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)**	12,765	11,818	8.0%
Tier 1 Capital	**(AC1)**	12,765	11,818	8.0%
Tier 2 Capital	**B**	-	-	-
Surplus Allowance and Eligible Deposits	**(SA + ED)**	8,610	9,581	-10.1%
Capital Requirements:				
Base Solvency Buffer	**(BSB)**	9,410	12,188	-22.8%
Ratios:				
Total Ratio - Minimum		90%	90%	-
Total Ratio - Supervisory Target		100%	100%	-
Total Ratio - Actual ([AC + SA + ED] / BSB) x 100		227.1%	175.6%	29.4%
Core Ratio - Minimum		55%	55%	-
Core Ratio - Supervisory Target		70%	70%	-
Core Ratio - Actual ([AC1 + 70%SA + 70%ED) / BSB) x 100		199.7%	152.0%	31.4%

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, 2020, the TPWOF has satisfied the above regulatory requirements, with a Total Ratio of 227.1% and a Core Ratio of 199.7%. Both ratios are above the OSFI supervisory target levels of 100% and 70% respectively. The December 31, 2019 Total and Core Ratios were 175.6% and 152.0% respectively.

The 51.6% increase in the Total Ratio from December 31, 2019 to December 31, 2020 is the result of a 0.1% decrease in Available Capital and Surplus Allowance offset by a 22.8% decrease in Base Solvency Buffer. Available Capital and Surplus Allowance was largely unchanged in aggregate over the period (0.1% decrease). Available capital increased primarily due to an increase in retained earnings partially offset by a decrease in AOCI. The Surplus Allowance decreased by 10.1% as a result of lower provisions for adverse deviation related primarily to lower asset-liability risk. The decrease in the Base Solvency Buffer was the result of lower insurance and market risks, partially offset by higher credit risks.