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)**	12,133	12,768	-5.0%
Tier 1 Capital	**(AC1)**	11,959	12,768	-6.3%
Tier 2 Capital	**B**	174	-	100%
Surplus Allowance and Eligible Deposits	**(SA + ED)**	4,805	7,373	-34.8%
Capital Requirements:				
Base Solvency Buffer	**(BSB)**	10,436	9,951	4.9%
Ratios:				
Total Ratio - Minimum		90%	90%	-
Total Ratio - Supervisory Target		100%	100%	-
Total Ratio - Actual ([AC + SA + ED] / BSB) x 100		162.3%	202.4%	-18.5%
Core Ratio - Minimum		55%	55%	-
Core Ratio - Supervisory Target		70%	70%	-
Core Ratio - Actual ([AC1 + 70%SA + 70%ED) / BSB) x 100		146.8%	180.2%	-19.8%

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, 2022, TPWOF has satisfied the above regulatory requirements, with a Total Ratio of 162.3% and a Core Ratio of 146.8%. Both ratios are above the OSFI supervisory target levels of 100% and 70% respectively. The December 31, 2021 Total and Core Ratios were 202.4% and 180.2% respectively.

The 18.5% decrease in the Total Ratio from December 31, 2021 to December 31, 2022 is the result of a 15.9% decrease in Available Capital and Surplus Allowance and a 4.9% increase in Base Solvency Buffer. Available capital decreased primarily due to an increase in retained earnings offset by a decrease in AOCI, Negative Reserves and Intangible Assets. The Surplus Allowance decreased by 34.8% as a result of lower provisions for adverse deviation related primarily to lower asset-liability risk. The increase in the Base Solvency Buffer was the result of higher credit, market and insurance risks.