Teachers Life

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)**	20,972	17,688	18.6%
Tier 1 Capital	**(AC1)**	20,577	17,206	19.6%
Tier 2 Capital	**B**	395	482	-18.0%
Surplus Allowance and Eligible Deposits	**(SA + ED)**	11,383	14,300	-20.4%
Capital Requirements				
Base Solvency Buffer	**(BSB)**	17,677	16,405	7.8%
Ratios				
Total Ratio - Minimum		90%	90%	-
Total Ratio - Supervisory Target		100%	100%	-
Total Ratio - Actual ([AC + SA + ED] / BSB) x 100		183.0%	195.0%	-6.1%
Core Ratio - Minimum		55%	55%	-
Core Ratio - Supervisory Target		70%	70%	-
Core Ratio - Actual ([AC1 + 70%SA + 70%ED) / BSB) x 100		161.5%	165.9%	-2.7%

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. Teachers Life Insurance Society (Fraternal) (Teachers Life) 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, Teachers Life has satisfied the above regulatory requirements, with a Total Ratio of 183.0% and a Core Ratio of 161.5%. Both ratios are above the OSFI supervisory target levels of 100% and 70% respectively. The December 31, 2019 Total and Core Ratios were 195.0% and 165.9% respectively.

The 6.1% decrease in the Total Ratio from December 31, 2019 to December 31, 2020 is the result of a 7.8% increase in Base Solvency Buffer partially offset by a 1.1% increase in Available Capital and Surplus Allowance. Available capital increased by 18.6% primarily due to the write-down of a large intangible asset and higher AOCI, partially offset by the drop in retained earnings over the period. The Surplus Allowance decreased by 20.4% as a result of lower disability reserves and lower associated provisions for adverse deviation. The 7.8% increase in the Base Solvency Buffer was the result of higher credit and market risks partially offset by lower insurance risks.