

2019 LICAT Ratio Public Disclosure Summary

As a federally regulated financial institution, Blue Cross Life Insurance Company of Canada (“Blue Cross Life”) is required to comply with the Office of the Superintendent of Financial Institutions (OSFI) Life Insurance Capital Adequacy Test (LICAT). At a minimum, Blue Cross Life therefore needs to maintain a Total LICAT Ratio of 90%, and a Core LICAT Ratio of 55%. In addition, OSFI has established a supervisory target Total LICAT Ratio of 100%, and a corresponding Target Core LICAT Ratio of 70%. Definitions of terms used in this disclosure can be found in the LICAT guideline on OSFI’s website.

As at December 31, 2019, the Blue Cross Life LICAT ratio was 130%, well in excess of both the supervisory target Total LICAT Ratio and Blue Cross Life’s internal target. A breakdown of this solvency ratio by component, with comparatives to the previous year, is presented in the following table.

	Dec 31, 2019 (\$000,000)	Dec 31, 2018 (\$000,000)
Available Capital	176.7	162.9
<i>Tier 1 Capital</i>	<i>141.0</i>	<i>128.4</i>
<i>Tier 2 Capital</i>	<i>35.7</i>	<i>34.5</i>
Surplus Allowance	130.4	109.2
Eligible Deposits	0	1.8
Total Capital Resources	307.1	273.9
Base Solvency Buffer	236.1	202.3
Total Ratio	130%	135%
Core Ratio	98%	102%

The increase in available capital was mainly driven by net income and an increase in the market value of assets backing capital. The increase in surplus allowance was mainly driven by growth in Blue Cross Life’s business.

The increase in the base solvency buffer was mainly driven by the following factors:

- A reduction in Blue Cross Life’s reinsurance levels;
- Amendments made to the LICAT guideline, relating to additional capital requirements for group insurance business; and
- Growth in Blue Cross Life’s business.