars, except percentages)				
Companies are required, at minimum, to maintain a Core Ratio of 55% and a Total Ratio of 90%. OSFI has established supervisory target levels of 70% for Core and 100% for Total capital.				
Definition of terms can be found in Guideline A at: LICAT - Life Insurance Capital Adequacy Test				
		Current Period	Prior Period	Change - %
Capital Resources:				
Available Capital (AC1 + B)	(AC)	25,464	26,155	-2.6%
Tier 1 Capital	(AC1)	24,594	25,397	-3.2%
Tier 2 Capital	B	870	758	14.8%
Surplus Allowance and Eligible Deposits	(SA + ED)	3,075	3,061	0.5%
Capital Requirements:				
Base Solvency Buffer	(BSB)	10,971	11,446	-4.1%
Ratios:				
Total Ratio - Minimum		90%	90%	-
Total Ratio - Supervisory Target		100%	100%	-
Total Ratio - Actual $([AC + SA + ED] / BSB) \times 100$		260.1%	255.3%	1.9%
Core Ratio - Minimum		55%	55%	-
Core Ratio - Supervisory Target		70%	70%	-
Core Ratio - Actual $([AC1 + 70\%SA + 70\%ED] / BSB) \times 100$		243.8%	240.6%	1.3%

Qualitative Analysis of Solvency Ratio

The Office of the Superintendent of Financial Institutions (OSFI) uses the Life Insurance Capital Adequacy Test (LICAT) to assess whether a federally regulated life insurer maintains adequate capital to support the risks specific to their life insurance business.

The LICAT produces two results by which companies are evaluated, one being the Total Ratio and the second being the Core Ratio. The Capital Guidelines define and establish criteria and limits for determining an insurer's Capital Resources and Capital Requirements. The Toronto Police Widows and Orphans Fund (TPWOF) is required, at a minimum, to maintain a Total Ratio of at least 90% and Core Ratio of at least 55%. In addition, in order to provide for corrective action, OSFI requires companies to

set internal target levels of capital sufficiency to provide for all risks of the insurer, including risks specified in OSFI's Capital Guidelines.

As at December 31, 2024, TPWOF has satisfied the above regulatory requirements, with a Total Ratio of 260.1% and a Core Ratio of 243.8%. Both ratios are above the OSFI supervisory target levels of 100% and 70% respectively. The December 31, 2023 Total and Core Ratios were 240.6% and 255.3% respectively.

The 1.9% increase in the Total Ratio from December 31, 2023 to December 31, 2024 is the result of a 4.1% decrease in Base Solvency Buffer and 0.5% increase in Surplus Allowance, partially offset by a 2.6% decrease in Available Capital. The decrease in Base Solvency Buffer was the result of lower credit, market and insurance risk. The Surplus Allowance increase by 0.5% as a result of higher Risk Adjustment. The decrease in Available Capital is due to the decrease in Contractual Service Margin.