Great-West Lifeco Inc.
The Great-West Life Assurance Company

Annual Reports 1991

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Corporate Information

Registered Office

100 Osborne Street N., Winnipeg, Manitoba R3C 3A5

Stock Exchanges

Winnipeg, Toronto and Montreal

Transfer Agent and Registrar Offices

Montreal Trust Company of Canada in Halifax, Saint John, Toronto, Winnipeg, Regina, Calgary, Vancouver; and Montreal Trust Company in Montreal

Annual General Meeting

The fourth Wednesday of April, at a location in Winnipeg as specified in the notice of meeting, at 11:45 a.m. or as soon thereafter as the Annual General Meeting of The Great-West Life Assurance Company shall have terminated.

For Further information contact:

Corporate Communications, 100 Osborne Street N., *Winnipeg, Manitoba* R3C 3A5 (204) 946-7663

To survive 100 years is no small achievement. To survive and to continue to prosper is a distinction enjoyed by very few.

To reach such a significant milestone, a company had to anticipate and satisfy the needs of successive generations of customers. It had to keep growing and adapt continually, all the while never losing sight of its fundamental business mission.

For Great-West Life, from day one, our business has been people – providing financial security for individuals and families, through their place of employment, association, or individually. As our history has shown time and again, our strength is also people: their dedication, integrity, and professional expertise. Our success is the result of the personal contributions of literally thousands of individuals in meeting the needs of our clients. It is the result of never forgetting the people we serve and the trust they place in us.

In nearly 40 years of association with Great-West Life, I have had the pleasure of working with many of these superb contributors. On behalf of the Board of Directors, I express sincere appreciation and admiration for the achievements of all the staff and field representatives, who have brought us to this memorable point in our history, and who will launch us into our second century.

J.W. Burns

James W. Burns
Chairman of the Board

Corporate Profile

Great-West Lifeco Inc. was formed in 1986 to hold securities of The Great-West Life Assurance Company.

The Corporation owned 1,987,882 or 99.4% of the outstanding common shares of Great-West Life, as of December 31, 1991. Lifeco is not restricted to investing in Great-West Life common shares, and may make other investments in the future.

Great-West Life

Great-West Life is an international corporation offering a wide range of insurance, retirement and investment products and services for individuals, businesses and organizations. Incorporated in Canada over 100 years ago, Great-West Life has been active in the U.S. market since 1906. In Canada, Great-West Life is a major carrier of life and health insurance and retirement products in all markets. In the United States, the Company's Financial Services Division focuses on providing life insurance products to upper income Americans and on meeting the retirement security needs of employees in the public and non-profit sector. Its Employee Benefits Division provides a complete range of products and services for corporations.

Great-West Life continues to receive the "AAA" rating on its claims-paying ability from Standard & Poor's Corporation; the "Aa1" insurance financial strength rating from Moody's Investors Service; and the "A+ (Superior)" rating for its financial and operating performance from the A.M. Best Company.

Power Financial

Great-West Lifeco Inc. is a subsidiary of Power Financial Corporation. Of the 78,826,385 Lifeco common shares issued and outstanding, Power Financial owned 68,113,239, or 86.4% as of December 31, 1991. In 1990, the corresponding figures were 78,812,826 outstanding common shares, with 68,113,239 owned by Power Financial.

Share Transactions

In 1991, as a result of exchange offers initiated by several shareholders, Great-West Lifeco acquired 342 common shares of The Great-West Life Assurance Company in exchange for 13,559 common shares of the Corporation.

The 1991 Annual Reports

This Report combines the 6th Annual Report of Great-West Lifeco Inc. with the 100th Annual Report of The Great-West Life Assurance Company.

As Great-West Life is the major asset of Great-West Lifeco, the following pages focus on a review of the operations of Great-West Life, followed by the financial statements of Great-West Lifeco. Since Great-West Lifeco owns 99.4% of the outstanding common shares of The Great-West Life Assurance Company, management believes, in the interests of disclosure, that it is necessary to consolidate the financial statements of Great-West Life with those of the Corporation. Thus the financial statements on the following pages reflect the results of Great-West Life together with after-tax investment income of approximately $73,000 earned directly by Great-West Lifeco in 1991.

Comparative Highlights

(in thousands of dollars except earnings per share)

	1991	1990
At December 31		
Life insurance in force (face amount)	**$ 167,975,999**	$ 165,117,013
Annuities in force (funds held)	**15,177,321**	14,084,333
Health insurance in force (annualized premiums)	**3,283,676**	2,945,644
Assets	**22,717,299**	20,903,986
Capital stock and surplus	**868,390**	790,365
For the Year		
New life insurance	**$ 16,778,873**	$ 20,935,670
New annuities	**1,590,180**	1,889,828
Premiums including self-funded premium equivalents	**5,624,912**	5,487,930
Net investment income	**1,933,189**	1,794,290
Total paid or credited to policyholders including policyholder dividends and experience refunds	**4,944,912**	4,776,524
Earnings per common share	**$ 1.473**	$ 1.479

Kevin P. Kavanagh

In spite of continued unfavorable business conditions, 1991 was an encouraging year for Great-West Lifeco.

Total net income for common shareholders was $116.2 million compared to $116.7 million in 1990. Most notable in contributing to these continued strong earnings were improved Group health results, particularly in the United States. These improvements were offset by unfavorable claims experience in the Canadian Individual disability income line and by reduced margins with respect to the annuity line.

For the participating policyholders of our subsidiary, The Great-West Life Assurance Company, total policyholder dividends were $162.1 million, an increase of 13% over 1990. Net income was $15.4 million as compared to $19.4 million in 1990. While improved mortality experience occurred in 1991, this was offset by a substantial increase in taxes and an industry association assessment.

Sales in 1991 were off from 1990 results in all major lines of business. Life insurance in force increased by 2% to $168.0 billion. Funds held on behalf of annuity policyholders grew by 8% to $15.2 billion. Health insurance annualized premium, including claims paid for self-funded policyholders, totalled $3.3 billion, an increase of 11% over 1990.

For the total Company, assets grew to $22.7 billion at year-end from $20.9 billion in 1990. In 1991, total premium income for all lines of business, increased to $5.6 billion from $5.5 billion in 1990.

During 1991, Great-West Life continued to make significant progress towards its goal of having free-standing and autonomous United States and Canadian units. Several additional lines of business were transferred from its United States branch to its wholly-owned subsidiary, Great-West Life & Annuity Insurance Company. This was the third in a series of four transfers required to move all United States business to Great-West Life & Annuity. It is anticipated that the fourth and final stage will be completed during 1992.

In addition, during 1991 all remaining corporate functions, including Corporate Resources, Legal and Corporate Finance and Control were decentralized and separate groups were established in both Winnipeg and Denver. Following the completion of the transfer of the United States business, it is our intention to conduct our United States activities primarily through Great-West Life & Annuity.

"...WE BELIEVE THAT THE INITIATIVES OF THE YEAR PAST AND THOSE PLANNED FOR 1992, WILL ADD STRENGTH TO THESE STRATEGIES IN THE YEARS AHEAD."

In line with the changes to the Company's operations in the United States, the Board of Great-West Life & Annuity was restructured during 1991 and Committees of the Board, parallel to those of Great-West Life, were established.

We believe that our commitment to a bi-national strategy of undivided focus in each of the United States and Canadian markets, and of emphasis on our core businesses, will be most effective. As well, we believe that the initiatives of the year past and those planned for 1992, will add strength to these strategies in the years ahead.

Most importantly, the long-awaited Insurance Companies Act, replacing the Canadian and British Insurance Companies Act was introduced in 1991. This new Act, which is expected to become effective at mid-year, represents a complete overhaul of the regulatory framework governing federally-regulated Canadian insurers. It will provide Great-West Life with expanded powers and we expect that it will enable increased business opportunities in the years ahead.

Finally, I would record that two new series of preferred shares were issued in 1991 with an aggregate value of $75,000,000.

In looking to the way ahead, while signs of economic recovery are not yet clear, I am confident that the men and women in their many roles throughout our Company will sustain and build upon its momentum. I express my sincere thanks to them for their commitment and their accomplishments in the year past.

KP Kavanagh

Kevin P. Kavanagh
President and Chief Executive Officer

CANADIAN OPERATIONS

John D. Green,
President and Chief Executive Officer, Canadian Operations, The Great-West Life Assurance Company

Events in 1991 underscored the need for high quality service, competitive products and prudent financial management. Pressures continued to increase on all facets of our business as a result of higher taxes, greater consumer expectations and increased competition.

The trend of increasing customer demands for lower costs was accelerated in 1991 by the recession, as both individuals and employers faced a growing financial squeeze. At the same time, the market demand for increased quality, in terms of the products and services we provide for customers, continued to grow.

Although intensified by the recession, these trends are not solely the result of the current state of the economy. Rather, they are long-term, fundamental changes in our operating environment. To address these changes, in 1991 Great-West Life invested significant time and effort in the development of new strategic plans for each business unit. When this process is completed in 1992, we will have charted a course that will enable us to continue to excel in those markets best suited to our strengths in quality service and innovative product development.

RETIREMENT AND INVESTMENT SERVICES

Business growth, both new and in force, slowed in 1991, reflecting the slow growth of the Canadian economy and the impact of the recession on individual savings. Employers were less inclined to introduce new pension or RRSP plans and individual contributions to RRSPs declined across the industry, as financial constraints diverted money away from retirement savings.

Group sales were $148.4 million of new annualized premium, down 35% from 1990. Individual sales of $334.5 million, were down 28%. Funds administered grew 10% for both Group and Individual products. The strongest asset growth during 1991 was experienced in Registered Retirement Income Funds, up 44% and Group plans, up 20% for Group Registered Retirement Savings Plans, and 14% for defined contribution pensions.

The decline in interest rates combined with the excellent performance of most of our investment funds resulted in an increased interest in segregated investment funds, especially on the part of individuals, with record contributions to these funds in the last quarter of 1991.

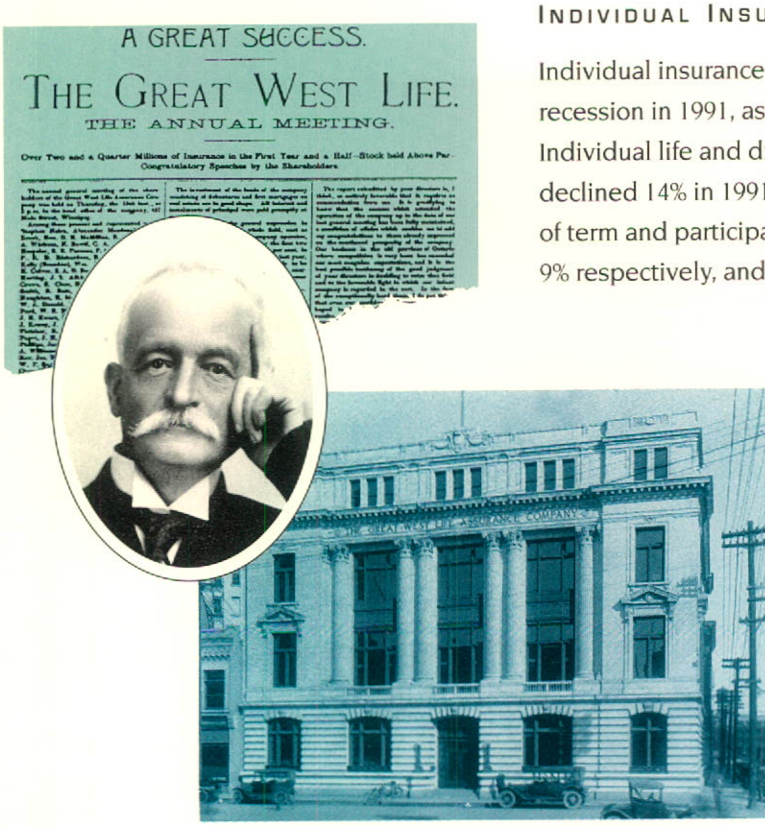
1991 initiatives

The first trial introduction of a laptop computer process to enable Great-West Life representatives to complete new business transactions electronically at the point of sale was successfully completed in 1991. As this is fully implemented in 1992, it will represent our first state-of-the-art, paperless system. We will extend this process to further improve the servicing of customer accounts in the future.

Also in 1991, a new process was developed to enhance the timely and accurate matching of fixed income investments with the Company's guaranteed retirement savings products. This will provide the greatest degree of assurance possible that future guarantees are properly funded.

A number of product and service rationalizations were made possible as a result of the organizational changes in 1990, which brought Group and Individual annuity business together within the Retirement and Investment Services Division. We realigned our product offerings and market focus to be in the best possible position to compete effectively in the new financial services regulatory environment.

In 1891, Jeffry Brock predicted his new Great-West Life Assurance Company would sell $1 million of insurance in its first year. Experts declared it impossible. By the end of that first year, Great-West Life had topped ***$2 million*** *in sales – a fact proudly trumpeted in the first Annual Report. By 1896, the Company was operating from sea to sea, and in 1911, opened its first head office building in Winnipeg.*



Individual Insurance Operations

Individual insurance lines of business felt the effects of the recession in 1991, as consumers responded to financial pressures. Individual life and disability income insurance sales each declined 14% in 1991, in terms of new annualized premium. Sales of term and participating whole life insurance declined 18% and 9% respectively, and sales of our universal life product, Living Life, declined 14%.

The decline in disability income insurance sales was relatively consistent across all distribution systems. Inter-corporate marketing agreements, under which 12 other companies market Great-West Life disability income insurance products, accounted for approximately 44% of new annualized premium in 1991, similar to 1990.

1991 initiatives

In response to the reduced levels of new sales, a primary focus throughout the year was on reducing expenses while maintaining the effectiveness of our sales force and the quality of our service. To these ends, we made a strong commitment to the ongoing professional development of sales management people, by appointing full-time sales managers and implementing a new training program. We continued to focus on recruiting and training candidates without previous life insurance experience.

In September 1991, Great-West Life introduced a new universal life product, designed for the more mature/affluent market. This contemporary product allows customers an increased measure of control over the policy's cash value. In addition to being able to direct the cash value to a variety of investment options, clients can elect to receive greater long-term cash values if they are prepared to accept lower short-term surrender values. Initial market response is encouraging, and we expect this new product will represent 10% of Individual life insurance sales in 1992.

Great-West Life began as a rural life insurance company. Its policies featured the prairie farms where most of its assets were invested. Events of the 1930s convinced the Company and its agents to look to the cities for investments and clients. Today, Great-West Life is represented in major centers across Canada and the United States and through its investments supports a broad range of economic activities.

Group Insurance Operations

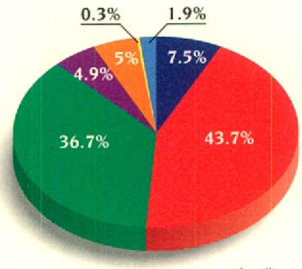
Revenue premium reached $1.1 billion in 1991. Sales, at $118 million of new annualized premium, declined 20% over 1990, reflecting the continued impact of the recession on the employee benefit market. Sales were down in all Group markets, as both large and small employers opted to delay introducing or enhancing benefit plans. Despite this, Great-West Life maintained its leading market share position, at more than 12% of the Canadian group insurance market.

Health and Dental claims offices processed more than 5.7 million claims in 1991, and surpassed their 1990 performance in terms of productivity, accuracy and timeliness of service.

1991 initiatives

In 1991, Great-West Life successfully implemented a sophisticated computer system linking the Company with selected dental offices. Dental claims from these offices are now

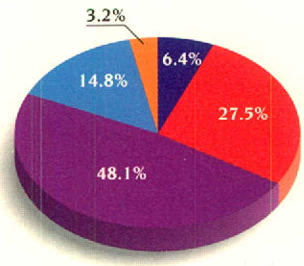
Asset Distribution



	($ millions)
Government Bonds	552.5
Other Bonds	3,210.8
Mortgages	2,696.3
Stocks	360.2
Real Estate	363.1
Cash and CDs	22.0
Policy Loans	138.9
Total	7,343.8

Bond Portfolio Quality

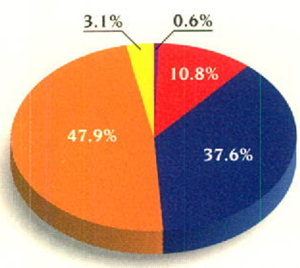
(excludes short-term investments and unamortized gains of $138.5 million)



Estimated Rating	*($ millions)*
AAA	232.9
AA	998.3
A	1,742.5
BBB	535.7
BB or lower	115.4
Total	3,624.8

Mortgage Portfolio Quality

(excludes $103.9 million of residential mortgages)



Estimated Rating	*($ millions)*
AAA	15.2
AA	279.6
A	975.2
BBB	1,242.8
BB or lower	79.6
Total	2,592.4

submitted and adjudicated electronically, eliminating the need to process paper claim forms. Over 12,500 claims were submitted electronically in 1991, and we expect this to increase dramatically in the years ahead.

Great-West Life also established the position of National Rehabilitation Co-ordinator, to develop new approaches to vocational rehabilitation and to ensure the needs of long-term disability clients are met. Early intervention techniques and effective job matching are examples of disability rehabilitation services we now offer clients on a local basis in all major Canadian markets.

As evidence of our long-term commitment to the highest quality service, Great-West Life created a management position with responsibility for determining customer service expectations, measuring the quality of our service in critical areas and initiating service improvement projects.

Investment Operations

Notwithstanding the fact that economic conditions worsened in 1991 and the recession turned out to be more severe and longer than initially expected, our Canadian investment portfolios performed extremely well. Net investment income (before taxes) was $895.4 million, up 4.9% from 1990. The yield on average invested assets was 11.54%, compared to 11.62% in 1990. During 1991 a total of $1.7 billion was invested as follows:

- $381 million or 22% in commercial and residential mortgages at an average rate of 11.15%,
- $1.1 billion or 63% in government and corporate bonds at an average rate of 10.55%, and
- $250 million or 15% in equities, policy loans, short-term and other temporary investments.

Total Canadian invested assets, excluding segregated funds, grew to $7.3 billion at the end of 1991, from $6.7 billion at the end of 1990. During 1991, there was a scarcity of mortgage loans available in the marketplace that met our stringent underwriting standards. As a result, the mix of assets continued to shift away from mortgages as more investments were placed in provincial government and corporate bonds. Bonds, as a percentage of the portfolio, increased from 45.5% in

1990 to 51.2% in 1991. Mortgages declined to 36.7% of the portfolio from 42.5% in 1990 and real estate declined to just under 5% of the Canadian portfolio from 5.4% in 1990 and over 9% five years ago. The percentage of the portfolio invested in stocks increased slightly during 1991 to 4.9% of the total portfolio.

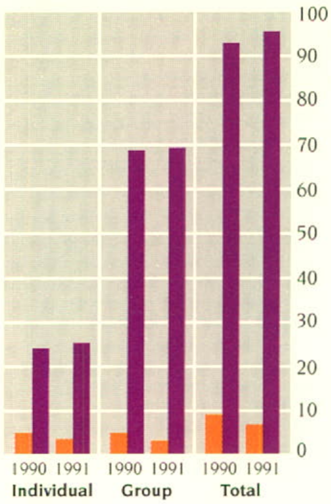
The quality of the bond and mortgage portfolios is shown in the accompanying tables. The bond ratings used are taken from external rating agencies if available, or otherwise from our internal rating system. In 1991, 82% of the bond portfolio was rated A or higher, and only 3.2% of the portfolio was rated BB or lower. The mortgage portfolio is rated using a comprehensive internal risk rating system. At December 31, 1991, 49% of the portfolio was rated A or higher, 48% was rated BBB and 3% BB or lower. As a result of the deterioration in the economy, bond and mortgage defaults increased slightly during 1991, but remained low as a percentage of the portfolio. At the end of 1991, the aggregate of bonds in default, mortgages in the process of foreclosure or in arrears 90 days or more and real estate acquired by foreclosure totalled $20.6 million, or 0.3% of total invested assets.

Jeffry Brock founded Great-West Life on a commitment, to use policyholders' funds to help build the communities in which they live. As the Company grew, so did that commitment. In times of war and peace, depression and prosperity, Great-West Life and its staff and sales people have shown their support for their communities through donations of expertise, time and funds.

At the beginning of 1991, we increased our exposure in the stock market in anticipation of higher share prices. The market moved higher during 1991 and our common stock portfolio made an important contribution to investment income. The market value of publicly traded Canadian common stock investments increased to $236.7 million at the end of 1991. When other shares and real estate are included, the total market value of these investments increased to $988 million in 1991 from $887 million in 1990.

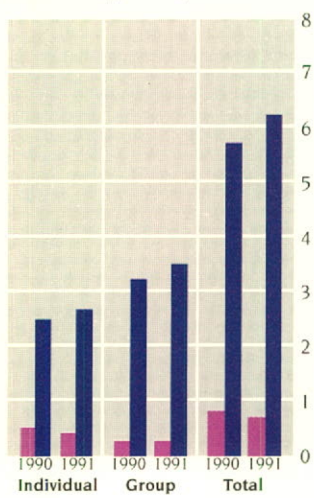
Great-West Life continues to be successful in the investment management of pension funds. At year-end 1991, the Company had $1.8 billion of segregated fund pension assets under management in Canada. Of this total, $1.7 billion was invested in pooled segregated funds and the remaining $87 million was invested in separately managed funds for individual clients. Four of the segregated pooled funds are among the largest of their type in the Canadian pension industry. In addition, through our investment subsidiary, G.W.L. Investment Management Ltd., we act as investment advisors for approximately $400 million in pension assets.

Life Insurance
Face Amount ($ billions)



	1990	1991
New Sales		
Individual	4.7	3.7
Group	4.7	3.0
Total	9.4	6.7
Business in Force	**1990**	**1991**
Individual	24.1	25.7
Group	69.1	69.7
Total	93.2	95.4

Annuities
Funds Held ($ billions)



	1990	1991
New Sales *(revenue premium)*		
Individual	0.5	0.4
Group	0.3	0.3
Total	0.8	0.7
Business in Force	**1990**	**1991**
Individual	2.5	2.7
Group	3.2	3.5
Total	5.7	6.2

In 1991, significant effort was devoted to the development of a long-term strategic plan for the Division. All asset classes were reviewed in detail and consideration given to the appropriate portfolio mix of assets for the future. Moreover, diversification into new asset classes is being actively researched. The final plan will be completed and implemented in 1992.

Discussion of Canadian Operating Results

Revenue premium income, which includes both premium from new sales and existing clients, showed mixed results for 1991.

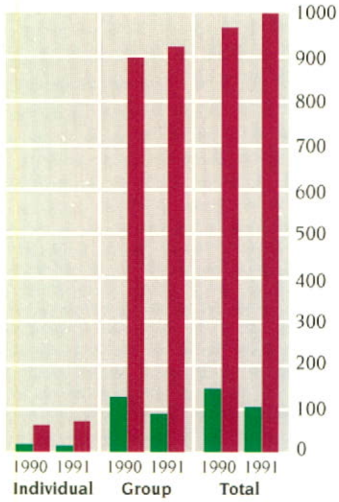
Group pension revenue premium declined 6%, largely the result of a large Single Premium Annuity sale in 1990 that was not repeated in 1991. Individual annuity premium declined 30%. In Individual insurance, revenue premium increased 6% for participating life products; 7% for non-participating products, including term and universal life; and 6% for disability income insurance. Revenue premium for Group insurance increased 8%.

Expense rates improved for most product lines, as a result of an ongoing intensive focus on productivity and unit costs. Initiatives in Individual insurance reduced head office expenses by 8% in 1991, while Group insurance expense ratios, already significantly lower than the majority of our competitors, continue to offer Great-West Life a strategic advantage in the group marketplace.

Persistency in Individual lines of business remained within acceptable limits, although withdrawals from registered savings plans increased, reflecting the growing level of unemployment. In Group insurance, persistency in the small and mid-sized markets was slightly worse than in 1990, reflecting the impact of the recession. In the large case market, Great-West Life continues to experience very high persistency levels, demonstrating our ability to outperform competitors in critical service areas.

Mortality experience remained satisfactory. Morbidity experience deteriorated in Individual disability insurance, again reflecting recessionary times. Morbidity results for Group insurance improved significantly, particularly for our long-term disability product, where continued management focus is required to ensure positive results in this volatile line of business.

Health Insurance
Annualized Premiums ($ millions)



	1990	1991
■ *New Sales*	1990	1991
Individual	16	13
Group	128	90
Total	144	103
■ *Business in Force*	1990	1991
Individual	64	68
Group	899	929
Total	963	997

Revenue Premium Income (Canada)

	1991 000	1990 000
Individual Products		
Life Insurance	**$ 194,391**	$ 182,696
Annuities	**348,125**	498,509
Health Insurance	**61,554**	58,015
Total Premiums	**$ 604,070**	$ 739,220
Group Products		
Life Insurance	**$ 169,604**	$ 94,327
Annuities	**325,445**	348,366
Health Insurance	**955,265***	877,336*
Total Premiums	**$1,450,314**	$ 1,320,029

* *includes self-funded premium equivalents of* $430,613 ($372,063 *in* 1990).

The Future

In 1992, efforts will be focused on completing and implementing comprehensive strategic plans for all business units. These plans will include a continuing emphasis on improving service while reducing operating costs.

In Retirement and Investment Services, the fundamental redesign of many business processes will enable significant improvements in customer service and lower operating costs – both of which are essential to maintaining our competitive position. One example is a new, PC-based, client service system for Group clients, which will eliminate paper handling, reduce errors and speed up crediting of contributions to pension plans and RRSP accounts.

In 1992, we will also be placing an increased emphasis on the Company's segregated investment funds for Individual RRSP clients. Great-West Life has been one of the most successful insurance companies in Canada in the provision of segregated investment funds to corporate pension plans for many years. With the decline in interest rates and the greater investment variety and potential return available from investment funds, we are emphasizing the opportunities these funds offer Individual clients. The Company will be well-positioned to take advantage of the very significant growth expected in mutual and investment funds during the 1990s.

For Individual lines, the electronic application being introduced for RRSPs in 1992 will be extended to universal life, as part of the re-engineering of our new business process. Our goal is to make it easier for agents to do business with Great-West Life, while significantly reducing the cost of processing applications for insurance and annuity products.

We will also update our universal life product to include a term to 100 option and other investment options. With a strong management team in place in our field offices, we will continue our focus on recruiting and training agents who do not have previous life insurance experience.

In 1992, the Group Division will introduce a new client service, *The Secure Account*, whereby group life insurance proceeds may be transferred into an interest bearing chequing account established in the name of the beneficiary. This will eliminate the need for the beneficiary to make an immediate financial decision with respect to insurance proceeds.

The initial phase of our new health and dental claims adjudication system is scheduled for implementation starting in the fall of 1992. The system has been designed to improve customer service and overall productivity.

Finally, the Group Division will enhance its research capability in 1992. The initial research projects will focus on the emerging and changing needs of both our customers and our business sources.

In 1992, the Investment Division will complete implementation of our *Customized Asset/Liability Management* (CALM) computer system. This system has been three years in development and provides state-of-the-art cash flow matching and analysis.

We expect a weak economic recovery to emerge as 1992 unfolds. Given the state of the economy, the incidence of problem accounts could rise during the year. However, the high quality of our investment portfolios coupled with continued strong underwriting standards, will result in investment performance that substantially exceeds industry averages.

UNITED STATES OPERATIONS

William T. McCallum,
President and Chief Executive Officer, United States Operations The Great-West Life Assurance Company

The economy, concern about the financial strength of North America's life and health insurance industry, and calls for a national healthcare program were the dominant issues in 1991.

Our emphasis on realistic product pricing, aggressive expense management, high-quality investments and the elimination of unprofitable business lines, have positioned us well to withstand current economic conditions and allowed us to achieve our profitability goals.

The failure of a handful of insurance companies during the year undermined public confidence in the industry. As a result, the credit rating agencies re-evaluated, and subsequently downgraded, a number of insurance companies. Great-West Life continues to be ranked "AAA" by Standard & Poor's Corporation, "Aa1" by Moody's Investors Service and "A+ (Superior)" by A.M. Best Company. These ratings place Great-West Life in the top 1% of life and health insurance companies.

We completed a major reorganization of our business operations in early 1991, which has resulted in a greater focus on our target markets and improved operating efficiency. In both the Employee Benefits and Financial Services Divisions, significant progress was made this year. The primary focus of these business units is on heathcare services and pension products. With healthcare and pensions expected to be major growth areas in the U.S. during the next decade, this structure positions us well to take advantage of these markets.

A major initiative for Employee Benefits has been to expand its market share. In late December, we signed an agreement with Lincoln National Life giving us the opportunity, on a preferred basis, to acquire a significant amount of group life and health business during the next year. With this agreement we expect to solidify our position as the country's 10th largest carrier.

EMPLOYEE BENEFITS

Earnings were up significantly for the Employee Benefits Division in 1991. Revenue premium from life and health business was $2.1 billion, up 17% over 1990. Sales of 1,344 new cases accounted for $599 million in new annualized premium, down 9% from 1990, in a difficult economic and competitive environment.

Revenue premium for corporate 401(k) pension plans was $262.8 million, up 64% over 1990. This brings total assets under management to $472.3 million compared to $275.7 million the year before. Sales of 537 cases accounted for $157.6 million in new premium, up 27%.

Market acceptance of our integrated approach to marketing insurance and pension products to corporate clients produced extremely positive results during the year. Well over half of our 401(k) sales were to our life and health clients.

During the past decade, the dominant trends in employee benefits have been self-insurance, managed care, flexible benefits and 401(k) pension plans. Our integrated approach incorporates these four products into a package that is ideally suited to small and mid-sized employers.

Client retention continues to be critical to success in our business. In 1991, client retention improved in all market segments and remained above industry levels.

This improvement is the result of work in three key areas. First, we have strengthened our relationships with producers by helping them to succeed in their businesses. In 1991, almost two-thirds of our business came from producers who had previously placed cases with us. This proportion has increased significantly over the past year, and we expect further improvement in 1992.

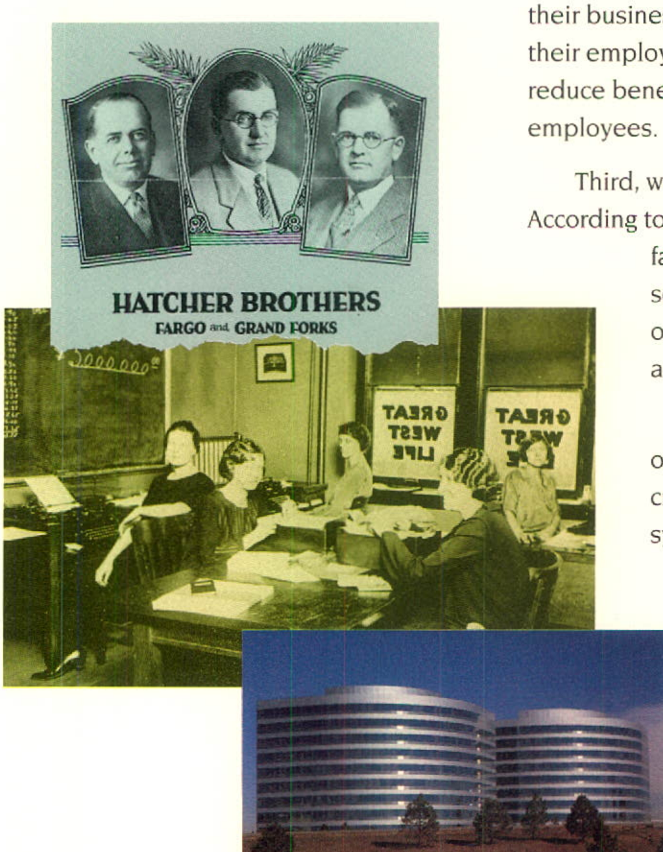
Second, we have retained clients by helping them succeed in their businesses. By providing innovative and effective approaches to their employee benefit programs, such as the integrated plan, we help reduce benefit costs and enable them to attract and retain the best employees.

Third, we continued to provide a high level of customer service. According to our own objective measures, and ongoing client satisfaction surveys, we improved on our already excellent client service levels in 1991. Compensation programs throughout our organization encourage and reward high levels of service and client retention.

A milestone in our 401(k) business was the introduction of the Innovative Strategic Investment System (ISIS). A critical component in our 401(k) business strategy, this system provides a variety of strategic elements such as access to outside mutual funds, a sophisticated voice response system and an electronic link to clients which enables them to maintain participant information and process contributions.

As we noted earlier, late in the year we entered into an agreement with Lincoln National to acquire a block of group business. A major focus in 1992 will be

Great-West Life became an international company in 1906, opening its first U.S. office in Fargo, North Dakota under the leadership of the Hatcher Brothers. By 1962, half of Great-West Life's annual sales were in the United States. In 1973, Great-West Life opened a U.S. marketing office in Denver – the first step towards establishing separate operating companies in Canada and the U.S.



the assimilation of a sizeable portion of this business, which we expect will improve our competitive expense position, strengthen our managed care network, and provide us with additional sources for 401(k) sales.

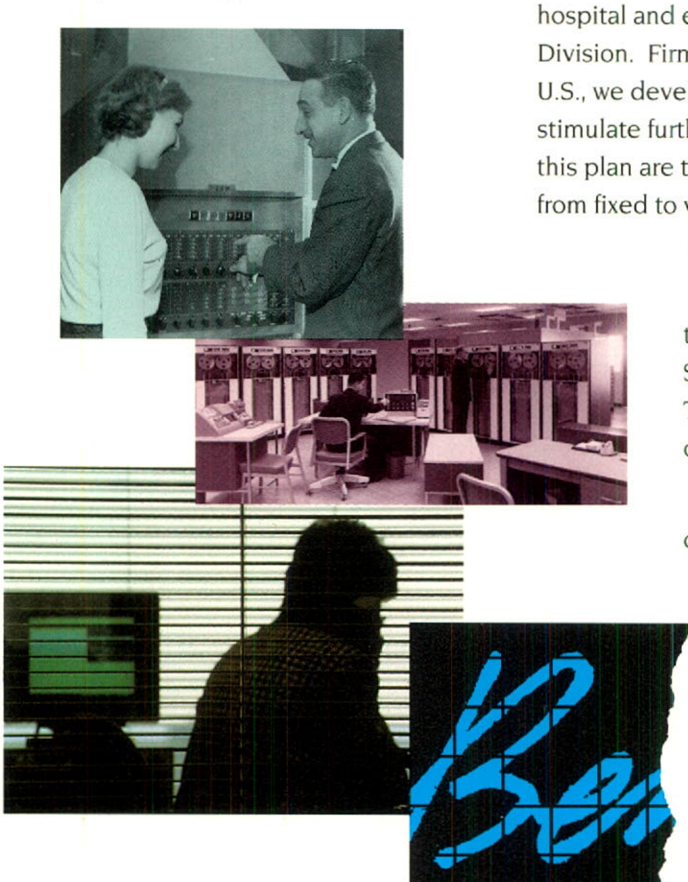
This acquisition is evidence of our continuing ability to benefit from consolidation taking place in the industry. It will also position us as the 10th largest commercial employee benefits carrier in the United States.

Financial Services

The new Financial Services Division combines insurance and savings products marketed to individuals. Since reorganizing, we have realized significant savings in operations and have concentrated on developing comprehensive strategic plans for each market.

In 1991, the Savings unit recorded a 14% increase in new premium in tax-deferred savings, raising assets currently under management to $7.4 billion.

Tax-deferred savings products, marketed to government, and hospital and education employees, represent a strategic market for this Division. Firmly established as one of the top five competitors in the U.S., we developed in 1991 a comprehensive five-year strategic plan to stimulate further growth in assets and earnings. The key objectives of this plan are to improve persistency and distribution productivity, shift from fixed to variable liabilities and reduce operating expenses. Progress was made on all these fronts in 1991.



Great-West Life's first mainframe computers were state-of-the-art technology when installed in the late 1950s and early 1960s. Though little more than powerful calculators by today's standards, these mammoth machines marked the beginning of a revolution. Most of the products and services we offer today – from paperless claims processing to sophisticated retirement savings programs – would not be possible without computer technology.

A second component of the savings market is Guaranteed Investment Certificates (GICs), which accounted for $166 million in premium compared to $288 million in 1990. This reduction reflects our policy to write GIC business only when acceptable margins are available.

In 1992 we plan to increase the number of investment options available to participants in our tax-deferred plans. This will improve our field force's productivity and is expected to enhance persistency.

Technology will continue to play a key role in our goals to lower costs and improve customer service. ISIS, which is an integral part of this initiative, will be implemented in early 1993.

Fierce pricing competition combined with a sluggish economy and public concern over the financial security of U.S. insurance companies, contributed to declining sales in Individual insurance in 1991. Insurance sales decreased 26% and annuity sales were down 33%.

Our National Accounts Department accounted for $19 million in new annualized premium in 1991. Sales of universal life and annuities marketed through stock brokers doubled from the previous year. Although sales of universal life through banks fell short of expectations, two new annuity products showed significant signs of success.

In early 1991, we introduced a new 10-year level term insurance product, which has shown strong sales potential. It is competitively priced and profitable, and we are using it to attract new brokers to our sales force. Based on its early success, we plan to introduce 5 and 15-year level term insurance products in 1992.

As we develop new products, we are continuing to assess the profit potential of all our existing life and health products. In 1991 we discontinued sales of disability income insurance and entered into a joint venture with Paul Revere to market their disability income product, and to have them participate in the management of our inforce business.

We continue to explore alternative distribution channels, primarily financial institutions, and are designing new insurance and annuity products particularly for this market.

Investment Operations

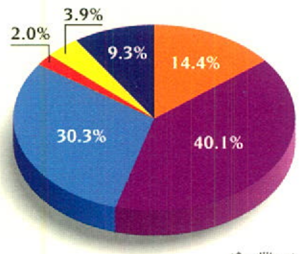
Great-West Life's prudent investment philosophies served it well during 1991. Despite the continuing recession, investment returns were favorable and reflected our continuing goals of maintaining a portfolio of above-average quality and maximizing yield within these quality parameters.

In 1991, funds available for new U.S. investment and mortgages subject to renewal and rate adjustment totalled $2.5 billion and were placed as follows:

- 5.1% in U.S. federal government bonds at an average rate of 7.97%
- 64.1% in other bonds at an average rate of 8.35%
- 17.6% in mortgage renewals at an average rate of 9.55%
- 13.2% in policy loans and other short-term investments.

U.S. investment income was $1.0 billion in 1991, an increase of $97 million over 1990. The increase was primarily attributable to continued growth in the Company's U.S. asset base. Invested assets held at year-end earned an overall net investment yield of 9.21%,

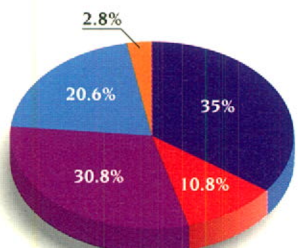
Asset Distribution



	($ millions)
Government Bonds	1,778.0
Other Bonds	4,944.8
Mortgages	3,738.3
Real Estate and Stock	252.8
Cash and CDs	477.1
Policy Loans	1,154.1
Total	12,345.1

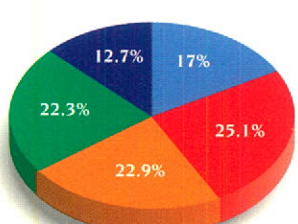
Bond Portfolio Quality

(excluding short-term investments and unamortized gains of $31.8 million)



Estimated Rating	($ millions)
AAA	2,366.4
AA	729.7
A	2,079.2
BBB	1,389.9
BB or lower	189.4
Total	6,754.6

Fixed Income Investment Maturities



Estimated Maturities	($ millions)
1 year or less	1,854.0
Over 1 year-3 years	2,748.7
Over 3 years-5 years	2,506.5
Over 5 years-10 years	2,440.4
Over 10 years	1,388.6
Total	10,938.2

compared with 9.41% in 1990. The decrease was primarily the result of the drop in interest rates during 1991, combined with the Company's continuing policy to avoid higher risk investments.

The accompanying chart illustrates bond quality as measured by independent rating agencies, as well as through objective measurement standards.

Great-West Life began a formal program to reduce its exposure to commercial and industrial mortgages in early 1989. This program has continued to strengthen the Company's financial position and has decreased the weighting of mortgages as a percentage of the total investment portfolio to 30% at year-end 1991, compared with 34% at year-end 1990 and 41% at year-end 1989. The Company plans to continue these efforts and to concentrate the placement of new investment funds into investment-grade bonds. No new mortgage loans were made in 1991.

At the end of 1991, the aggregate of bonds in default, mortgages in the process of foreclosure or in arrears 90 days or more and real estate acquired by foreclosure totalled $167.2 million, or 1.4% of total invested assets, compared with $126.3 million, or 1.1% as of year-end 1990. In light of the well-documented problems in the U.S. debt markets, particularly the commercial real estate markets, this small increase reflects the Company's concerted efforts to tightly manage its debt portfolio and proactively address all troubled loans on a timely basis.

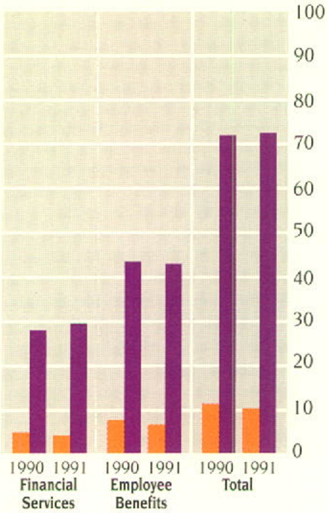
At year-end, the estimated average maturity of all U.S. fixed asset investments was 4.9 years, compared to 6.0 years in 1990. The accompanying chart illustrates the distribution of fixed income asset maturities, including cash. The total market value of equity holdings at the end of 1991 was $202 million, compared with $225 million at the end of 1990. The Company is not currently participating in the public equity markets. This portfolio consists of our home office property, a limited number of private equities and investment real estate. This decrease arose from our continued success in selling foreclosed real estate.

Segregated funds managed by the U.S. Division totalled $638 million at the end of 1991, compared to $442 million at the end of 1990. Included in this 1991 balance is $633 million of assets managed by an affiliated mutual fund company, Maxim Series Fund, Inc.

Discussion of U.S. Operating Results

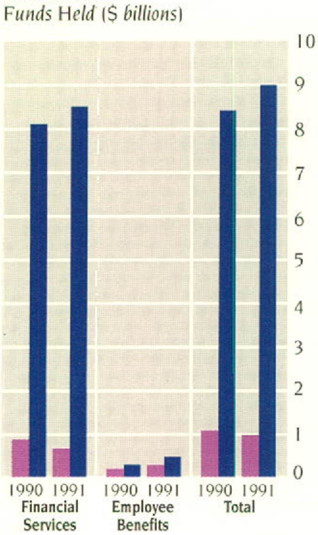
Revenue premium increased in the Employee Benefits Division and in the tax-deferred savings section of the Financial Services Division in 1991.

Life Insurance
Face Amount ($ billions)



	1990	1991
New Sales	**1990**	**1991**
Financial Services *(individual)*	4.2	3.9
Employee Benefits *(group)*	7.3	6.2
Total	11.5	10.1
Business in Force	**1990**	**1991**
Financial Services *(individual)*	28.2	29.5
Employee Benefits *(group)*	43.7	43.0
Total	71.9	72.5

Annuities
Funds Held ($ billions)



	1990	1991
New Sales *(revenue premium)*	**1990**	**1991**
Financial Services	0.9	0.7
Employee Benefits *(401k)*	0.2	0.3
Total	1.1	1.0
Business in Force	**1990**	**1991**
Financial Services	8.1	8.5
Employee Benefits *(401k)*	0.3	0.5
Total	8.4	9.0

Employee Benefits produced a 21% increase in revenue premium, due to strong sales and persistency in both the insurance and 401(k) product lines . In Financial Services, revenue premium from savings products was $606 million, while revenue premium for Individual life, health and annuity products was $626 million.

Persistency rates increased in Employee Benefits, remained at 1990 levels in the tax-deferred savings area and were slightly below 1990 levels in the Individual insurance and annuity area.

In terms of expenses, both Employee Benefits and Financial Services realized improvements in their competitive cost position. Reorganization, aggressive expense management, and increased productivity contributed significantly to improving expense ratios in 1991.

Revenue Premium Income (United States)

	1991 000	1990 000
Financial Services		
Life Insurance	**$ 588,351**	$ 594,575
Annuities	**653,853**	883,217
Health Insurance *(individual)*	**(9,896)†**	16,737
Total Premiums	**$ 1,232,308**	$ 1,494,529
Employee Benefits		
Life Insurance	**$ 111,730**	$ 108,174
401(k)	**262,757**	159,735
Health Insurance *(group)*	**1,963,733***	1,666,243*
Total Premiums	**$ 2,338,220**	$ 1,934,152

* *includes self-funded premium equivalents of* $1,449,514 ($1,209,525 *in* 1990).
† *reflects the reinsurance of a portion of in-force business with* Paul Revere.

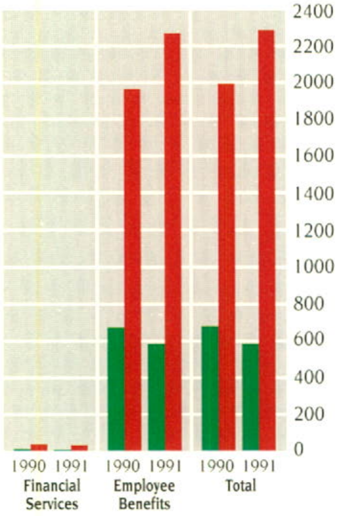
The Future

We are currently in the final stages of our long-range plan to achieve operational autonomy for our United States Operation. In 1991, we transferred United States financial functions to our Denver headquarters and have begun work on establishing our own independent data center.

During 1992, we expect to complete the last of four transfers of lines of business from our United States branch to Great-West Life & Annuity Insurance Company (GWL&A). GWL&A is a wholly-owned

Health Insurance

Annualized Premiums ($ millions)



	1990	1991
New Sales	**1990**	**1991**
Financial Services *(individual)*	4	1
Employee Benefits *(group)*	636	580
Total	640	581
Business in Force	**1990**	**1991**
Financial Services *(individual)*	22	21
Employee Benefits *(group)*	1,960	2,265
Total	1,982	2,286

subsidiary of Great-West Life and is a Colorado domestic insurance company. Following this transfer, it is our intention to conduct our United States activities primarily through GWL&A. This will complete a decentralization process which began with the opening of a sales management office in Denver in 1973.

Reorganizing within our U.S. Operations places us in a solid position to take a more aggressive approach toward increasing sales and market share in 1992.

While we will continue to develop products and services that meet our customers' and producers' needs for quality and reasonable cost, we will also evaluate the potential for growth and profitability of products and services we currently offer, and assess the feasibility of contracting with other insurers to supply our sales force with a total range of products.

For the Employee Benefits Division, 1991 appears to be the peak of the traditional six-year cycle in group life and health insurance. While this normally has an adverse impact, we feel our high proportion of self-insured and managed care benefit programs positions us well to withstand the expected cyclical influences.

Our Financial Services Division will aggressively pursue new sales in the tax-deferred savings markets. We anticipate that introduction of the ISIS system and new investment options will strongly enhance our ability to attract new business.

Healthcare reform will be widely debated as an election issue in 1992. It is not expected that a consensus will develop in the short term. We are confident that the eventual outcome of these debates will support a continued combined public and private system in which we will continue to play a leading role.

Orest T. Dackow
President, The Great-West Life Assurance Company

Net income

Net income before deducting minority and other interests was $155,090,000 in 1991 compared with $156,185,000 in 1990. The net income after these deductions was $116,173,000 or $1.473 per share compared with $116,682,000 or $1.479 per share in 1990. This represents a 14.0% return on common equity compared to 15.5% in 1990.

The primary reasons for continued strong earnings were a continuation of improved Group health insurance results, particularly in the United States, offset by decreased margins on Canadian annuity business and unfavorable Individual disability income experience.

In the United States, Group life results were favorably impacted by improved mortality gains. Group health results continued to improve due to substantially increased volume and reduced exposure to insured risk coverages. Group annuity results declined as a result of income tax charges and guarantee association assessments. However, mortality experience was considerably more favorable in 1991 than in 1990.

In Canada, Individual disability claims experience was unfavorable in 1991. Canadian earnings were also adversely affected by reduced annuity margins and the industry association assessment for a bankrupt company. This was partially offset by improved mortality experience and increased earnings in other health lines.

Net investment income increased by 8% as a result of overall asset growth and reflected a slight increase in non-performing assets, particularly in the United States. Stock market values increased in 1991 but, as a result of the income amortization process applied to stocks held by life insurance companies, this increase did not significantly affect 1991 earnings.

Amounts paid or credited to policyholders consist mainly of net additions to policy reserves of $1.5 billion to provide for future payments to policyholders and maturity and surrender benefits of $1.5 billion. Commissions and operating expenses increased 2% as a result of decreased new sales and significant efforts to limit increases in variable expense levels. Included in operating expenses are all in-year costs related to development of computer systems.

Taxes

Premium taxes and current income taxes increased very significantly, to $121.4 million in 1991 from $68.8 million in 1990, an increase of 76%. However, the utilization of loss carry-forwards and other timing differences reduced the impact of this increase on 1991 income to $85.5 million, an increase of 68% over the 1990 total of $51.0 million. Premium taxes paid to provincial and state governments in 1991 amounted to $38.4 million.

Outlook

Although considerable economic uncertainty exists, the Company and its subsidiaries are well-positioned to participate strongly in both the industry restructuring that is currently underway, and the economic upturn, as it emerges. The Company is cautiously optimistic about the outlook for earnings as a result of expense control measures that have been put in place, gradually improving morbidity in the Individual disability line of business and prospects for increased sales. Further, this outlook should improve as the economy in general recovers and, in particular, as the United States real estate markets begin to stabilize and improve, with the resulting reduction in the likelihood of asset write-downs.

Cash Flow and Liquidity

Cash and short-term securities totalled $499.2 million at December 31, 1991 compared with $411.1 million at December 31, 1990. The Company's investment portfolio includes short-term assets sufficient to meet short-term liabilities and operating cash requirements. Lines of credit and various forms of financial instruments are also available to fund unforeseen liquidity requirements.

Over 80% of policy liabilities are subject to market value adjustments or withdrawal penalties.

Debt securities, mortgages and bonds are continuously monitored as to duration and interest rate in order to assure a reasonable match to the cash flow and income requirements of longer-term liabilities.

Capital Resources

On August 1, 1991 The Great-West Life Assurance Company issued $75 million of Cumulative Redeemable Auction Perpetual Preferred Shares at $25.00 Canadian dollars per share.

During the year The Great-West Life Assurance Company transferred, via assumption reinsurance, an additional amount of assets and liabilities totalling $1.3 billion to its wholly-owned subsidiary, Great-West Life & Annuity Insurance Company. This business transfer represents a continuation of the longer-term strategy of placing virtually all of the United States insurance operations within a single United States domestic company rather than the United States branch of a Canadian company. A further step in this program is planned for 1992.

Total capital and surplus of $1,644,573,000 is 8.8% of total liabilities excluding segregated investment funds compared with $1,475,864,000 and 8.5% in 1990.

Management of the Company's capital resources has become a significant issue as it is the Company's intention to continue to maintain the surplus ratios in its operating companies at levels sufficient to provide absolute assurance of benefit payments for policyholders and to continue to have superior credit ratings of the operating companies.

BOARD OF DIRECTORS

The accompanying financial statements were approved by the Board of Directors which has overall responsibility for their contents.

AUDIT COMMITTEE

The Board of Directors is assisted in its responsibilities for these financial statements by its Audit Committee. This Committee consists of directors not involved in the daily operations of the Company. The function of this Committee is to:

- Review all formal financial statements and recommend them for approval to the Board of Directors.
- Review the systems of internal control and security.
- Recommend the appointment of the external auditors and their fee arrangements to the Board of Directors.
- Review other audit, accounting, financial and security matters as required.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the Company's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to external and internal auditors and to the Valuation Actuary.

MANAGEMENT

The annual report was prepared by management. The financial statements were prepared in accordance with the accounting practices prescribed or permitted by the Office of the Superintendent of Financial Institutions. Some of the assets and liabilities are based on estimates and judgements as their final determination is dependent upon subsequent events. Management believes such estimates are based on careful judgements and have been properly reflected in the financial statements. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements properly reflect the financial position and results of operations of the Company within reasonable limits of materiality.

VALUATION ACTUARY

The Valuation Actuary is appointed by the Board of Directors pursuant to Section 106 of the Canadian and British Insurance Companies Act. His function is to carry out an annual valuation of the Company's policy benefit liabilities in accordance with the Recommendations for Life Insurance Company Financial Reporting of the Canadian Institute of Actuaries for the purpose of issuing reports to policyholders, shareholders and the Superintendent of Financial Institutions. These reports express his opinion based on informed judgement.

External Auditors

Deloitte & Touche have been appointed external auditors of both Great-West Lifeco and Great-West Life, which requires them, pursuant to Section 115 of the Canadian and British Insurance Companies Act, to report to the policyholders, shareholders and directors and to the Superintendent of Financial Institutions regarding the fairness of presentation of the Company's financial position and results of operations as shown in the annual financial statements.

The opinion of the external auditors is based upon obtaining an understanding of the Company's accounting systems, procedures and internal controls. Based upon their evaluation of these systems, the external auditors conduct appropriate tests of the Company's accounting records and obtain sufficient audit evidence and explanations to provide reasonable assurance that the financial statements are presented fairly in accordance with the accounting practices prescribed or permitted by the Office of the Superintendent of Financial Institutions and, unless otherwise stated, on a basis consistent with that of the preceding year.

Regulatory Authorities

The Superintendent of Financial Institutions, at least once every three years, examines the affairs of Great-West Life. In addition, the United States operations of Great-West Life are periodically examined by the Michigan Insurance Bureau under the auspices of the National Association of Insurance Commissioners. The State of Colorado Division of Insurance examines the United States business of Great-West Life & Annuity Insurance Company. Periodic reports are filed with insurance regulatory authorities in various jurisdictions and these reports facilitate further review of financial results and enquiry by examination staff.

Summary of Consolidated Operations

(in thousands of dollars except earnings per share)

	1991	1990 *(note 2)*
Income:		
Premium income	**$ 3,744,786**	$ 3,906,342
Net investment income	**1,933,189**	1,794,290
Net realized and unrealized capital gains/(losses) on assets of segregated investment funds *(note 1f)*	**133,314**	(103,628)
Total Income	**5,811,289**	5,597,004
Benefits and Expenses:		
Paid or credited to policyholders and beneficiaries including policyholder dividends and experience refunds	**4,944,912**	4,776,524
Commissions and operating expenses	**625,762**	613,296
Premium and other taxes	**52,602**	31,443
Income taxes - current	**68,758**	37,351
- deferred	**(35,835)**	(17,795)
	5,656,199	5,440,819
Net income before minority and other interests	**$ 155,090**	$ 156,185
Minority and other interests of The Great-West Life Assurance Company		
Participating policyholders	**15,429**	19,416
Preferred shareholder dividends	**22,780**	19,350
Minority interest	**708**	737
	38,917	39,503
Net Income	**$ 116,173**	$ 116,682
Earnings per share *(note 1b)*	**$ 1.473**	$ 1.479

Consolidated Balance Sheet

December 31 (in thousands of dollars)

	1991	1990
Assets		
Bonds *(note 1c)*	**$ 10,486,051**	$ 8,925,316
Mortgages and sale agreements *(note 1c)*	**6,434,636**	6,804,039
Stocks *(note 1d)*	**357,456**	282,254
Real estate *(note 1e)*	**618,641**	633,867
Loans to policyholders	**1,292,974**	1,185,918
Cash and certificates of deposit	**499,152**	411,128
Premiums in course of collection	**155,454**	147,301
Interest due and accrued	**330,578**	308,587
Segregated investment funds *(note 1f)*	**2,436,482**	2,054,121
Other assets	**105,875**	151,455
	$ 22,717,299	$ 20,903,986

Approved by the Board

J W Burns — *Director*

K P Kavanagh — *Director*

	1991	1990
Liabilities		
Policy benefit liabilities		
Policy reserves (*note 1h*)	**$16,465,223**	$ 15,346,342
Segregated investment funds	**2,436,482**	2,054,121
Provision for claims	**981,854**	862,923
Provision for 1992 policyholders' dividends	**103,762**	94,912
Provision for experience rating refunds	**157,075**	151,391
	20,144,396	18,509,689
Policyholders' funds	**548,247**	502,742
Mortgages on real estate	**60,500**	64,681
Income taxes payable	**73,668**	30,837
Deferred income taxes (*note 1g*)	**792**	36,941
Other liabilities	**245,123**	283,232
	21,072,726	19,428,122
Minority and other interests (*note 3*)	**776,183**	685,499
Capital stock and surplus (*note 4*)		
Capital stock (*note 5*)	**572,230**	572,029
Surplus	**334,086**	257,610
Provision for unrealized loss on translation of net investment in United States operations (*note 1i*)	**(37,926)**	(39,274)
	868,390	790,365
	$22,717,299	$ 20,903,986

Consolidated Statement of Surplus

(in thousands of dollars)

	1991	1990
Balance, beginning of year	$ 257,610	$ 183,074
Net income	116,173	116,682
Share issue expense	(284)	(2,719)
Dividends	(39,413)	(39,427)
Balance, end of year	$ 334,086	$ 257,610

Consolidated Statement of Changes in Financial Position

(in thousands of dollars)

	1991	1990
Operations		
Net income before minority and other interests	$ 155,090	$ 156,185
Non-cash charges		
Increase in policy benefit liabilities	1,529,535	1,909,855
Increase in policyholders' funds	44,190	21,986
Deferred income taxes	(35,743)	(16,785)
Other	134,003	(59,566)
	1,827,075	2,011,675
Financing Activities		
Issue of preferred shares	75,000	174,000
Redemption of preferred shares	–	(147,672)
Purchased and cancelled preferred shares	(90)	–
Purchased and cancelled common shares	–	(1,881)
Share issue expense	(286)	(2,736)
Dividends paid	(62,436)	(59,028)
	12,188	(37,317)
Investment Activities		
Bond sales and maturities	8,939,234	6,041,245
Mortgages and sale agreements repayments	438,629	594,419
Stock sales	74,514	159,302
Real estate sales	35,818	50,035
Policy loan repayments	89,872	78,002
Investment in bonds	(10,460,435)	(7,946,832)
Investment in mortgages and sale agreements	(147,857)	(382,520)
Investment in stocks	(121,879)	(168,165)
Investment in real estate	(22,565)	(23,557)
Policy loan advances	(196,113)	(300,803)
Increase in segregated investment funds	(380,457)	(6,495)
	(1,751,239)	(1,905,369)
Increase in cash and certificates of deposit	88,024	68,989
Cash and certificates of deposit beginning of year	411,128	342,139
Cash and certificates of deposit end of year	$ 499,152	$ 411,128

Note 1. Summary of Significant Accounting Practices

(a) The financial statements of Great-West Lifeco Inc. are presented on a consolidated basis and include the accounts of its subsidiary company, The Great-West Life Assurance Company and its wholly-owned subsidiary companies. The accounting principles used are those of The Great-West Life Assurance Company as prescribed or permitted by the Office of the Superintendent of Financial Institutions for the purpose of reporting to policyholders and shareholders.

(b) Earnings per share are calculated using a weighted monthly average number of shares outstanding. The average number of shares outstanding for 1991 was 78,825,434 (78,846,831 in 1990).

(c) Investments in bonds, mortgages and sale agreements (debt securities) are basically carried at amortized cost with the securities of the life account adjusted by the unamortized balance of losses or gains on sales of securities. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield, and is deferred and amortized over the period to maturity of the security sold. The unamortized balances at December 31, 1991 are $87,203,000 of net gains for bonds ($3,358,000 in 1990) and $8,231,000 of net gains for mortgages ($9,012,000 in 1990).

Bonds, mortgages and sale agreements have a market value of $17,936,586,000 ($15,832,050,000 in 1990).

(d) Investments in stocks (equity securities) in the life account are carried at cost less an adjustment which consists of realized gains and losses as well as a market value adjustment which is a portion of the difference between adjusted book value and year-end market value of all equity securities. The adjustment at December 31, 1991 amounted to $103,595,000 ($135,193,000 in 1990). Equity investments in respect of the accident and health business are carried at cost.

Equity securities have a market value of $499,894,000 ($410,363,000 in 1990).

(e) Investments in real estate at December 31, 1991 are carried at a written-down value of $490,630,000 ($516,680,000 in 1990) plus an adjustment which consists of net realized losses, as well as a market value adjustment which is a portion of the difference between adjusted book value and market value of all real estate holdings. The adjustment at December 31, 1991 amounted to $128,011,000($117,187,000 in 1990).

The market value of the real estate portfolio has been calculated at $689,949,000 ($702,100,000 in 1990).

(f) Investments held for segregated investment funds are carried at market value. Net realized and unrealized capital gains on segregated investment funds were $133,314,000 ($103,628,000 of losses in 1990). Such capital gains/losses are reflected in the increase in policy reserves and do not affect net income of the Company.

(g) Income taxes of The Great-West Life Assurance Company are calculated using the deferred-tax method on a present value basis.

(h) Policy reserves represent the amount which, in the judgement of the Valuation Actuary of The Great-West Life Assurance Company, is required, together with future premiums and investment income, to provide for future policy benefits, administrative expenses and taxes on insurance and annuity policies and are calculated using assumptions considered to be appropriate to the policies in force. Policyholder dividends (except for the small portion derived from investment earnings on surplus) are included in future policy benefits at the current scale of policyholder dividends. The Valuation Actuary, in setting the valuation assumptions, has assumed that policyholder dividends will be changed from the current scale to reflect any differing operating experience of the participating account in future years. Also, asset values and projected maturities of assets and liabilities are continuously monitored and appropriately considered in the determination of policy reserves.

Policy reserves recognize the deferral of certain costs of acquiring policies. The amount of unamortized deferred acquisition costs deducted in arriving at the policy reserves was $515,038,000 at December 31, 1991 ($482,667,000 at December 31, 1990).

(i) The Great-West Life Assurance Company follows the current rate method of foreign currency translation for its net investment in its self-sustaining United States operations. United States assets and liabilities are translated into Canadian dollars at the December 31, 1991 market rate of $1.16 ($1.16 in 1990) and all income and expense items are translated at an average rate of $1.15 ($1.17 in 1990). The provision for unrealized loss of $37,926,000 ($39,274,000 in 1990) on foreign currency translation of the Company's net investment in its United States operations is recorded in the capital stock and surplus section of the Consolidated Balance Sheet.

Note 2. Reclassification of Prior Year's Figures

In order to comply with accounting recommendations that are expected to apply to The Great-West Life Assurance Company in 1992, amounts previously included in "other items" in the Summary of Consolidated Operations are now included in the specific income and expense lines to which they apply. The 1990 comparative figures have been reclassified to conform with the 1991 presentation.

The following is a summary of those amounts which would have been classified as "other items":

	1991	1990
	(000)	(000)
Net realized and unrealized loss on assets	**$ (33,661)**	$ (46,108)
Realization of income tax adjustments applicable to prior years	**19,616**	9,720
Release of prior years' premium tax provision	–	4,376
Changes in policy and other reserves	–	5,759
Sub total	**$ (14,045)**	$ (26,253)
Participating policyholders	**(2,318)**	(4,757)
Total	**$ (16,363)**	$ (31,010)

Note 3. Investment in The Great-West Life Assurance Company

The equity investment of Great-West Lifeco Inc. in The Great-West Life Assurance Company was 99.4% at December 31, 1991 and 1990. The minority and other interests in The Great-West Life Assurance Company are:

	1991	1990
	(000)	(000)
(i) participating policyholders' share of undistributed surplus	**$ 419,499**	$ 404,057
(ii) preferred shareholders:		
Series A	**2,238**	2,328
Series B	**100,000**	100,000
Series C, D and E	**174,000**	174,000
Series F and G	**75,000**	–
(iii) minority interests in capital stock and surplus	**5,446**	5,114
	$ 776,183	$ 685,499

Note 4. Surplus

The Company's total interest in the capital stock and surplus of The Great-West Life Assurance Company is $893,279,000 ($815,724,000 in 1990). Of this amount $702,421,000 ($597,646,000 in 1990) was appropriated by The Great-West Life Assurance Company to cover various contingencies as required by the Office of the Superintendent of Financial Institutions.

Note 5. Capital stock

	1991		1990	
	Number	**Stated Value**	Number	Stated Value
		(000)		(000)
Authorized – unlimited				
Issued –				
Balance, beginning of year	**78,812,826**	**$ 572,029**	78,942,935	$ 573,827
Exchanged for shares of The Great-West Life Assurance Company	**13,559**	**201**	5,591	83
Purchased and cancelled under Normal Course Issuer Bid	–	–	(135,700)	(1,881)
Balance, end of year	**78,826,385**	**$ 572,230**	78,812,826	$ 572,029

Note 6. Pension Plans

The Great-West Life Assurance Company maintains contributory and non-contributory pension plans for certain of its employees and agents. The plans provide pensions based on length of service and final average earnings.

Actuarial valuation reports were prepared during 1991 for the United States plan. In Canada, the last triennial actuarial valuation was for the year ended December 31, 1989. For 1991, actuarial estimates were made based on the 1989 report.

The estimated present value of accumulated benefits at December 31, 1991 is $227,572,000 ($227,713,000 in 1990). The net assets available to provide for these benefits as of December 31, 1991 is $260,368,000 ($248,202,000 in 1990).

The cumulative difference between the amounts expensed and the funding contributions has been reflected in the balance sheet in Other Assets and amounts to $2,972,000 ($1,352,000 in 1990).

Note 7. Related Party Transactions

Transactions with related parties consist mainly of the provision of insurance benefits to other companies within the Power Corporation of Canada group of companies. In all cases, such transactions are made in the normal course of business and at competitive prices.

Note 8. Income Taxes

The Company's effective income tax rate is made up as follows:

	1991	1990 (Note 8a)
Combined basic Canadian federal and provincial tax rate	**43.0 %**	44.1 %
Increase (Decrease) in the income tax rate resulting from:		
Adjustment of deferred taxes to a present value basis	**.8**	(3.5)
Tax exempt dividends on stocks	**(4.6)**	(4.9)
Tax exempt portion of capital gains	**(2.3)**	(3.6)
Lower effective tax rates on income not subject to tax in Canada	**(15.6)**	(19.2)
Investment income tax	**2.3**	2.3
Large corporation tax	**1.5**	1.2
Miscellaneous	**4.0**	1.2
Effective income tax rate applicable to current year	**29.1 %**	17.6 %
Increase (Decrease) in the income tax rate resulting from prior years' tax adjustments	**(11.6)%**	(6.5)%
Effective income tax rate	**17.5 %**	11.1 %

(a) The 1990 comparative figures include reclassifications referred to in note 2.

Changes to the United States Internal Revenue Code could result in significant increases in income taxes payable by Canadian life insurance companies carrying on business in the United States. The Great-West Life Assurance Company has reflected the impact of these changes in their financial statements. The changes to the Code continue to be unclear.

The Great-West Life Assurance Company has received income tax reassessments for significant amounts from Revenue Canada, for the years 1985 and 1986. The Company and its advisors disagree with Revenue Canada's position in relation to these reassessments. These reassessments are being appealed. It is the opinion of the Company that the financial statements include appropriate provisions for Canadian Income Tax.

Note 9. Financial Instruments

The Great-West Life Assurance Company, in the normal course of managing exposure to fluctuations in interest rates and foreign exchange rates, is a party to various financial instruments which are not reflected in the financial statements.

The financial instruments reported below represent various degrees and types of risks, including credit, interest rate, foreign exchange rate and liquidity risk. In the opinion of management, there are no material commitments or contingencies which represent unusual risks and no material losses are anticipated as a result of these transactions. The amounts reported are expressed in terms of the notional or contractual amounts which are a significant multiple of the actual credit or market exposure.

	1991	1990
	(000)	(000)
Interest rate swaps	$ 558,604	$ 427,298
Repurchase commitments	411,211	241,596
Foreign currency swaps	229,532	139,075
Interest rate futures	116,232	312,272
Forward rate agreements	14,500	81,200
Totals	$ 1,330,079	$ 1,201,441

Note 10. Contingent Liabilities

The Great-West Life Assurance Company has, in the normal course of business, a number of outstanding claims. The contingent liability in respect of these claims is not considered to be of material amount.

Note 11. Change in Accounting Basis

The new federal Act regulating insurance companies is expected to come into effect in 1992. A provision of this Act specifies that financial statements are to be prepared in accordance with generally accepted accounting principles.

The most significant feature for The Great-West Life Assurance Company will be the adoption of the Policy Premium Method of reserve calculation. The Great-West Life Assurance Company estimates that this new basis of accounting will give rise to a favorable conversion adjustment of approximately $15,000,000, and that net income in 1992 and in future years will not be materially affected.

Auditors' Report

To the Shareholders,
Great-West Lifeco Inc.

We have audited the consolidated balance sheets of Great-West Lifeco Inc. as at December 31, 1991 and 1990 and the summaries of consolidated operations, the consolidated statements of surplus and the consolidated statements of changes in financial position for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1991 and 1990 and the results of its operations and the changes in its financial position for the years then ended in accordance with the accounting practices described in Note 1 to the financial statements.

Deloitte & Touche

Chartered Accountants

Winnipeg, Manitoba
January 30, 1992

Five Year Summary

(in thousands of dollars except earnings per share)

	Compound Growth Rate 1987 - 1991	1991
At December 31		
Life insurance in force (face amount)	7.1%	$ 167,975,999
Annuities in force (funds held)	9.0	15,177,321
Health insurance in force (annualized premiums)	23.7	3,283,676
Assets	10.0	22,717,299
For the Year		
New insurance	4.2	16,778,873
New annuities	(4.9)	1,590,180
Premiums including self-funded premium equivalents	7.5	5,624,912
Net investment income	10.3	1,933,189
Total paid or credited to policyholders including dividends and experience refunds	4.3	4,944,912
Condensed Summary of Operations		
Income		
Premiums		$ 3,744,786
Net investment income		1,933,189
Net realized and unrealized capital gains (losses) on assets of segregated funds		133,314
Total income		5,811,289
Benefits and Expenses		
Total paid or credited to policyholders		4,944,912
Commissions and operating expenses		625,762
Premium taxes		52,602
Net income before income taxes		188,013
Income taxes – current		68,758
– deferred		(35,835)
Net income before minority and other interests		$ 155,090
Minority and other interests of The Great-West Life Assurance Company		
Participating policyholders		15,429
Preferred shareholder dividends		22,780
Minority interest		708
		$ 38,917
Net income		$ 116,173
Earnings per Share		$ 1.473
Return on shareholders' equity		14.0%
Book value per share		$ 11.02
Dividends to shareholders – per share		$ 0.50

(1) *Certain 1987-1990 comparative figures are reclassified to be consistent with 1991.*

	1990 (1)	1989 (1)	1988 (1)	1987 (1)
	$ 165,117,013	$ 155,492,627	$ 139,182,935	$ 127,884,666
	14,084,333	12,886,728	11,777,537	10,762,398
	2,945,644	2,414,036	1,708,699	1,402,511
	20,903,986	18,890,170	17,224,489	15,494,934
	20,935,670	18,992,730	21,435,571	14,212,606
	1,889,828	1,682,548	1,735,380	1,943,849
	5,487,930	4,648,306	4,312,998	4,209,424
	1,794,290	1,652,652	1,508,101	1,307,344
	4,776,524	4,509,153	4,307,941	4,176,793
	$ 3,906,342	$ 3,470,989	$ 3,414,051	$ 3,489,043
	1,794,290	1,652,652	1,508,101	1,307,344
	(103,628)	111,741	36,237	(29,494)
	5,597,004	5,235,382	4,958,389	4,766,893
	4,776,524	4,509,153	4,307,941	4,176,793
	613,296	529,843	472,388	435,090
	31,443	34,186	40,011	30,980
	175,741	162,200	138,049	124,030
	37,351	3,848	12,101	4,782
	(17,795)	6,739	(1,658)	26,596
	$ 156,185	$ 151,613	$ 127,606	$ 92,652
	19,416	21,393	17,885	15,436
	19,350	19,713	11,550	11,550
	737	1,780	2,593	1,719
	$ 39,503	$ 42,886	$ 32,028	$ 28,705
	$ 116,682	$ 108,727	$ 95,578	$ 63,947
	$ 1.479	$ 1.391	$ 1.234	$ 0.821
	15.5%	16.1%	15.3%	10.7%
	$ 10.03	$ 9.09	$ 8.21	$ 7.86
	$ 0.50	$ 0.50	$ 0.50	$ 0.50

Board of Directors

James W. Burns, O.C.
Chairman of the Board of the Corporation;
Deputy Chairman,
Power Corporation of Canada

Dr. Walter Curlook *
Vice-Chairman,
Inco Ltd.

Paul Desmarais, C.C.
Chairman of the Board and Chief Executive Officer,
Power Corporation of Canada

Paul Desmarais, Jr.
Chairman,
Power Financial Corporation;
Vice-Chairman,
Power Corporation of Canada

Robert G. Graham
Chairman and Chief Executive Officer,
Inter-City Products Corporation

Robert Gratton
President and Chief Executive Officer,
Power Financial Corporation

N. Berne Hart
Company Director

Charles H. Hollenberg, M.D., O.C.
President,
Ontario Cancer Treatment & Research Foundation

Robert H. Jones
Company Director

Kevin P. Kavanagh
President and Chief Executive Officer of the Corporation

A. Frank Knowles, C.A.*
Deputy Chairman,
Power Corporation of Canada

J. Blair MacAulay
Partner, Fraser & Beatty

William Mackness
Dean, Faculty of Management,
University of Manitoba

Randall L. Moffat *
Chairman and President,
Moffat Communications Limited

Jerry E.A. Nickerson*
Chairman of the Board,
H.B. Nickerson & Sons Limited

The Honourable P. Michael Pitfield, P.C., Q.C.*
Vice-Chairman,
Power Corporation of Canada

Michel Plessis-Bélair, F.C.A.*
Executive Vice-President and Chief Financial Officer,
Power Corporation of Canada;
Senior Vice-President,
Finance and Administration,
Power Financial Corporation

Abraham L. Simkin, Q.C.
Chairman of the Board,
President and Chief Executive Officer,
CMS Creative Management Services Limited

Guy St-Germain, O.C.
President,
Placements Laugerma Inc.

Sister Mary Andrew Talle
President,
De Paul Hospital

Ross J. Turner
Chairman of the Board,
Genstar Investment Corporation

* *Member of the Audit Committee*

Executive Officers

Kevin P. Kavanagh
President and Chief Executive Officer

Orest T. Dackow
Executive Vice-President,
Chief Financial Officer

Jack A. Miller
Vice-President, Finance

D. Craig Lennox
Vice-President, Counsel and Secretary

CORPORATE INFORMATION

Corporate Headquarters

100 Osborne St. N., Winnipeg, Manitoba R3C 3A5

Canadian Region

60 Osborne St. N., Winnipeg, Manitoba R3C 3A5

United States Region

8505-8515 E. Orchard Road, Englewood, Colorado 80111

Stock Exchanges

Winnipeg, Toronto and Montreal
7.70% Series A Preferred Shares
7.80% Series B Preferred Shares

Transfer Agent and Registrar Offices

Montreal Trust Company of Canada in Toronto, Winnipeg, Edmonton and Vancouver; and Montreal Trust Company in Montreal

Annual General Meeting

The fourth Wednesday of April at 11:00 a.m. at a location in Winnipeg as specified in the notice of meeting.

For further information contact:

Corporate Communications, 100 Osborne Street North,
Winnipeg, Manitoba R3C 3A5 (204) 946-7663

Great-West Life is an international corporation offering a wide range of insurance, retirement and investment products and services for individuals, businesses and organizations.

Incorporated in Canada over 100 years ago, Great-West Life has been active in the U.S. market since 1906. We have more than 150 marketing, benefit payment and property investment offices across Canada and the United States.

In Canada, Great-West Life is a major insurance carrier in all markets. For individuals, we offer traditional and universal life products, disability income insurance, and a range of retirement savings and income products. For groups of all sizes, along with the traditional life and health coverage, we offer employee assistance programs, the full range of pension and retirement savings plans, and innovative products and services aimed at helping clients administer their group benefit plans more efficiently.

In the United States, our Financial Services Division focuses on providing life insurance products to upper income Americans, and on meeting the retirement security needs of employees in the public and non-profit sector. Our Employee Benefits Division provides a complete range of products and services for corporations. Our health insurance business is characterized by an emphasis on managed care and self-insured plans.

Great-West Life is the major asset of Great-West Lifeco Inc., a member of the Power Financial Corporation group of companies. Therefore, the Management Discussion and Analysis (MD&A) of Great-West Lifeco (pages 6 - 22) encompasses the MD&A of Great-West Life.

BUSINESS PHILOSOPHY

Great-West Life is governed by a Statement of Guiding Principles, which forms the basis for its management and relations with employees, clients and shareholders. Our Corporate Mission is "to achieve excellence in providing financial products and services for people, and to do so in a responsible manner". In management's view, this requires that the Company serve its clients, staff members and sales representatives, shareholders and the community at large, with integrity and according to the highest standards of conduct.

FINANCIAL PERFORMANCE

Great-West Life continues to receive the "AAA" rating on its claims-paying ability from Standard & Poor's Corporation; the "Aa1" insurance financial strength rating from Moody's Investors Service; and the "A+ (Superior)" rating for its financial and operating performance from the A.M. Best Company.

Summary of Consolidated Operations

(in thousands of dollars except earnings per share)

	1991	1990 (*note 2*)
Income:		
Life insurance and annuity premiums	$ 2,654,256	$ 2,869,599
Accident and health premiums	1,090,530	1,036,743
Net investment income	1,932,637	1,793,460
Net realized and unrealized capital gains/(losses) on assets of segregated investment funds (*note 1e*)	133,314	(103,628)
Total Income	5,810,737	5,596,174
Benefits and Expenses:		
Life and annuity benefits	2,416,893	2,128,282
Accident and health benefits	726,744	716,382
Interest on funds on deposit	60,222	55,154
Increase in policy reserves (*note 1g*)	1,512,243	1,692,248
Policyholder dividends and experience refunds	228,810	184,458
Total paid or credited to policyholders	4,944,912	4,776,524
Commissions and operating expenses	625,359	612,920
Premium taxes	52,602	31,443
Net operating income before income taxes	187,864	175,287
Income taxes - current	68,694	37,158
- deferred	(35,847)	(17,807)
Net Income	$ 155,017	$ 155,936
Summary of Net Income (*note 1h*)		
Attributable to participating policyholders		
Net income before policyholder dividends	$ 177,545	$ 162,892
Policyholder dividends	162,116	143,476
Net Income - participating policyholders	$ 15,429	$ 19,416
Attributable to shareholders		
Net income before preferred shareholder dividends	$ 139,588	$ 136,520
Preferred shareholder dividends	22,780	19,350
Net income - common shareholders	$ 116,808	$ 117,170
Earnings per common share	$ 58.40	$ 58.58

Consolidated Balance Sheet

December 31 (in thousands of dollars)

	1991	1990
Assets		
Bonds *(note 1b)*	**$ 10,483,068**	$ 8,922,642
Mortgages and sale agreements *(note 1b)*	**6,434,636**	6,804,039
Stocks *(note 1c)*	**357,456**	282,254
Real estate *(note 1d)*	**618,641**	633,867
Loans to policyholders	**1,292,974**	1,185,918
Cash and certificates of deposit	**498,773**	410,885
Premiums in course of collection	**155,454**	147,301
Interest due and accrued	**330,577**	308,586
Segregated investment funds *(note 1e)*	**2,436,482**	2,054,121
Other assets	**134,091**	179,715
	$ 22,742,152	$ 20,929,328

Approved by the Board

J W Burns — *Director*

O. T. Dackow — *Director*

	1991	1990
Liabilities		
Policy benefit liabilities		
Policy reserves (*note 1g*)	**$16,465,223**	$ 15,346,342
Segregated investment funds	**2,436,482**	2,054,121
Provision for claims	**981,854**	862,923
Provision for 1992 policyholders' dividends	**103,762**	94,912
Provision for experience rating refunds	**157,075**	151,391
	20,144,396	18,509,689
Policyholders' funds	**548,247**	502,742
Mortgages on real estate	**60,500**	64,681
Income taxes payable	**73,668**	30,837
Deferred income taxes (*note 1f*)	**792**	36,941
Other liabilities	**245,088**	283,215
	21,072,691	19,428,105
Capital stock and surplus		
Capital stock (*note 3*)	**353,238**	278,328
Appropriated surplus (*note 4*)		
- participating policyholders	**80,405**	82,860
- shareholders	**706,703**	601,393
Provision for unrealized loss on translation of net investment in United States operations (*note 1i*)		
- participating policyholders	**(14,387)**	(14,399)
- shareholders	**(38,156)**	(39,521)
Unappropriated surplus		
- participating policyholders	**353,481**	335,597
- shareholders	**228,177**	256,965
	1,669,461	1,501,223
	$22,742,152	$ 20,929,328

Consolidated Statement of Surplus

(in thousands of dollars)

	1991 Participating Policyholders	1991 Shareholders	1991 Total	1990 Total
Appropriated				
Balance January 1	$ 82,860	$601,393	$684,253	$625,807
Add:				
Increase in special reserves				
Investment valuation reserve	707	(8,327)	(7,620)	(40,847)
Real estate appraisal valuation reserve	–	4,095	4,095	19,462
Reserve for cash value deficiencies and amounts of negative reserves	(5,253)	38,978	33,725	(58,568)
Reserve for accounting basis differences of United States life insurance subsidiary	–	98,731	98,731	149,344
Reserve for miscellaneous assets	2,091	(28,167)	(26,076)	(10,945)
	(2,455)	105,310	102,855	58,446
Balance December 31	$ 80,405	$706,703	$787,108	$684,253
Unappropriated				
Balance January 1	$335,597	$256,965	$592,562	$557,158
Add:				
Total net income for year from summary of operations	15,429	139,588	155,017	155,936
Deduct:				
Dividends to shareholders				
- preferred shareholders	–	22,780	22,780	19,350
- common shareholders	–	40,000	40,000	40,000
Share issue expense	–	286	286	2,736
Changes in special reserves appropriated from surplus	(2,455)	105,310	102,855	58,446
Balance December 31	$353,481	$228,177	$581,658	$592,562

Consolidated Statement of Changes in Financial Position

(in thousands of dollars)

	1991	1990
Operations		
Net income	$ 155,017	$ 155,936
Non-cash charges		
Increase in policy benefit liabilities	1,529,535	1,909,855
Increase in policyholders' funds	44,190	21,986
Deferred income taxes	(35,743)	(16,785)
Other	133,975	(59,545)
	1,826,974	2,011,447
Financing Activities		
Issue of preferred shares	75,000	174,000
Redemption of preferred shares	–	(147,672)
Share issue expense	(286)	(2,736)
Purchased and cancelled preferred shares	(90)	–
Dividends paid	(62,780)	(59,350)
	11,844	(35,758)
Investment Activities		
Bond sales and maturities	8,939,234	6,039,964
Mortgages and sale agreements repayments	438,629	594,419
Stock sales	74,514	159,302
Real estate sales	35,818	50,035
Policy loan repayments	89,872	78,002
Investment in bonds	(10,460,126)	(7,946,832)
Investment in mortgages and sale agreements	(147,857)	(382,520)
Investment in stocks	(121,879)	(168,165)
Investment in real estate	(22,565)	(23,557)
Policy loan advances	(196,113)	(300,803)
Increase in segregated investment funds	(380,457)	(6,495)
	(1,750,930)	(1,906,650)
Increase in cash and certificates of deposit	87,888	69,039
Cash and certificates of deposit beginning of year	410,885	341,846
Cash and certificates of deposit end of year	$ 498,773	$ 410,885

Note 1. Summary of Significant Accounting Practices

The accounting practices followed by the Company are as prescribed or permitted by the Office of the Superintendent of Financial Institutions for the purpose of reporting to policyholders and shareholders.

(a) Financial results are reported on a consolidated basis. All significant intercompany balances and transactions are eliminated on consolidation and subsidiary results are conformed with the Company's accounting practices. The principal subsidiaries are:

Great-West Life & Annuity Insurance Company
G.W.L. Properties Ltd.
GWL Properties Inc.
Great-West Realty Investments, Inc.
Gold Circle Insurance Company

During 1991, Great-West Life Financial Corp. was merged with Great-West Life & Annuity Insurance Company.

(b) Investments in bonds, mortgages and sale agreements (debt securities) are basically carried at amortized cost with the securities of the life account adjusted by the unamortized balance of losses or gains on sales of securities. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield, and is deferred and amortized over the period to maturity of the security sold. The unamortized balances at December 31, 1991 are $87,203,000 of net gains for bonds ($3,358,000 in 1990) and $8,231,000 of net gains for mortgages ($9,012,000 in 1990).

Bonds, mortgages and sale agreements have a market value on a basis authorized by the Office of the Superintendent of Financial Institutions of $17,933,603,000 ($15,829,376,000 in 1990).

(c) Investments in stocks (equity securities) in the life account are carried at cost less an adjustment which consists of realized gains and losses as well as a market value adjustment which is a portion of the difference between adjusted book value and year-end market value of all equity securities. The adjustment at December 31, 1991 amounted to $103,595,000 ($135,193,000 in 1990). Equity investments in respect of the accident and health business are carried at cost.

Equity securities have a market value on a basis authorized by the Office of the Superintendent of Financial Institutions of $499,894,000 ($410,363,000 in 1990).

(d) Investments in real estate at December 31, 1991 are carried at a written-down value of $490,630,000 ($516,680,000 in 1990) plus an adjustment which consists of net realized losses, as well as a market value adjustment which is a portion of the difference between adjusted book value and market value of all real estate holdings. The adjustment at December 31, 1991 amounted to $128,011,000 ($117,187,000 in 1990).

The market value of the real estate portfolio has been calculated at $689,949,000 ($702,100,000 in 1990).

(e) Investments held for segregated investment funds are carried at market value. Net realized and unrealized capital gains on segregated investment funds were $133,314,000 ($103,628,000 of losses in 1990). Such capital gains/losses are reflected in the increase in policy reserves and do not affect net income of the Company.

(f) Income taxes are calculated using the deferred-tax method on a present value basis.

(g) Policy reserves represent the amount which, in the judgement of the Valuation Actuary, is required, together with future premiums and investment income, to provide for future policy benefits, administrative expenses and taxes on insurance and annuity policies and are calculated using assumptions considered to be appropriate to the policies in force. Policyholder dividends (except for the small portion derived from investment earnings on surplus) are included in future policy benefits at the current scale of policyholder dividends. The Valuation Actuary, in setting the valuation assumptions, has assumed that policyholder dividends will be changed from the current scale to reflect any differing operating experience of the participating account in future years. Also, asset values and projected maturities of assets and liabilities are continuously monitored and appropriately considered in the determination of policy reserves.

Policy reserves recognize the deferral of certain costs of acquiring policies. The amount of unamortized deferred acquisition costs deducted in arriving at the policy reserves was $515,038,000 at December 31, 1991 ($482,667,000 at December 31, 1990).

(h) Net income includes earnings of the participating, non-participating and the health insurance accounts. Earnings applicable to shareholders include net earnings of the non-participating and the health accounts and 2 1/2%, as restricted by law, of the distributions from the participating account.

(i) The Company's net investment in its self-sustaining United States operations is translated using the current rate method. All United States dollar assets and liabilities are translated into Canadian dollars at the December 31, 1991 market rate of $ 1.16 ($1.16 in 1990) and all income and expense items are translated at an average rate of $1.15 ($1.17 in 1990). The provision for unrealized loss of $52,543,000 ($53,920,000 in 1990) on foreign currency translation of the Company's net investment in its United States operations is recorded in the capital stock and surplus section of the Consolidated Balance Sheet.

Note 2. Reclassification of Prior Year's Figures

In order to comply with accounting recommendations that are expected to apply to the Company in 1992, amounts previously included in "other items" in the Summary of Consolidated Operations are now included in the specific income and expense lines to which they apply. The 1990 comparative figures have been reclassified to conform with the 1991 presentation.

The following is a summary of those amounts which would have been classified as "other items":

	1991		1990	
Attributable to:	**Participating Policy-holders**	**Share-holders**	Participating Policy-holders	Share-holders
	(000)	**(000)**	(000)	(000)
Net realized and unrealized loss on assets (*note 2a*)	**$ (4,531)**	**$ (33,661)**	$ (6,328)	$ (46,108)
Realization of income tax adjustments applicable to prior years (*note 2b*)	**2,213**	**19,616**	1,602	9,720
Release of prior years' premium tax provision	**–**	**–**	–	4,376
Changes in policy and other reserves	**–**	**–**	(31)	5,759
	$ (2,318)	**$ (14,045)**	$ (4,757)	$ (26,253)
	$ (16,363)		$ (31,010)	

(a) Net realized and unrealized loss on assets in 1991, net of income taxes of $21,822,000 ($20,446,000 in 1990) include the results of:
  (i) write-down of assets
  (ii) all disposals of assets of the accident and health account.

(b) Realization of income tax adjustments applicable to prior years includes:
  (i) realization of income tax benefits from loss carry-forwards and other timing differences
  (ii) prior years' income tax adjustments.

Note 3. Capital Stock

		1991	1990
		(000)	(000)
Authorized			
50,000,000	Preferred Shares, par value of $25		
50,000,000	Common Shares, par value of $1		
Issued and Outstanding			
89,519	Series A, 7.70% Cumulative Preferred Shares	**$ 2,238**	$ 2,328
4,000,000	Series B, 7.80% Cumulative Preferred Shares	**100,000**	100,000
6,965,405	Series C, D and E 7.125% United States dollar Cumulative Redeemable Auction Perpetual Preferred Shares	**174,000**	174,000
3,000,000	Series F and G 7.89% Cumulative Redeemable Auction Perpetual Preferred Shares	**75,000**	–
2,000,000	Common Shares	**2,000**	2,000
		$ 353,238	$ 278,328

By supplementary letters patent dated October 31, 1991, the authorized capital of the Company was increased from $550,000,000 to $1,300,000,000 by the creation of 30,000,000 Preferred Shares, issuable in series, of the par value of $25 each.

During 1991, the Company purchased for cancellation 3,600 Series A, 7.70% cumulative preferred shares on the open market in accordance with the stated purchase obligation.

The Series B 7.80% Cumulative Preferred Shares are redeemable at the option of the Company on or after December 31, 1991. These Shares are retractable at the option of the holder, subject to requisite statutory approval, on December 31, 1993 at par.

The Series C, D, and E United States dollar Cumulative Redeemable Auction Perpetual Preferred Shares were issued at an initial period dividend rate of 7.125%. Series C, 2,786,162 shares, Series D, 2,786,162 shares and Series E, 1,393,081 shares have initial periods of 3, 5 and 7 years respectively, and are redeemable at the option of the Company, subject to requisite statutory approval for an amount of $21.535 United States dollars per share on March 31, 1993, March 31, 1995 and March 31, 1997 respectively.

On August 1, 1991, the Company issued 3,000,000 Series F and G, 7.89% Cumulative Redeemable Auction Perpetual Preferred Shares, at a par value of $25. Both series of these shares will have an initial dividend term expiring December 31, 1996. The shares are redeemable at the option of the Company, subject to the requisite statutory approval on December 31, 1996, or thereafter on any dividend payment date following the end of a dividend term.

Note 4. Appropriation of Surplus

Appropriated surplus represents reserves required by the Office of the Superintendent of Financial Institutions:

	1991	1990
	(000)	(000)
Participating account:		
Investment valuation reserve	**$ 33,993**	$ 33,286
Reserve for cash value deficiencies and amounts of negative reserves	**31,117**	36,370
Reserve for miscellaneous assets	**15,295**	13,204
Total	**$ 80,405**	$ 82,860
Non-participating and health accounts:		
Investment valuation reserve	**$ 76,043**	$ 84,370
Real estate appraisal valuation reserve	**105,627**	101,532
Reserve for cash value deficiencies and amounts of negative reserves	**189,003**	150,025
Reserve for accounting basis differences of United States life insurance subsidiary (note 4a)	**268,953**	170,222
Reserve for miscellaneous assets	**67,077**	95,244
Total	**$ 706,703**	$ 601,393

(a) The substantial growth of the United States life insurance subsidiary requires an appropriation of surplus for the difference between the net value of the subsidiary on a United States statutory basis and the consolidated value (note 1a). Other components of the Appropriation of Surplus were substantially reduced in 1991, as a result of this growth.

Note 5. Pension Plans

The Company maintains contributory and non-contributory pension plans for certain of its employees and agents. The plans provide pensions based on length of service and final average earnings.

Actuarial valuation reports were prepared during 1991 for the United States plan. In Canada, the last triennial actuarial valuation was for the year ended December 31, 1989. For 1991, actuarial estimates were made based on the 1989 report.

The estimated present value of accumulated benefits at December 31, 1991 is $227,572,000 ($227,713,000 in 1990). The net assets available to provide for these benefits as of December 31, 1991 is $260,368,000 ($248,202,000 in 1990).

The cumulative difference between the amounts expensed and the funding contributions has been reflected in the balance sheet in Other Assets and amounts to $2,972,000 ($1,352,000 in 1990).

Note 6. Related Party Transactions

Transactions with related parties consist mainly of the provision of insurance benefits to other companies within the Power Corporation of Canada group of companies. In all cases, such transactions are made in the normal course of business and at competitive prices.

Note 7. Income Taxes

The Company's effective income tax rate is made up as follows:

	1991	1990 (Note 7a)
Combined basic Canadian federal and provincial tax rate	**43.0 %**	44.1 %
Increase (Decrease) in the income tax rate resulting from:		
Adjustment of deferred taxes to a present value basis	**.8**	(3.5)
Tax exempt dividends on stocks	**(4.6)**	(4.9)
Tax exempt portion of capital gains	**(2.3)**	(3.6)
Lower effective tax rates on income not subject to tax in Canada	**(15.6)**	(19.3)
Investment income tax	**2.3**	2.3
Large corporation tax	**1.5**	1.2
Miscellaneous	**4.0**	1.2
Effective income tax rate applicable to current year	**29.1 %**	17.5 %
Increase (Decrease) in the income tax rate resulting from prior years' tax adjustments	**(11.6)%**	(6.5)%
Effective income tax rate	**17.5%**	11.0%

(a) The 1990 comparative figures include reclassifications referred to in note 2.

Changes to the United States Internal Revenue Code could result in significant increases in income taxes payable by Canadian life insurance companies carrying on business in the United States. The Company has reflected the impact of these changes in the financial statements. The changes to the Code continue to be unclear.

The Company has received income tax reassessments for significant amounts from Revenue Canada, for the years 1985 and 1986. The Company and its advisors disagree with Revenue Canada's position in relation to these reassessments. These reassessments are being appealed. It is the opinion of the Company that the financial statements include appropriate provisions for Canadian Income Tax.

Note 8. Financial Instruments

In the normal course of managing the Company's exposure to fluctuations in interest rates and foreign exchange rates, the Company is a party to various financial instruments which are not reflected in the financial statements.

The financial instruments reported below represent various degrees and types of risks, including credit, interest rate, foreign exchange rate and liquidity risk. In the opinion of management, there are no material commitments or contingencies which represent unusual risks and no material losses are anticipated as a result of these transactions. The amounts reported are expressed in terms of the notional or contractual amounts which are a significant multiple of the actual credit or market exposure.

	1991 (000)	1990 (000)
Interest rate swaps	**$ 558,604**	$ 427,298
Repurchase commitments	**411,211**	241,596
Foreign currency swaps	**229,532**	139,075
Interest rate futures	**116,232**	312,272
Forward rate agreements	**14,500**	81,200
Totals	**$ 1,330,079**	$ 1,201,441

Note 9. Contingent Liabilities

The Company has, in the normal course of business, a number of outstanding claims. The contingent liability in respect of these claims is not considered to be of material amount.

Note 10. Change in Accounting Basis

The new federal Act regulating insurance companies is expected to come into effect in 1992. A provision of this Act specifies that financial statements are to be prepared in accordance with generally accepted accounting principles.

The most significant feature will be the adoption of the Policy Premium Method of reserve calculation. The Company estimates that this new basis of accounting will give rise to a favourable conversion adjustment of approximately $15,000,000, and that net income in 1992 and in future years will not be materially affected.

Valuation Actuary's Certificate

To the Policyholders, Shareholders and Directors of The Great-West Life Assurance Company

I have made the valuation of the policy benefit liabilities of The Great-West Life Assurance Company and its consolidated life insurance company subsidiary, Great-West Life & Annuity Insurance Company, for the consolidated balance sheet at December 31, 1991 and the summary of consolidated operations for the year then ended. In my opinion: i) the valuation conforms to the Recommendations for Insurance Company Financial Reporting of the Canadian Institute of Actuaries; ii) the amount of the policy benefit liabilities makes proper provision for future payments under the Companies' policies; iii) a proper charge on account of those liabilities has been made in the summary of consolidated operations; iv) the amount of surplus appropriation for policies whose cash value exceeds the policy benefit liability is proper; and v) the methods used do not differ materially from those used in the prior valuation.

D. E. Morrison

D.E. Morrison, F.S.A., F.C.I.A., M.A.A.A.
Senior Vice-President and Actuary

January 30, 1992

Auditors' Report

**To the Policyholders, Shareholders and Directors,
The Great-West Life Assurance Company**

We have audited the consolidated balance sheets of The Great-West Life Assurance Company as at December 31, 1991 and 1990 and the summaries of consolidated operations, the consolidated statements of surplus and the consolidated statements of changes in financial position for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1991 and 1990 and the results of its operations and the changes in its financial position for the years then ended in accordance with the accounting practices described in Note 1 to the financial statements.

Deloitte & Touche

Chartered Accountants

Winnipeg, Manitoba
January 30, 1992

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Deputy Chairman,
Power Corporation of Canada

Dr. Walter Curlook * ≈ †
Vice-Chairman,
Inco Ltd.

Orest T. Dackow * ≈ +
President of the Company

Paul Desmarais, C.C.
Chairman of the Board and Chief Executive Officer,
Power Corporation of Canada

Paul Desmarais, Jr. * « ≈ + ~
Chairman,
Power Financial Corporation;
Vice-Chairman,
Power Corporation of Canada

Robert G. Graham * « ~ +
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Robert Gratton * « ≈ + ~
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Charles H. Hollenberg, M.D., O.C. * ≈
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President,
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« Member Canadian Investment and Credit Committee
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+ Member United States Executive Committee
~ Member United States Investment and Credit Committee
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