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)**	25,775	13,281	94.1%
Tier 1 Capital	**(AC1)**	24,074	12,743	88.9%
Tier 2 Capital	**B**	1,701	538	216.5%
Surplus Allowance and Eligible Deposits	**(SA + ED)**	2,824	3,022	-6.6%
Capital Requirements:				
Base Solvency Buffer	**(BSB)**	12,791	13,091	-2.3%
Ratios:				
Total Ratio - Minimum		90%	90%	-
Total Ratio - Supervisory Target		100%	100%	-
Total Ratio - Actual ([AC + SA + ED] / BSB) x 100		223.6%	124.5%	79.5%
Core Ratio - Minimum		55%	55%	-
Core Ratio - Supervisory Target		70%	70%	-
Core Ratio - Actual ([AC1 + 70%SA + 70%ED) / BSB) x 100		203.7%	113.5%	79.4%

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. 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, 2023, Teachers Life has satisfied the above regulatory requirements, with a Total Ratio of 223.6% and a Core Ratio of 203.7%. Both ratios are above the OSFI supervisory target levels of 100% and 70% respectively. The December 31, 2022 Total and Core Ratios were 124.5% and 113.5% respectively.

The 79.5% increase in the Total Ratio from December 31, 2022 to December 31, 2023 is the result of a 94.1% increase in Available Capital and a 2.3% decrease in Base Solvency Buffer, partially offset by a 6.6% decrease in Surplus Allowance. Available capital increased primarily due to higher retained earnings and with the establishment of the Contractual Service Margin under International Financial Reporting Standards 17 (IFRS 17). The Surplus Allowance decreased primarily due to calculation differences between IFRS 4 and IFRS 17. The decrease in Base Solvency Buffer was the result of lower insurance risks, partially offset by increased market interest rate risk.