

Life Insurance Capital Adequacy Test (LICAT)

OSFI issued the final version of its *Life Insurance Capital Adequacy Test* (LICAT), a new capital adequacy guideline for federally regulated life insurance companies, in November 2017 and effective January 1, 2018; the LICAT Guideline replaced the MCCR Guideline. OSFI developed LICAT to better align capital and risk measures with the economic realities of the life insurance business, while taking into account international advancements in the development of solvency frameworks. Companies are required, at minimum, to maintain a Core Ratio of 55% and a Total Ratio of 90%. OSFI has established supervisory target ratio levels of 70% for Core and 100% for Total capital.

The following table provides LICAT-related information and ratios.
(thousands of dollars, except percentages)

	December 31, 2018
Available Capital	
<i>Tier 1 Capital (AC1)</i>	\$ 663,226
<i>Tier 2 Capital (B)</i>	362,229
Total ($AC = AC1 + B$)	\$ 1,025,455
Surplus Allowance and Eligible Deposits ($SA + ED$)	\$ 751,780
Base Solvency Buffer (BSB)	\$ 1,571,972
Total Ratio $([AC + SA + ED] / BSB) \times 100$	113.1%
Core Ratio $([AC1 + 70\% SA + 70\% ED] / BSB) \times 100$	75.7%

Definition of terms can be found in Guideline A at: LICAT – Life Insurance Capital Adequacy Test.