

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)	26,822	25,464	5.3%
Tier 1 Capital	(AC1)	25,276	24,594	2.8%
Tier 2 Capital	B	1546	870	77.7%
Capital Requirements:				
Surplus Allowance and Eligible Deposits	(SA + ED)	3,092	3,075	0.6%
Ratios:				
Total Ratio - Minimum		90%	90%	-
Total Ratio - Supervisory Target		100%	100%	-
Total Ratio - Actual $([AC + SA + ED] / BSB) \times 100$		252.7%	260.1%	-2.9%
Core Ratios:				
Core Ratio - Minimum		55%	55%	-
Core Ratio - Supervisory Target		70%	70%	-
Core Ratio - Actual $([AC1 + 70\%SA + 70\%ED] / BSB) \times 100$		231.8%	243.8%	-4.9%

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, 2025, TPWOF has satisfied the above regulatory requirements, with a Total Ratio of 252.7% and a Core Ratio of 231.8%. Both ratios are above the OSFI supervisory target levels of 100% and 70% respectively. The December 31, 2024 Total and Core Ratios were 260.1% and 243.8% respectively.

The 2.9% decrease in the Total Ratio from December 31, 2024 to December 31, 2025 is the result of a 7.9% increase in Base Solvency Buffer, partially offset by a 5.3% increase in Available Capital and 0.6% increase in Surplus Allowance. The increase in Base Solvency Buffer was the result of higher credit risk, market risk, insurance risk and operational risk. The Surplus Allowance increase by 0.6% as a result of higher Risk Adjustment. The increase in Available Capital is due to the increase in Contractual Service Margin, Retained Earning and Negative Reserves.