Teachers Life

LICAT 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)**	13,281	20,265	-34.5%
Tier 1 Capital	**(AC1)**	12,743	19,923	-36.0%
Tier 2 Capital	**B**	538	342	57.2%
Surplus Allowance and Eligible Deposits	**(SA + ED)**	3,022	4,737	-36.2%
Capital Requirements				
Base Solvency Buffer	**(BSB)**	13,091	15,632	-16.3%
Ratios				
Total Ratio - Minimum		90%	90%	N/A
Total Ratio - Supervisory Target		100%	100%	N/A
Total Ratio - Actual ([AC + SA + ED] / BSB) x 100		124.5%	159.9%	-22.1%
Core Ratio - Minimum		55%	55%	N/A
Core Ratio - Supervisory Target		70%	70%	N/A
Core Ratio - Actual ([AC1 + 70%SA + 70%ED) / BSB) x 100		113.5%	148.7%	-23.6%

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, 2022, Teachers Life has satisfied the above regulatory requirements, with a Total Ratio of 124.5% and a Core Ratio of 113.5%. Both ratios are above the OSFI supervisory target levels of 100% and 70% respectively. The December 31, 2021 Total and Core Ratios were 159.9% and 148.7% respectively.

The 22.1% decrease in the Total Ratio from December 31, 2021 to December 31, 2022 is the result of a 34.5% decrease in Available Capital and a 36.2% decrease in Surplus Allowance, partially offset by a 16.3% decrease in Base Solvency Buffer. Available capital decreased primarily due to lower retained earnings. The Surplus Allowance decreased primarily due to the elimination of the active life reserves related to the disability block of business. The decrease in Base Solvency Buffer was the result of lower market risk for equity investments and lower credit risk for fixed income investments.