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)**	11,818	10,312	14.6%
Tier 1 Capital	**(AC1)**	11,818	10,312	14.6%
Tier 2 Capital	**B**	-		-
Surplus Allowance and Eligible Deposits	**(SA + ED)**	9,581	8,535	12.3%
Capital Requirements:				
Base Solvency Buffer	**(BSB)**	12,188	10,444	16.7%
Ratios:				
Total Ratio - Minimum		90%	90%	-
Total Ratio - Supervisory Target		100%	100%	-
Total Ratio - Actual ([AC + SA + ED] / BSB) x 100		175.6%	180.5%	-2.7%
Core Ratio - Minimum		55%	55%	-
Core Ratio - Supervisory Target		70%	70%	-
Core Ratio - Actual ([AC1 + 70%SA + 70%ED) / BSB) x 100		152.0%	155.9%	-2.5%

Qualitative Analysis of Solvency Ratio

2019 was the second year in which insurance companies report their results under the Life Insurance Capital Adequacy Test (LICAT). The Office of the Superintendent of Financial Institutions (OSFI) uses the 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 2 results by which companies are evaluated, one being the Total Ratio and the other 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, 2019, the TPWOF has satisfied the above regulatory requirements, with a Total Ratio of 175.6% and a Core Ratio of 152.0%. Both ratios are above the OSFI supervisory traget levels of 100% and 70% respectively. The December 31, 2018 Total and Core Ratios were 180.5% and 155.9% respectively.

The 2.7% reduction in the Total Ratio from December 31, 2018 to December 31, 2019 is the result of a 14.6% increase in Available Capital offset by a 16.7% increase in Base Solvency Buffer. Available Capital increased primarily due to an increase in retained earnings and an increase in AOCI. The Surplus Allowance increased by 12.3% as a result of increased policy liabilities. The increase in the Base Solvency Buffer was the result of a 153% increase in Credit Risk (primarily related to portfolio restructuring that occurred in 2019), a 38% increase in Market Risk, a 1% decrease in Insurance Risk and a 15% increase in Operational Risk.