Report of the Valuation Actuary

I have made the valuation of actuarial liabilities of The Mutual Life Assurance Company of Canada for its balance sheet at December 31, 1982 and its statement of operations for the year then ended. In my opinion, (i) the valuation conforms to Recommendations for Insurance Company Financial Reporting of the Canadian Institute of Actuaries, (ii) the amount of the actuarial liabilities in the balance sheet makes proper provision for the obligations payable in the future under the Company's contracts, (iii) a proper charge on account of those liabilities has been made in the statement of operations, and (iv) the amount included in the reserve for contingencies to cover the excess of cash surrender values over actuarial liabilities is proper.

D. C. MacTAVISH, F.S.A., F.C.I.A., *Chief Actuary*
January 19, 1983

Auditors' Report to the Directors and Policyholders

We have examined the balance sheet of The Mutual Life Assurance Company of Canada as at December 31, 1982 and the statements of operations, reserve for valuation of investments and other assets, reserve for contingencies and unappropriated retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. Securities representing the Company's investments in bonds and stocks were verified by actual inspection or by certificates from the depositaries. We have accepted the actuarial liabilities in the amount determined and certified by the valuation actuary.

In our opinion, based on our examination and our reliance on the report of the valuation actuary, these financial statements present fairly the financial position of the Company as at December 31, 1982 and the results of its operations for the year then ended in accordance with accounting practices as set out in note 1 to the financial statements applied on a basis consistent with that of the preceding year. These accounting practices are acceptable to the Department of Insurance of Canada.

THORNE RIDDELL, *Chartered Accountants*
Kitchener, Ontario, January 19, 1983

The report will be presented at the 113th Annual Meeting which will be held at the Company's head office in Waterloo, Ontario, on February 23, 1983, at 1:30 p.m.

As a policyholder, you are eligible to attend the meeting. If you are unable to be present, a report of the proceedings will be available on request from The Mutual Life Assurance Company of Canada, Waterloo, Ontario, or any of our branch offices.

Board of Directors

JOHN H. PANABAKER, LL.D.,
Chairman and Chief Executive Officer, Kitchener, Ont.[1]
J. V. MASTERMAN, F.S.A., F.C.I.A.,
President and Chief Operating Officer, Waterloo, Ont.[1]
K. R. MacGREGOR, F.S.A., F.C.I.A., *Chairman of the Executive Committee, Waterloo, Ont.*[1]
W. HAROLD REA, C.M., F.C.A., LL.D.,
Vice-President, Toronto, Ont.[1]

W. M. ANDERSON, C.A., *Vancouver, B.C.*[2]
W. A. BEAN, C.B.E., *Waterloo, Ont.*[1,3]
AGNES M. BENIDICKSON, LL.D., *Ottawa, Ont.*
J. T. BLACK, C.A., LL.D., *Oakville, Ont.*[3]
G. H. BLUMENAUER, *Oakville, Ont.*[2]
HON. S. L. BUCKWOLD, LL.D., *Saskatoon, Sask.*[3]
R. W. COOPER, *Hamilton, Ont.*[1,3]
PIERRE CÔTÉ, C.M., *Québec, Qué.*[1,3]
C. WILLIAM DANIEL, *Toronto, Ont.*
EDOUARD FISET, O.C., F.R.A.I.C., *Montréal, Qué.*
WILLIAM JAMES, *Toronto, Ont.*[3]
B. C. MATTHEWS, A.M., Ph.D., D.U., LL.D., *Waterloo, Ont.*
ARTHUR H. MINGAY, *Toronto, Ont.*[2]
H. J. S. PEARSON, *Edmonton, Alta.*[1,3]
G. D. STANFIELD, *Halifax, N.S.*[2]
W. J. STENASON, *Calgary, Alta.*[2]

1 Member of the Executive Committee
2 Member of the Audit Committee
3 Member of the Compensation Committee

Honorary Directors

N. R. CRUMP, C.C., LL.D., *Calgary, Alta.*
H. L. McCULLOCH, *Cambridge, Ont.*
J. S. PROCTOR, LL.D., *Toronto, Ont.*

Divisional Officers

D. R. WINHOLD, F.S.A., F.C.I.A.,
Senior Vice-President and Treasurer
ANDRÉ ANDERSON,
Vice-President (Individual Insurance)
D. A. MacINTOSH, *Vice-President (Corporate Services)*
D. A. POST, F.L.M.I., *Vice-President (Group Insurance)*
L. G. SHAPANSKY, C.L.U., *Agency Vice-President*

Corporate Staff Officers

R. M. ASTLEY, F.S.A., F.C.I.A., *Vice-President (Corporate Planning and Development)*
C. GINGRAS, *Vice-President and General Counsel*
D. C. MacTAVISH, F.S.A., F.C.I.A., *Chief Actuary*
D. E. WEAVER, F.L.M.I., *Secretary*

Mutual Life of Canada

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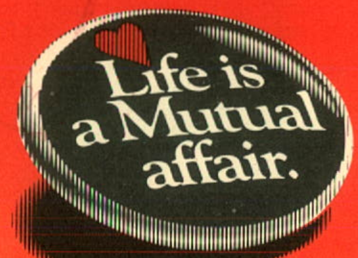
The Mutual Life Assurance Company of Canada

annual report 1982



Notes to Financial Statements

1. Accounting policies

The Company is registered under the Canadian and British Insurance Companies Act and that Act, administered by the Department of Insurance of Canada, governs its financial reporting. Further information in this note pertains to life insurance and annuity operations only. The treatment of some of the items for health insurance operations is different but the financial effect is not material.

a) Bonds and mortgage loans

Investments in bonds and mortgage loans are carried at amortized cost plus or minus the unamortized balance of losses or gains on sales since January 1, 1978 of such securities. The difference between the proceeds on the sale of a bond, debenture, or mortgage and its amortized cost is considered to be an adjustment of future portfolio yield, deferred on the balance sheet and amortized over the lesser of twenty years or the period to maturity of the security sold.

b) Common and preferred stocks

Investments in common and preferred stocks are carried at cost plus or minus a bulk adjustment. This bulk adjustment reflects realized losses or gains since January 1, 1978 and the difference between market value and book value (including previous bulk adjustments) of the stock portfolio. Seven per cent of the outstanding balance of the realized gains or losses plus seven per cent of the difference between market value and book value (including previous bulk adjustments) is taken into income.

c) Real estate held for production of income

Real estate held for production of income is carried at cost less accumulated depreciation and less mortgage encumbrances. Depreciation on leaseback properties is provided at rates determined by the terms of the leases. Depreciation on other buildings is calculated on the straight line basis at 2½% per annum.

d) Office premises and equipment

Office premises and equipment are carried at cost less accumulated depreciation. Depreciation on office premises is calculated on the straight line basis at 2½% per annum while depreciation on equipment is calculated on the straight line basis at varying rates to amortize the cost of the assets over their estimated useful life.

e) Segregated investments for variable benefit contracts

Segregated investments for variable benefit contracts are carried at market value.

f) Investment in and loans to affiliated corporations

Affiliated corporations include corporations in which the Company has at least a 50% share interest. The investment in affiliated corporations is accounted for using the equity method.

The excess of the purchase price of Association Life Insurance Company, Inc., over statutory value as at the date of acquisition will be amortized over a ten-year period commencing in 1983. This excess has been appropriated from retained earnings as a reserve in accordance with the requirements of the Department of Insurance of Canada.

g) Actuarial liabilities

Actuarial liabilities are the amounts which, together with future premiums and investment income, provide for future obligations under insurance and annuity contracts. The "1978 Canadian Method" of valuation has been used. Within certain limits, the Method spreads the cost of acquiring new business over the premium paying period. It requires actuarial assumptions of interest, mortality, expenses, withdrawal, and other contingencies to be appropriate to the contracts in force.

h) Income taxes

The income tax charge against operations is the amount estimated to be currently payable and does not take into account any deferral of taxes.

i) Currency

United States currency is included at the rate of $1.10 Canadian to the U.S. dollar except with respect to variable benefit contracts where current exchange rates are used.

2. Cash and short term investments

The distribution of these items is as follows:

	December 31 1982	1981
	(in thousands)	
Cash	$ (13,238)	$ 4,538
Bank instruments–marketable	101,715	257,417
–non-marketable	135,700	22,523
Government instruments	72,813	685
	$296,990	$285,163

3. Bonds

The distribution of bonds is as follows:

	December 31 1982	1981
	(in thousands)	
Government of Canada bonds	$ 287,431	$ 210,168
Provincial, other government, and municipal bonds	314,882	230,995
Public utility, industrial, and other bonds	806,992	717,270
	$1,409,305	$1,158,433

The value of bonds includes $56,383,000 ($47,896,000 in 1981) to reflect unamortized losses on sales.

The principal amount of bonds in default as to principal or interest as at December 31, 1982 is approximately $1,000,000 (nil in 1981).

4. Common and preferred stocks

The value of stocks has been decreased by the bulk adjustment of $57,639,000 ($46,479,000 in 1981).

5. Mortgage loans

The distribution of mortgage loans is as follows:

	December 31 1982	1981
	(in thousands)	
CMHC insured loans	$ 299,468	$ 291,715
Other insured loans	195,443	207,728
Conventional loans	980,544	940,468
	$1,475,455	$1,439,911

The principal amount of mortgage loans more than three months in arrears as at December 31, 1982 is approximately $30,000,000 ($35,000,000 in 1981). No significant losses are expected.

6. Real estate held for production of income

The value is determined as follows:

	December 31 1982	1981
	(in thousands)	
Original cost	$196,736	$150,963
Accumulated depreciation	(25,691)	(23,543)
Mortgage encumbrances	(39,975)	(27,605)
	$131,070	$ 99,815

7. Loans on policies

The distribution of loans on policies is as follows:

	December 31 1982	1981
	(in thousands)	
Loans secured by policy values	$286,271	$273,893
Loans secured by annuity payments	24,815	25,914
	$311,086	$299,807

8. Investment in and loans to affiliated corporations

These corporations are Mississauga Executive Enterprises Limited (50% owned), Association Life Insurance Company, Inc., Executive Financial Counselling Limited, MLC Oil and Gas Ltd., Mu-Cana Data Services Ltd., Mu-Cana Investment Counselling Ltd., and RDC Property Services Limited (all wholly owned).

Investments in and loans to affiliated corporations are as follows:

	December 31 1982	1981
	(in thousands)	
Association Life Insurance Company, Inc.	$ 15,190	$
MLC Oil and Gas Ltd.	14,570	390
Mississauga Executive Enterprises Limited	6,157	6,035
Other affiliated corporations	108	94
	$ 36,025	$ 6,519

Association Life Insurance Company, Inc., located in Milwaukee, Wisconsin was acquired on October 27, 1982. Financial particulars of this acquisition are as follows:

	as at October 27, 1982 (in thousands)
Assets acquired	$34,686
Liabilities assumed	26,797
Statutory value	7,889
Excess of purchase price over statutory value	7,370
Purchase price	$15,259

9. Actuarial liability for insurance and annuity contracts

The distribution of the actuarial liability is as follows:

	December 31 1982	1981
	(in thousands)	
Life insurance	$ 957,654	$ 970,833
Health insurance	131,151	102,403
Annuities	1,957,594	1,636,406
	$3,046,399	$2,709,642

The valuation method used makes allowance for deferred acquisition costs of $121,853,000 ($116,595,000 in 1981).

10. Reserve for valuation of investments and other assets

The Department of Insurance of Canada requires that certain minimum amounts be appropriated from retained earnings as reserves against assets. These are as follows:

	December 31 1982	1981
	(in thousands)	
Reserve for valuation of investments	$44,656	$45,760
Reserve for excess of purchase price of subsidiaries over statutory value	7,370	
Reserve for other assets		
Furniture, fixtures, and equipment	5,297	4,502
Leasehold improvements	950	874
Amounts paid in advance to agents	4,822	4,411
Health insurance premiums outstanding for more than 90 days	87	116
	11,156	9,903
Total required reserve	63,182	55,663
Credit with respect to foreign currency valuation	18,621	8,915
Net required reserve	$44,561	$46,748

If current rates of exchange had been used in valuing assets and liabilities, retained earnings would have been increased by the amount shown above for credit with respect to foreign currency valuation. However, the net required reserve would also have been increased by a corresponding amount.

Amounts appropriated in excess of the statutory requirements provide additional protection against market and currency fluctuations.

11. Reserve for contingencies

The Department of Insurance of Canada requires that excesses of current cash values over actuarial liabilities, computed using the 1978 Canadian Method of Valuation, be appropriated from retained earnings. This amounted to $42,780,000 ($40,856,000 in 1981). Amounts appropriated in excess of the statutory requirement provide protection against abnormal claims fluctuations.

12. Unappropriated retained earnings

Included in unappropriated retained earnings is $2,274,000 ($1,437,000 in 1981) in segregated funds for variable benefit contracts.

13. Investment income

Investment income consists of the following:

	For the Year 1982	1981
	(in thousands)	
Interest, dividends, and net rents	$449,172	$376,997
Gains from stocks	10,499	11,470
Amortized losses from bonds and mortgage loans	(5,830)	(5,188)
Investment expenses	(10,740)	(9,035)
	$443,101	$374,244

14. Other income for variable benefit contracts

This item represents all realized and unrealized capital gains and losses and sundry income for variable benefit contracts.

15. Health insurance benefits

In addition to the benefits shown, the Company paid $21,563,000 in health claims on behalf of clients under administrative services contracts ($13,065,000 in 1981).

16. Company pension plans

The unfunded liability under the staff pension plan is $640,000 (nil in 1981).

Statement of Operations

	For the Year 1982	1981
	(in thousands)	
INCOME		
Premiums for		
Life insurance	$ 227,993	$ 213,455
Health insurance	126,190	108,596
Annuities	404,941	532,603
	759,124	854,654
Investment income *(note 13)*	443,101	374,244
Other income for variable benefit contracts *(note 14)*	53,863	(39,316)
	1,256,088	1,189,582
THIS INCOME WAS USED FOR		
Payments to policyholders and beneficiaries		
Death and disability benefits	73,486	67,758
Health insurance benefits *(note 15)*	88,576	78,631
Maturity and surrender values	204,490	192,768
Annuities	109,487	68,114
Interest on amounts on deposit	29,584	23,965
Dividends	78,733	70,222
	584,356	501,458
Increase in actuarial liability for insurance and annuity contracts	336,757	489,080
Increase in liability for variable benefit contracts	157,213	13,351
Increase in provision for dividends to policyholders in the following year	1,997	11,167
General expenses and business taxes	139,911	117,860
Income and premium taxes	4,510	11,030
	1,224,744	1,143,946
OPERATING INCOME FOR THE YEAR	31,344	45,636
Adjustment in United States dollar exchange rate		6,042
NET INCOME FOR THE YEAR	$ 31,344	$ 51,678
ALLOCATED AS FOLLOWS		
Reserves for		
Valuation of investments and other assets	$ 7,000	$ 16,500
Contingencies	13,500	11,500
Unappropriated retained earnings	10,844	23,678
	$ 31,344	$ 51,678

Balance Sheet

	December 31 1982	1981
	(in thousands)	
ASSETS		
Cash and short term investments *(note 2)*	$ 296,990	$ 285,163
Bonds *(note 3)*	1,409,305	1,158,433
Common and preferred stocks *(note 4)*	154,186	147,324
Mortgage loans *(note 5)*	1,475,455	1,439,911
Real estate held for production of income *(note 6)*	131,070	99,815
Office premises and equipment	35,281	29,074
Loans on policies *(note 7)*	311,086	299,807
Segregated investments for variable benefit contracts	494,794	336,744
Investment in and loans to affiliated corporations *(note 8)*	36,025	6,519
Accrued investment income	80,871	64,440
Premiums in course of collection	13,391	11,537
Other assets	8,972	7,417
	$4,447,426	$3,886,184
LIABILITIES		
Actuarial liabilities		
Insurance and annuity contracts *(note 9)*	$3,046,399	$2,709,642
Variable benefit contracts	492,520	335,307
Policy benefits in course of payment and provision for unreported claims	35,254	34,450
Provision for dividends to policyholders in the following year	88,064	86,067
	3,662,237	3,165,466
Policy proceeds, dividends, and other amounts on deposit	280,050	251,711
Income and premium taxes payable	2,794	4,780
Other liabilities	39,115	32,341
	3,984,196	3,454,298
RETAINED EARNINGS		
Reserves for		
Valuation of investments and other assets *(note 10)*	98,500	91,500
Contingencies *(note 11)*	129,000	115,500
Unappropriated retained earnings *(note 12)*	235,730	224,886
	463,230	431,886
	$4,447,426	$3,886,184

Statement of Reserve for Valuation of Investments and Other Assets

	For the Year 1982	1981
	(in thousands)	
Balance at beginning of year	$ 91,500	$ 75,000
Allocation of net income for the year	7,000	16,500
Balance at end of year	$ 98,500	$ 91,500

Statement of Reserve for Contingencies

	For the Year 1982	1981
	(in thousands)	
Balance at beginning of year	$115,500	$104,000
Allocation of net income for the year	13,500	11,500
Balance at end of year	$129,000	$115,500

Statement of Unappropriated Retained Earnings

	For the Year 1982	1981
	(in thousands)	
Balance at beginning of year	$224,886	$201,208
Allocation of net income for the year	10,844	23,678
Balance at end of year	$235,730	$224,886

J. H. PANABAKER
Chairman and Chief Executive Officer

J. V. MASTERMAN
President and Chief Operating Officer

Report of the Board of Directors

Your Directors are pleased to present the 113th annual report to policyholders, together with the reports of the valuation actuary and the auditors.

The Company's results for 1982 were satisfactory in a year marked by severe unemployment, persistent inflation and, for our industry, an uncertain tax framework.

Both individual and group life insurance sales were very buoyant, and total life insurance protection in force increased by over $5 billion. Annuity premium income declined as expected, because of changes in the method of taxing a number of annuity products.

Operating income was lower in 1982. This resulted from the economic environment, narrower interest margins on annuity products, and the costs associated with the increase in new business and with the increased demand for service and modification of existing policies. A recovery in operating income is anticipated in 1983 and the dividend scale for individual policies remains unchanged.

Assets of the Company continue to grow strongly, reaching $4.4 billion by year end. The Company's investments are of high quality, and no unusual losses have been sustained.

In October, Association Life Insurance Company, Inc., of Milwaukee, Wisconsin, became a wholly-owned subsidiary of the Company.

Dr. B. C. Matthews of Waterloo was elected to the Board at the last annual meeting. Following that meeting, Mr. J. H. Panabaker was elected Chairman of the Board and Chief Executive Officer, Mr. J. V. Masterman, President and Chief Operating Officer, and Mr. K. R. MacGregor, Chairman of the Executive Committee.

It was with profound regret that we learned of the sudden death on November 2, 1982, of Dr. J. D. Leishman of Vancouver who had served as a director since 1959.

On behalf of the Board, we would like to thank you for your continuing confidence and support, and to thank the staff and field force in all parts of Canada whose efforts contribute so much to the Company's ongoing success.

Respectfully submitted on behalf of the Board.

J. H. PANABAKER
Chairman and
Chief Executive Officer

J. V. MASTERMAN
President and
Chief Operating Officer

Highlights of the 113th Annual Report

		1982 (in thousands)	1981	% Change
New life insurance sold	**Individual**	$ 4,052,697	$ 2,951,934	37.3
	Group	1,178,191	815,323	44.5
	Total	$ 5,230,888	$ 3,767,257	38.9
The face value of new life insurance protection provided during 1982 under 70,615 individual policies, and under new or increased group plans for clients' employees. In addition, 36,378 individual annuity contracts were arranged.				
Life insurance in force at December 31	**Individual**	$18,873,862	$15,140,998	24.7
	Group	12,713,870	11,329,232	12.2
The total death benefits guaranteed under all our life insurance contracts.	**Total**	$31,587,732	$26,470,230	19.3
New premium income	**Life Insurance**	$ 34,122	$ 27,260	25.2
	Health Insurance	13,132	12,554	4.6
	Annuities	332,864	464,576	–28.4
	Total	$ 380,118	$ 504,390	–24.6
Total premium income		$ 759,124	$ 854,654	–11.2
Includes life insurance premiums (up 7% over 1981); health insurance premiums (up 16%); and annuity premiums (down 24%).				
Total payments to policyholders and beneficiaries		$ 584,356	$ 501,458	16.5
Dividends to policyholders (included above)	**Individual**	$ 65,292	$ 59,163	10.4
	Group	13,441	11,059	21.5
In addition, $2 million was set aside for future dividends.	**Total**	$ 78,733	$ 70,222	12.1
Operating income for the year		$ 31,344	$ 45,636	–31.3
Assets		$ 4,447,426	$ 3,886,184	14.4
Premiums not required to pay current claims and expenses are put to work for the benefit of policyholders, and these investments provide jobs, services and homes for Canadians. Not included in this total are assets of $392.3 million under the management of Mu-Cana Investment Counselling Ltd., the Company's wholly-owned subsidiary.				
Retained earnings		$ 463,230	$ 431,886	7.3
Indicate the financial strength of the Company and include amounts required by the Department of Insurance.				
Net rate of interest earned		11.62%	11.22%	
One measure of the return on investments made over the years.				