

SunLife

OF CANADA

109th Annual Report 1979

Sun Life
Assurance Company
of Canada



AUG 19 1993

Annual Report

The Directors

Thomas M. Galt, F.S.A.

Chairman and Chief Executive Officer
Toronto, Ontario

George F. S. Clarke, F.S.A.

President
Toronto, Ontario

Alistair M. Campbell, F.I.A., F.S.A.

Chairman of the Executive Committee
of the Board
Ottawa, Ontario

Claude Bertrand, C.C., M.D.

Chief Emeritus, Department of Neurosurgery,
Hôpital Notre-Dame, Montréal
Montréal, Quebec

Frank M. Covert, O.B.E., D.F.C., Q.C.

Senior Partner,
Stewart, MacKeen & Covert
Halifax, Nova Scotia

H. Roy Crabtree, C.D.

Chairman and President,
Wabasso Inc.
Montréal, Quebec

Albert L. Fairley, Jr.

Director,
Canadian Imperial Bank of Commerce
Birmingham, Alabama

Jock K. Finlayson

Vice-Chairman,
The Royal Bank of Canada
Montréal, Quebec

J. Peter Gordon

Chairman and Chief Executive Officer,
The Steel Company of Canada, Limited
Toronto, Ontario

ic L. Hamilton

irector,
oyal Trustco Limited
ontreal, Quebec

. Arnold Hart, M.B.E., LL.D., D.C.L., D.C.Sc.

irector and Former Chairman of the Board and
Chief Executive Officer,
Bank of Montreal
ountain, Ontario

uis Hébert, O.C.

ompany Director,
ontreal, Quebec

oward J. Lang, P.Eng.

airman of the Board,
Iron Inc.
ronto, Ontario

ie Rt. Hon. Lord Polwarth, T.D., D.L.

irector,
Bank of Scotland
inburgh, Scotland

Alfred Powis

Chairman and President,
Noranda Mines Limited
Toronto, Ontario

Kathleen M. Richardson, O.C.

Director,
James Richardson & Sons, Limited
Winnipeg, Manitoba

Ian D. Sinclair, O.C., Q.C.

Chairman and Chief Executive Officer,
Canadian Pacific Limited
Montréal, Quebec

J. Herbert Smith, P.Eng., D.Sc.

Consulting Engineer
Toronto, Ontario

John A. Tory, Q.C.

President,
The Thomson Corporation Limited
Toronto, Ontario

Marshall M. Williams

President,
Calgary Power Ltd.
Calgary, Alberta

The Executive Committee

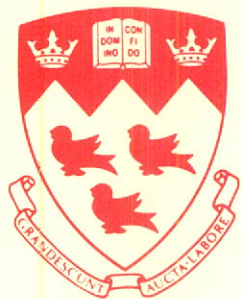
Alistair M. Campbell, Chairman
George F. S. Clarke
Thomas M. Galt
J. Peter Gordon
G. Arnold Hart
Louis Hébert
Howard J. Lang
Alfred Powis
Ian D. Sinclair

The Audit Committee

G. Arnold Hart, Chairman
Alistair M. Campbell
George F. S. Clarke
Thomas M. Galt
J. Peter Gordon
Louis Hébert
Howard J. Lang
Alfred Powis
Ian D. Sinclair

The Nominating Committee

J. Peter Gordon, Chairman
Thomas M. Galt
G. Arnold Hart
Louis Hébert
Alfred Powis
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1979 Highlights

	1979	1978
	\$000	
Total Payments to Policyholders and Beneficiaries	\$ 855,154	\$ 585,351
Dividends to Policyholders	135,638	115,578
Assets, December 31st	7,054,561	6,395,014
Total Revenue for the Year	1,625,962	1,381,972
Life Insurance:		
New Amounts	7,984,519	4,793,419
Amounts in Force	49,526,460	41,900,946
Premiums Received:		
Life Insurance	517,850	457,589
Annuities	227,781	183,895
Health Insurance	98,057	82,225
Segregated Funds	120,275	71,740



The cover illustration has been designed to show the international dimensions of Sun Life's business activities. Featured are the various countries in which the Company pursues active business operations. The drawings on the front cover represent Great Britain, Canada and the United States; those on the back cover, Ireland, Hong Kong, the Philippines, Malta and Bermuda.

Chairman's Address

Annual General Meeting — February 12, 1980



Thomas M. Galt
Chairman and Chief Executive Officer

Photo by Karsh

Ladies and Gentlemen:

It is a pleasure to preside at this 109th Annual Meeting of the Company.

Last June the Company suffered the grievous loss by death of Mr. Gilbert M. Humphrey, who had served as a Director since 1966. Mr. Humphrey had also been a member of the Board of our subsidiary, Sun Life (U.S.), since its formation in January 1970. He was an outstanding citizen of the United States and an internationally recognized business leader. The Board of Sun Life has lost a wise and able Director, an honoured colleague, and a valued friend.

Last November your Directors set up a Nominating Committee, with Mr. Peter Gordon as Chairman, to make recommendations to the Board for the filling of vacancies on the Board or on its committees.

In a few minutes I shall ask the President to report to you on the details of the year's operations. As he will tell you, and you can see from the figures in the Directors' Report, 1979 was a remarkably successful year for the Company.

Whether you look at new sales, insurance protection in force, income, assets, or growth in that figure which probably best measures the extent of our service to our clients, total payments to policyholders and their beneficiaries, the picture is the same — record progress.

If there was one single highlight of the year it was probably the completion of our largest ever group life sale. This provided life insurance coverage on the employees of Rolls-Royce in Britain. The timing of this sale could not have been better as our British Division were able to report it to the Board of Directors when they met in London, England last July. This was the first time our Board had ever met outside of North America. The occasion provided Board Members an opportunity to see our London headquarters and meet many of those who look after our British operations.

In addition to producing record operational results, 1979 saw the Company complete a major change in its management structure. With the move of the Head Office to Toronto, we concluded that it was time to create a distinct headquarters for our Canadian business to complete the reorganization which began in 1973 when we established our United States Headquarters Office near Boston. We had had a similar office for Great Britain and Ireland for many years.

The Board of Directors appointed Mr. Taylor Bradbury to be Senior Vice-President and General Manager for Canada, heading the Canadian organization. The Company's Canadian headquarters are in Montreal, although some Canadian operations will be located in Toronto.

What we now call our Executive Office consists of the President and myself. We need to have at the corporate level highly capable personnel who will direct their efforts to planning, to working with our

National offices in establishing appropriate policies and guidelines, to providing advice to our operating people and to assisting in evaluating performance throughout the Company.

Therefore, we have created a small international Corporate Office in Toronto, which supports the Executive Office.

This reorganization is designed to add strength to the management of Sun Life, to enable us to meet rapidly changing business and economic conditions more effectively, and to give us a better capacity to achieve strong market growth by responding quickly and effectively to the changing needs of our policyholders and of the marketplace.

In the implementation of these changes, we moved about 220 people to Toronto during 1979, including the President and myself. We plan to move approximately 300 more in 1980. This will leave us, by the end of this year, with our corporate headquarters and some Canadian Division functions located in Toronto. These will involve in total about 700 people. We will continue to have a very major presence in Montreal with the bulk of our Canadian Headquarters operations, involving approximately 1,500 staff, in our Montreal Sun Life building.

A year ago at our Annual Meeting, I mentioned that negotiations with Olympia and York Developments Limited were still proceeding with regard to the possibility of our participating in Phase II of First Canadian Place. For the past year that building has been delayed. The developers have, however, now received approval from the Toronto City Council to proceed with the construction of the building and work has begun again on the site. We are once again having conversations with Olympia and York to see whether we will be associated with the project.

As I have reported, the delay involved before a final decision is made on the site of our new building has not disrupted our relocation plans in any way.

In talking about our reorganization and how we expect it to improve our effectiveness, I do not wish to overlook what the Company has achieved in the past.

We are very proud of our past record, and as we are entering a new decade I would like to take a moment to look back over the last ten years.

I have taken some figures from our 1969 Annual Report to compare with 1979.

On new business, our life insurance sales of \$8 billion last year were nearly five times the \$1.7 billion in 1969. Single premium annuity sales were 63 times those of ten years ago, and new health annual premiums were six times those of 1969.

Insurance in force increased from \$17.8 billion to \$49.5 billion. Premiums received were \$964 million compared to \$368 million. Assets more than doubled over the period, and payments to policyholders and their beneficiaries increased 2.7 times.

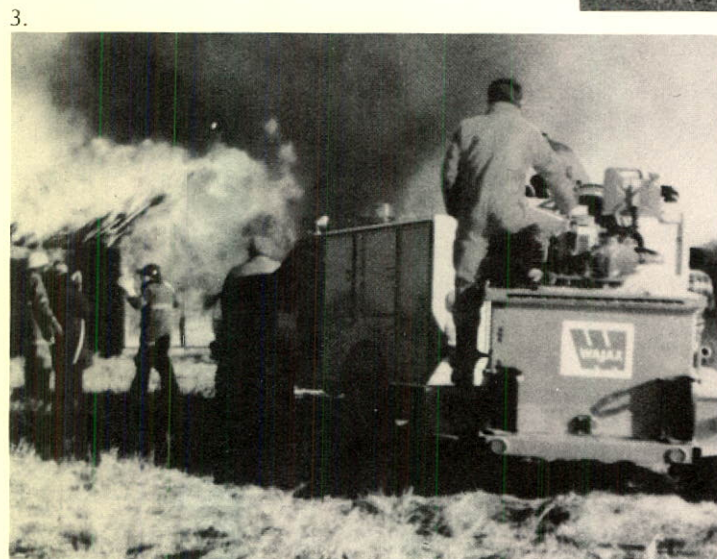
These are just some figures to show the Company's progress in the seventies and I would like to take this opportunity to congratulate and thank all our staff and field personnel who have contributed both to a fine year in 1979 and to this decade of growth.

As one looks ahead today, it is clear that the world faces many political, economic, financial and social problems and uncertainties. It appears likely that inflationary conditions are going to be with us for a number of years, even if one makes the most optimistic assumptions about the determination of governments to control inflation. The effects of increased and still increasing energy costs, particularly in the form of world oil prices, are producing serious inflationary and balance of payments consequences for many countries. A worsening climate of international relations, leading to increased defence expenditures, seems likely also to increase inflationary pressures. This makes it imperative that the struggle against inflation must be continued with all of our available energies.

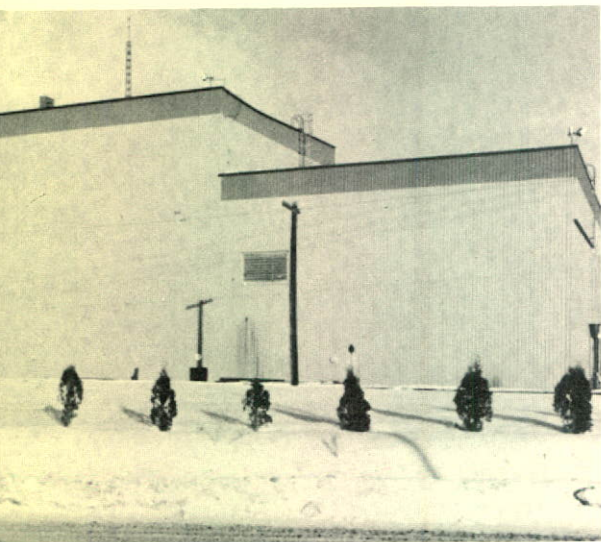
1. Awareness of Sun Life's growing presence in the Prairies was heightened during 1979 by the Manitoba Ladies Sun Life Pro-Am Golf Tournament, believed to have been the first such event of its kind in North America. The Company-sponsored event provided hundreds of women amateurs with the opportunity to vie for a chance to team up with professionals in province-wide competition. Members of 21 clubs played qualifying rounds at their respective courses from June 18-30. The 84 finalists met August 25 at Winnipeg's St. Charles Golf and Country Club. The winners, from the John Blumberg Club, were the team of: (left to right) Doris Gray, pro Al Patterson, Iris Wood and Jean Dupley. Taylor Bradbury (fourth from the left), Senior Vice-President and General Manager for Canada, scheduled a tour of the Company's Winnipeg offices and branches so that he could join Sun Life representatives at the finals.



3. Sun Life participated in an issue of privately placed Sinking Fund Debentures of Wajax Limited. Wajax Limited is a holding company engaged through its subsidiaries in the distribution of equipment and parts for materials handling, mining, construction, utilities, forest fire control and marine fisheries as well as in the manufacture of hydraulic aerial devices, and specialized automotive bodies and trailers.



2. Sun Life continues its policy of seeking to improve the rate of return on its investment portfolio through the purchase of higher yielding securities such as privately placed bonds. In 1979 an investment was made in the bonds of Rivière du Loup Finance Limited, a wholly-owned subsidiary of F.F. Soucy Inc. and Partners. A special purpose corporation, Rivière du Loup Finance Limited was formed to facilitate the financing of the Limited Partnership of F.F. Soucy Inc., which owns and operates a newsprint mill at Rivière du Loup in Québec, F.F. Soucy Inc. is owned by the Bato Company Inc., a specialty newsprint distributor in the United States; the Dow Jones Newsprint Company Inc., a subsidiary of Dow Jones Company Inc.; and Rexfor, a Québec Crown Corporation established to develop Québec's forest industry. This photograph is of the Soucy Mill situated in Rivière du Loup, Québec. The Mill has a production capacity of 44,000 tons of newsprint per annum.



4. In Colchester, England, Sun Life recently purchased Greytown House, a 33,000 square foot office and shop development which adjoins Colchester Town Hall. The upper floors are leased to the Post Office and the Employment Services Agency. The shop units are occupied by two building societies, a job centre, insurance broker and a local drapery.

I could continue to dwell on the problems and uncertainties ahead of us, but that would serve no purpose. There are always problems and uncertainties ahead. There are also always opportunities.

The Sun Life enters the 1980's in a very strong position, both financially and otherwise.

We have a growing sales force, increasing in numbers in each of our main territories of operation, and increasingly well trained.

Our products have been, or are being, revised and improved this year. Together with increased scales of dividends to policyholders which will go into effect April 1st, these will make us even more competitive in our individual products.

Our assets are of excellent quality and well diversified.

Our surplus position and earnings provide very strong protection behind the guarantees in our contracts.

We thus face the future with confidence that the Sun Life is well positioned to cope with the problems and to take advantage of the opportunities which lie ahead.

T.M. Galt
Chairman and Chief Executive Officer

President's Address

Annual General Meeting — February 12, 1980



George F. S. Clarke
President

Photo by Karsh

Mr. Chairman, Ladies and Gentlemen:

I am pleased to present, on behalf of the Directors, the 109th Annual Report of the Company. The year 1979 proved to be an extremely busy and highly successful one for the Company in all areas of activity, highlighted, as the Chairman has mentioned, by the outstanding sales results achieved by the Group Division.

New business results in each of our countries of operation were excellent. Premiums payable on all new business written in 1979 amounted to \$264 million, an improvement of 43% over 1978 results, with all premiums on Group new business showing an increase of 155%.

Total life insurance sales during the year amounted to \$7.9 billion, so that total new life insurance coverage exceeded last year's record amount by 67%. Sales of group life insurance were up 150%. Excluding the very large group policy to which the Chairman has referred, other sales of group life insurance in all countries came to \$2.8 billion, an increase of 65% over last year's total figure. Also ex-

cluding this case, the remaining volume of group life insurance sales in Great Britain showed a gain of more than 260% over 1978. In Canada, our group life insurance sales were 39% ahead of last year, and in the United States, 20%. Sales of individual life insurance in all countries improved by 18%, an increase of 14% in Canada, 23% in the United States, 21% in Great Britain, and 34% in the Far East division, consisting of the Philippines and Hong Kong. I am pleased to report that in the Province of Quebec there has been a marked improvement in our field organization and in both individual and group sales. Sustained efforts on the part of our Quebec sales organizations following a difficult year in 1978 have met with significant success.

Results in annuities and pension business in both individual and group annuity policies were excellent with premiums on new business sold amounting to \$161 million for an increase of 31% over the preceding year.

In addition to sales of contracts with guaranteed benefits, premiums on new business with variable accumulation and investment-linked benefits in 1979 amounted to \$14.7 million. The assets pertaining to this business are held separately from those of our guaranteed policies and show on the balance sheet as Segregated Funds. Transactions relating to these policies are also identified separately in the statement of income.

In health insurance, where our new business is on a group basis only, sales were again excellent in 1979, amounting to \$19.9 million of premiums for a substantial increase of 105% compared to 1978. Sales of dental insurance played an important part in this result, and as in new Group life insurance sales, several large national and multinational organizations have placed their business with us.

Last year, in addition to sales of variable annuity policies, we marketed \$13 million of new annuity premiums through our United States life insurance subsidiary, Sun Life Assurance Company of Canada (U.S.). We are now using this subsidiary life insurance company with respect to most types of new individual annuity business and all new pension business in the

United States. In Britain, sales of investment-linked plans offered by our British life insurance subsidiary, Sun Life Assurance Company of Canada (U.K.) Limited, continued to form an increasingly important part of our British marketing effort with significant new business gains achieved. This subsidiary company is used for all business with investment-linked benefits sold in the United Kingdom. Life insurance benefits are reinsured with the parent company and are included in our normal individual life insurance new business and in force figures.

Business in Force

Total life insurance in force at the end of the year was \$49.5 billion of life insurance coverage, an increase of \$7.6 billion or 18.2% over 1978 for the largest gain we have had. Our annuities provide for current and deferred annual payments of \$406 million compared to \$355 million at last year end. Premiums on health insurance policies in force now amount to \$114 million.

At the year end we had more than 1.6 million individual policies and over 4.5 million certificate holders under group policies, a particularly large increase of 0.45 million in total policies and certificates.

Total premiums received on all business in force came to \$964 million. This represents an increase in all premiums collected during the year of 21%.

Revenue and Expenditure

The Company's total revenue from all sources was \$1,626 million. Apart from premium income, the other main item of revenue is investment income which came to \$525 million, \$91 million more than the Company received in 1978. Our net rate of return from the investment income was 9.04% in 1979, or 62 points ahead of the net rate of return the preceding year.

In expenditures, the largest item was payments to policyholders and beneficiaries amounting to \$855 million. Within this amount \$136 million was in dividends to policyholders, an increase of

\$20 million over dividend payments in 1978. The exceptionally large increase arises from the significant upward revision of dividend scales made on most participating policies last year. Operating expenses at \$204 million show an increase over the figure for last year arising from the growth in our business, a high level of activity in 1979, and the increases in cost which have occurred mainly due to inflation.

Assets and Liabilities

At the year end the Company's assets amounted to \$7.0 billion, 10% higher than a year ago. This figure has been adjusted to take account of a change in the rate of exchange for sterling and the Irish pound. The book rate for these currencies which was at Canadian \$2.20, is now taken at Canadian \$2.40.

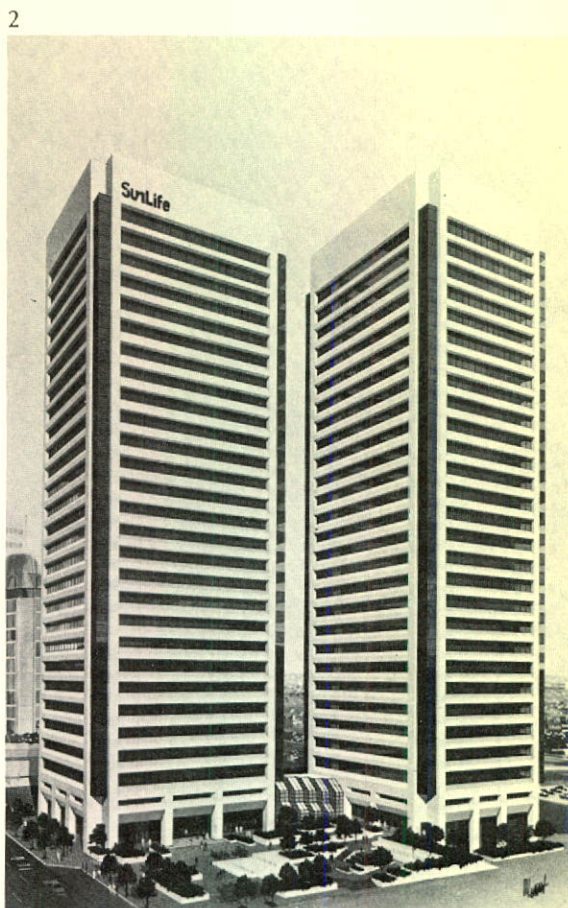
Our investment management subsidiaries, Sun Life of Canada Investment Management Limited operating in Canada, and Suncan Equity Services Company operating in the United States, have more than \$303 million of assets under management. The majority of these assets are qualified pension plans. Total assets of all subsidiaries are now over \$100 million. The Company, therefore, is responsible for the proper management of assets aggregating \$7.4 billion. The quality of these assets is a most important aspect in the fulfillment of this responsibility. I am pleased to report that in 1979, no assets were written down in value on the balance sheet because of impairment.

The Company's net income in 1979, after making provision for dividends to policyholders, was \$117 million. This figure includes a \$5 million adjustment arising from changes in book rates of exchange. Net income in 1978 was \$125 million including a similar currency adjustment of \$49 million. Without currency adjustments 1979's net income was substantially ahead of the preceding year's. From net income, \$52 million was added to Appropriated Surplus and the remainder to Surplus to bring Appropriated Surplus to \$563 million and Surplus to \$787 million at the year end. The Appropriated Surplus includes six specific reserves, and

1. As a part of human resource development, Sun Life has instituted a series of training seminars designed to provide a comprehensive approach to issues faced by senior management personnel. The first of these seminars, designed by Business School faculty members at the University of Western Ontario, in consultation with Company officials, occurred last fall. Participants are chosen from the Company's National organizations and its International Corporate Office.



2. This twin-tower office development, shown as an artist's rendering, will become the new Sun Life Centre in Calgary, Alberta. Construction is scheduled to start early in 1980 with completion of both towers targeted for 1982. This major real estate investment, committed for during 1979, supports the expansion of the Company's business interests in Calgary through its group and ordinary sales operations and its investment activities.



3. Mortgage financing provided to Itek Corporation covers a 61,200 square foot manufacturing facility in Nashua, New Hampshire and certain of its equipment. Itek is a major producer of sophisticated graphic products, computerized phototypesetters, and is the world's leading supplier of advanced radar warning systems. In addition, Itek produces highly advanced photographic and electronic imaging systems for reconnaissance, space exploration and earth survey.



you will note a \$10.25 million transfer from Health Contingency Reserve to Surplus Appropriated for Fluctuation in Security Values. We started in 1978 to transfer this reserve over a ten-year period, but to reflect better the higher Group Long Term Disability liability carried in the Health Fund, it was decided to complete the transfer in 1979.

Dividends

Our outstanding 1979 results have made possible substantial increases in our dividend scales in Canada, the United States, Great Britain, and the Far East. These scales, as I have mentioned, were increased significantly last year. The new scales, effective April 1, 1980, providing the largest total increase in any one year of the Company's history, will further strengthen our competitive position in these markets.

Operations

As a result of intensive research and development over the past eighteen months, we introduced a complete revision of our Canadian individual policy portfolio at the beginning of the year. Major product revisions will be introduced, as well, in both the United States and Great Britain later on this year.

The revised Canadian product portfolio has been designed to reflect current conditions with respect to mortality experience, investment returns, and policy acquisition and maintenance expenses as well as the consumer preference indicated by changes in life insurance buying patterns. At the same time, we believe that it anticipates marketing conditions expected to prevail in the 1980's.

In addition to the realignment of many benefits, new simplified policy language has been introduced so that the buyer can readily understand the provisions of his or her policy. The simplification process has reduced substantially the length of our Canadian policy forms. These forms are, we think, as progressive as any which exist in the industry at the present time.

A new Survivor Income Plan expresses the guaranteed benefit as a monthly income rather than as a stated face amount. The benefit has a built-in escalation factor

of 3% per annum, both before and after the death of the insured. The guaranteed income will be increased should annuity rates at the time of death be better than those guaranteed. Since our studies show that 75% of life policies are bought to replace the income of the life insured, this new policy should prove to be attractive to many buyers of life insurance. An interesting feature in the plan is the option to choose either level premiums or premiums which start lower and then grade up over the first ten years of the policy, if purchasers should wish to reflect normal increases in their income.

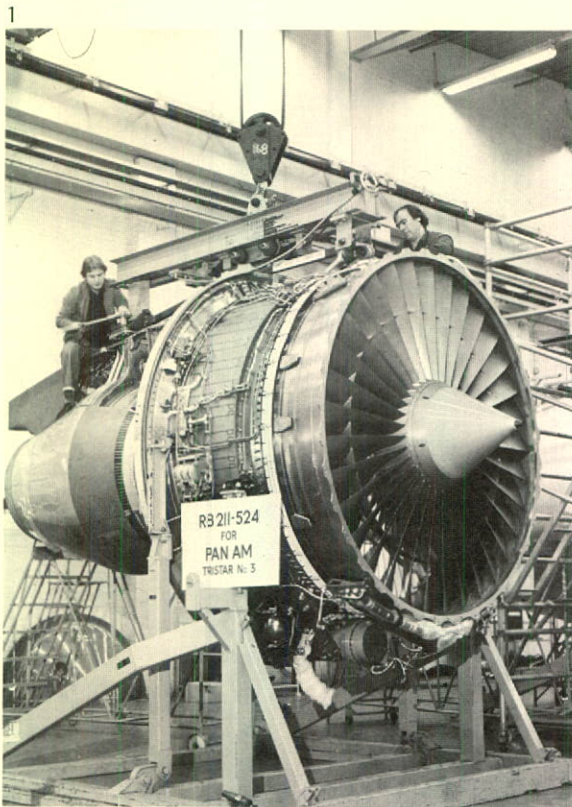
Other revisions include special five-year Renewable Term Benefits and a new Level Term to Age 65 Benefit, plans which are designed to strengthen our position in the Canadian term insurance market.

With a new product line and an improved dividend scale, we intend to achieve our objective of increasing our share of the Canadian life insurance market.

The Company's investment operations in 1979 were marked by a high level of activity in property investments. A substantial volume of new mortgages, particularly in Canada, was added to our portfolio as commitments made previously at attractive rates of interest fell due. As well, a number of attractive property acquisitions have increased the size of our holdings of real estate significantly.

An interesting feature of our activity in mortgages was a number of new commitments which we made for mortgages secured on shopping centres in smaller communities. For example, we have a \$4 million commitment in Canada on an enclosed shopping mall in La Tuque, Quebec, and one for \$6 million in the United States on a shopping centre in Aurora, Colorado. In the property field, our largest single commitment in 1979 is in Calgary where we are developing a twin-tower office complex of twenty-six storeys each, with net rentable space of over 600,000 square feet. The development is expected to be completed by 1982. It will mark the Company's growing presence in Calgary in its insurance operations and investment activities.

In our security holdings, a feature was the appreciable addition to our invest-

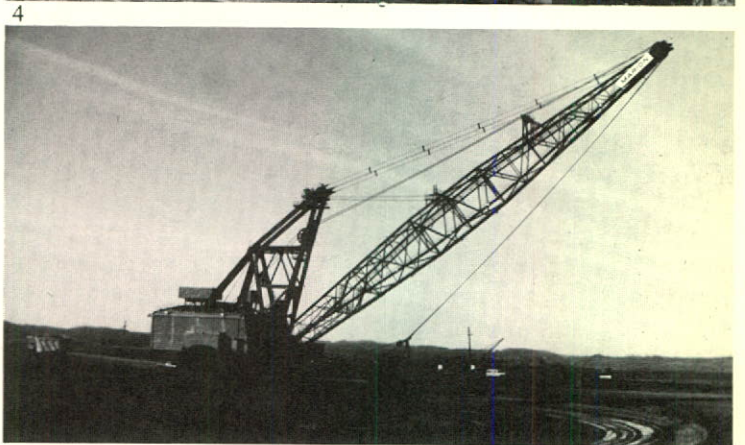


1. In Great Britain the Company's group insurance business increased greatly this year with the addition of a policy on the lives of the employees of Rolls-Royce. This policy is the largest administered by Sun Life's British National Headquarters in London, England. Here one of the 50,000 lb thrust RB 211-524 B3 engines for PanAm's third L-1011-500 TriStar airliner is seen during final despatch checks at Rolls-Royce, Derby. It uses 3 per cent less fuel in cruising flight than versions now in service. Further improvements will increase this fuel saving to 5 per cent.

3. Equipment financing has long been an attractive investment outlet for the Company. Recently Sun Life helped finance the purchase of rail equipment which will be utilized to transport grain and fertilizer marketed by Farmland Industries, the largest cooperative in the United States. Farmland Industries is a supply and marketing cooperative owned by a membership of 2,299 local farmers' cooperative associations located in 15 midwest and southwest states. Farmland Industries plays a major role in fulfilling the farm energy, fertilizer, feed supply and grain marketing requirements of the region known as the "Heartland" which produces 60 per cent of the United States' food and fibre.



2. A grant made in 1979 by Sun Life is helping Simon Fraser University visually handicapped students to pursue their education. Together with funds from other donors, the Sun Life donation was used to purchase a Braille typewriter and several pieces of equipment designed to magnify the text of printed materials ranging from books to microfiche. Previously, visually handicapped students had to rely on off-campus institutions for similar study aids.



4. Another investment in the area of equipment financing was Sun Life's recent acquisition of an Electric Walking Dragline. It will be leased to Calgary Power Ltd. to be used within its Highvale Coal Mine operation, located approximately 40 miles west of Edmonton, Alberta. The function of the 3,000 ton dragline is to remove the overburden from the Company's coal deposits with its 90 cubic yard bucket. Capable of lifting 145 tons at a time, the

dragline "walks", taking 7½ foot steps on shoes measuring 50 feet long and 10 feet wide. Calgary Power Ltd., the lessee, is the largest investor-owned electric utility in Canada and provided in excess of 60 per cent of the Province of Alberta's total electrical energy requirements in 1978.

ments in preferred stocks of leading Canadian companies in order to take advantage of the attractive after-tax rates of return available on this type of security.

We have increased, and continue to maintain, a substantial short-term investment position in cash and money market securities in anticipation of better long-term investment opportunities and as protection against the uncertain outlook for financial markets in the current climate of continuing high levels of inflation. There was little change in our forward commitment position from a year ago, although the average rate of return is somewhat higher. During the year we made a substantial investment in an unusual private placement opportunity. The financing in which we participated is for the development of a 320-acre property at Maple, Ontario, 32 kilometers north of Toronto into an entertainment park to be called "Canada's Wonderland". The park is expected to be opened in the spring of 1981 and is owned by Family Leisure Centres of Canada Ltd.

As a part of our relocation plans, we have now established the Company's central computer facility at a suburban location in Toronto. This houses our new IBM 3033 computer which is linked to ancillary computer facilities in Montreal, Boston and London, the cities where our National Headquarters offices are located.

In his address, the Chairman reviewed the significant changes which the Company has made in its management structure, and commented on the importance of these to the Company's future growth and development. We are now engaged in various programs which will bring the new management structure into full effectiveness. We have reviewed and defined the roles and responsibilities of those who fill the key management positions in the Executive Office, in the International Corporate Office, and in the National Headquarters offices in Montreal, Boston and London. A new framework of internal committees has been designed to improve the effective integration of different functions throughout the Company to be compatible with the revised management

structure. The Company's management information system is under review and important revisions will be made in our planning process during the course of the coming year.

Fundamental to the achievement of our goals is the identification of people with ability within all areas of the Company and the development of a broad range of management skills. Our plans for the development of our human resources include the establishment of a more formal procedure for the evaluation of officer performance and a more systematic and intensified program of management training throughout the Company.

An important aspect in the fostering of management skills within the Company to which we are giving special attention is the encouragement and development of women in management positions. This naturally extends to our field operations, particularly since sales of life insurance products to women is a rapidly growing segment of the market.

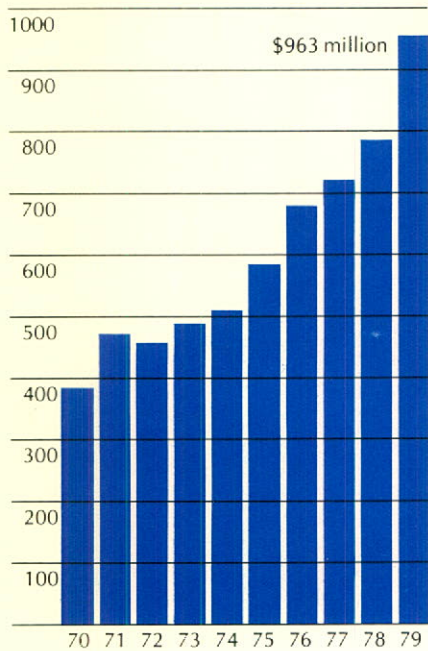
Significant progress has been achieved in a year of considerable change and activity. On behalf of all policyholders, I wish to thank everyone in Sun Life for their contributions to this progress. Looking ahead to the 1980's, the Company is fortunate to have dedicated, well-trained sales organizations, backed by strong staff and financial resources. This combination will serve as the mainspring of our efforts to reach the new levels of achievement we aspire to, and which I am confident we shall attain.



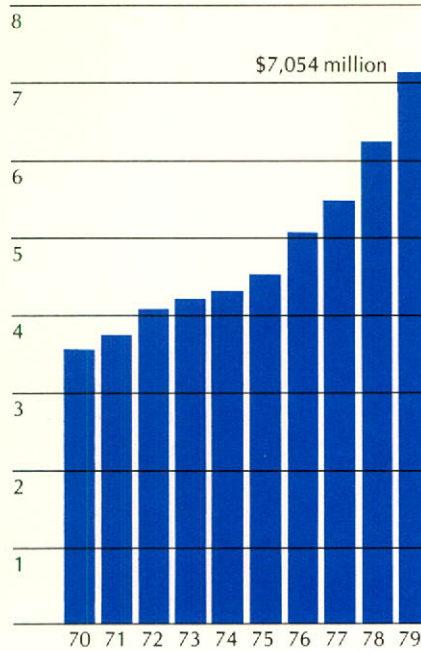
G.F.S. Clarke
President

Sun Life Growth

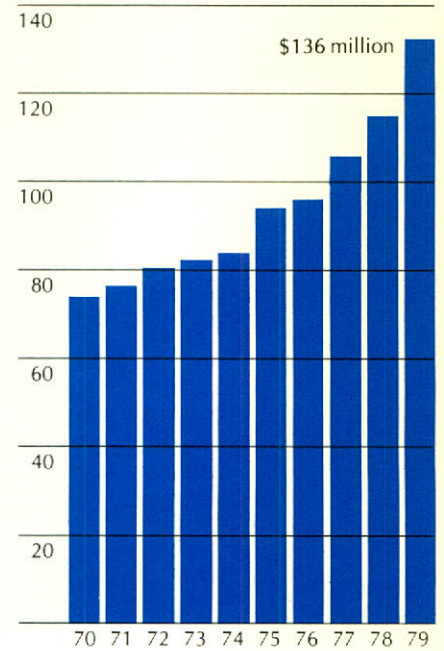
Premium Income
in millions of dollars



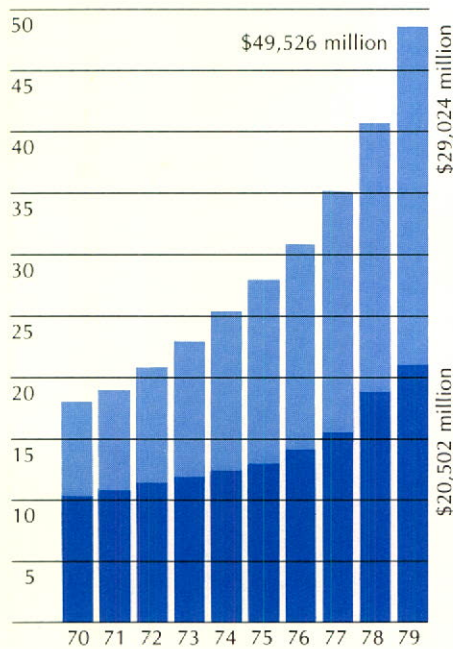
Assets
in billions of dollars



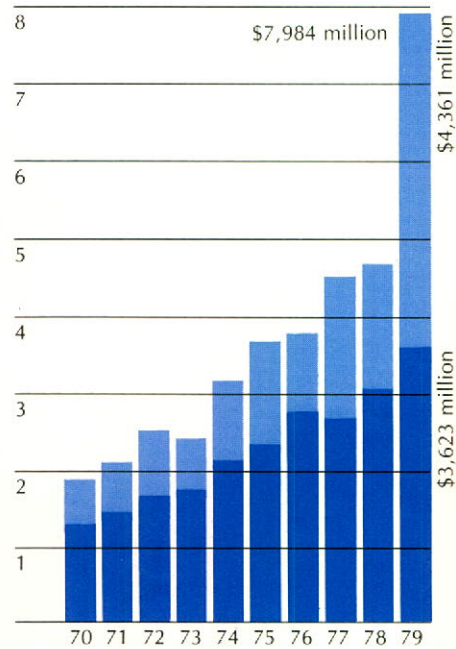
Dividends
to Policyholders
in millions of dollars



Life Insurance in Force
in billions of dollars



New Life Insurance
in billions of dollars



Group ■
Individual ■

Group ■
Individual ■

Balance Sheet

December 31, 1979

(with comparative figures for 1978)

	1979	1978
Assets		
	\$000	
Bonds	\$ 2,701,839	\$ 2,530,361
Preferred and common stocks	675,606	633,046
Mortgage loans	1,638,145	1,478,396
Real Estate — Company buildings	21,718	22,028
Real Estate — Held for investment	482,215	420,442
Loans to policyholders on their policies	402,784	345,012
Cash	30,368	22,410
Other invested assets	32,814	14,604
Investment in subsidiary life insurance and service companies	18,920	13,796
Investment income due and accrued	102,097	88,591
Outstanding premiums	26,504	25,872
Miscellaneous assets	43,061	28,775
Segregated fund assets	878,490	771,681
	\$ 7,054,561	\$ 6,395,014
Liabilities and Surplus		
Actuarial liabilities		
Reserves for unmaturing obligations	\$ 3,974,454	\$ 3,614,150
Reserves for pension and survivor benefits	39,464	36,065
Provision for dividends and experience rating refunds to policyholders	55,315	55,362
	\$ 4,069,233	\$ 3,705,577
Policy proceeds and other amounts left at interest	437,588	402,712
Policy benefits in process of payment and provision for unreported claims	232,818	202,279
Accrued expenses	23,329	29,266
Miscellaneous liabilities	62,824	50,386
Segregated fund liabilities	878,490	771,681
Appropriated surplus	562,731	511,092
Surplus	787,548	722,021
	\$ 7,054,561	\$ 6,395,014

Statement of Income

Year ended December 31, 1979

(with comparative figures for 1978)

	1979	1978
Revenue		
		\$000
Premiums — Life Insurance	\$ 517,850	\$ 457,589
— Annuities	227,781	183,895
— Health Insurance	98,057	82,225
— Segregated Funds	120,275	71,740
Total	\$ 963,963	\$ 795,449
Investment Income	524,675	433,820
Net adjustment of assets and liabilities due to change in currency rates of exchange	5,315	49,111
Segregated fund investment and other income (including appreciation in assets of \$65,026; 1978 — \$41,532)	132,009	103,592
Total Revenue	\$ 1,625,962	\$ 1,381,972
Expenditure		
Payments to policyholders and their beneficiaries:		
Death benefits	\$ 153,276	\$ 127,503
Disability benefits	3,449	3,338
Matured endowments	35,106	30,519
Annuity payments	89,441	74,023
Dividends	135,638	115,578
Surrender values	161,106	94,660
Interest credited to claims and amounts on deposit	30,729	26,432
Health benefits	102,853	70,767
Segregated fund payments	143,556	42,531
Total	\$ 855,154	\$ 585,351
Additions to actuarial liabilities	301,578	318,305
Segregated fund increases and expenses	108,728	132,800
Operating expenses	203,532	179,396
Government taxes	39,804	40,348
Total Expenditure	\$ 1,508,796	\$ 1,256,200
Net Income	\$ 117,166	\$ 125,772

Statement of Surplus

Year ended December 31, 1979

(with comparative figures for 1978)

	1979	1978
	\$000	
Balance, January 1 (1978 restated)	\$ 722,021	\$ 685,900
Net Income	117,166	125,772
Transferred to Appropriated Surplus	\$ 839,187	\$ 811,672
	51,639	89,651
Balance, December 31	\$ 787,548	\$ 722,021

Statement of Appropriated Surplus

Year ended December 31, 1979

(with comparative figures for 1978)

	Balance January 1, 1978 (as restated)	1978 Appropriations	Balance January 1, 1979	1979 Appropriations	Balance December 31, 1979
Surplus Appropriated for:	\$000	\$000	\$000	\$000	\$000
Fluctuation in Security Values	\$238,600	\$ 30,113	\$268,713	\$ 45,202	\$313,915
Fluctuation in Currency Values	40,700	50,050	90,750	(2,600)	88,150
Fluctuation in Group Mortality	25,800	2,200	28,000	2,000	30,000
Foreign statutory and other deficiency or solvency requirements	91,777	6,205	97,982	9,624	107,606
Statutory Asset Valuation	12,204	2,697	14,901	7,663	22,564
Health Contingency Reserve	12,360	(1,614)	10,746	(10,250)	496
	\$421,441	\$ 89,651	\$511,092	\$ 51,639	\$562,731

Notes to Financial Statements

1. Accounting Principles

The financial statements have been prepared in accordance with the accounting principles prescribed or permitted by the Federal Department of Insurance of Canada. The more significant principles followed by the Company are set out below:

(a) Invested Assets

Bonds, stocks and mortgages are carried at values prescribed by the Canadian and British Insurance Companies Act. The Act requires that realized gains and losses on sales of bonds and mortgages be amortized, on a straight line basis, over the period to maturity (maximum of 20 years). Realized gains and losses on sales of stocks are taken into income on a 7% declining balance basis; unrealized gains and losses on stocks are treated in a similar manner.

Bonds and mortgages are carried at amortized values, adjusted for the unamortized portion of the gains or losses described above.

Stocks are carried at cost, adjusted for the unamortized portion of the realized gains or losses described above and for the cumulative amount of unrealized gains or losses previously reflected in income.

Real Estate is carried at depreciated cost.

Certain securities which had been written down from cost or amortized values prior to 1977 are treated as if purchased on December 31, 1976 at their book values then.

(b) Subsidiaries

Subsidiary life insurance and service companies are accounted for on the equity basis.

(c) Segregated Funds

Segregated Fund assets are carried at market values.

(d) Acquisition Costs

Costs of acquiring new business are charged against income as they are incurred.

(e) Translation of Foreign Currencies

Revenue and expenditure in foreign currencies are translated into Canadian dollars at book rates approximating the actual rates of exchange at the beginning of the year. Assets and liabilities are carried at book rates approximating the actual rates of exchange at the end of the year. Net adjustments to assets and liabilities resulting from changes in the book rates of exchange are reported in the Income Statement in the year the changes are made.

(f) Investment Income

Investment income consists of interest, dividends, rents, (net of Real Estate expenses, taxes and depreciation) and the amortization of gains and losses as described in Note 1(a).

(g) Income Taxes

The Company follows the taxes payable method.

2. Actuarial Liabilities

The reserve for unmatured obligations shown on the Balance Sheet represents the amount which, together with future premiums and investment income, will provide for future benefits to policyholders, certificate holders or to their beneficiaries.

In accordance with the requirements of the Canadian and British Insurance Companies Act the computation of actuarial liabilities provides for dividend expectations and for only modest adverse fluctuations in future experience. Provision for more severe adverse fluctuations and for statutory solvency safeguards are made through appropriations of surplus.

3. Company Pension Plans

- (a) All accrued benefits under Company pension plans are fully funded.
- (b) The amount shown in the Balance

Sheet covers only the portion of the Company's pension and survivor benefits that is not carried in the reserves for unmatured obligations.

Valuation Actuary's Certificate

I certify that in my opinion the Actuarial Liabilities included in the Balance Sheet, taking into account the financial position of the Company, make appropriate provision for future benefits payable under the Company's policies in force December 31, 1979 and have been properly reflected in the calculations of net income. Appropriations of Surplus have been made to provide against adverse fluctuations in experience significantly greater than those assumed in computing the Actuarial Liabilities. I further certify that to my knowledge no commitments have been made nor any changes in Company policy approved or implemented that would materially affect the financial position of the Company.

Toronto, January 31, 1980

A.C.M. Robertson, F.F.A., F.C.I.A.
Valuation Actuary

Auditors' Report

The Participating Policyholders,
Sun Life Assurance Company of Canada.

We have examined the balance sheet of Sun Life Assurance Company of Canada as at December 31, 1979 and the statements of income, appropriated surplus and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included a general review of the Company's accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We have relied on the certificate of the Company's Valuation Actuary as to the valuation of the actuarial liabilities.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1979 and the results of its operations for the year then ended in accordance with the accounting principles prescribed or permitted by the Federal Department of Insurance of Canada applied on a basis consistent with that of the preceding year.

Toronto, January 31, 1980

(Signed) Touche Ross & Co.
Chartered Accountants

Life Insurance and Service Subsidiaries

To offer additional financial services, Sun Life Assurance Company of Canada has incorporated a number of subsidiaries in Canada, the United States and Great Britain.

Sun Life Assurance Company of Canada (U.K.) Limited

The principal activities of Sun Life Assurance Company of Canada (U.K.) Limited are the transaction of investment-linked life insurance business and personal pension business. Distribution of these products is through Sun Life Assurance Company of Canada's Branch Offices and Field Organization in Great Britain. The company was incorporated in 1969 and has its executive office in London, England.

Sun Life Assurance Company of Canada (U.S.)

Sun Life Assurance Company of Canada (U.S.) issues individual variable and fixed annuity contracts and group pension contracts in the United States. Distribution of these products is through Sun Life Assurance Company of Canada's Branch Offices and Field Organization in the United States. The company was incorporated in 1970 and has its executive office in Wellesley Hills, Massachusetts.

Suncan Equity Services Company (SUNESCO)

Suncan Equity Services Company distributes variable annuity contracts and mutual fund shares in the United States. It also provides investment management and administrative services to Sun Growth Fund, Inc., a mutual fund, and investment management services to other clients. The company was incorporated in 1970 and has its executive office in Wellesley Hills, Massachusetts.

Sun Life of Canada Investment Management Limited (SUNIMCO)

Sun Life of Canada Investment Management Limited, formed in 1975, offers investment management services in Canada for the following types of funds: pension funds of corporations or other entities and investment portfolios for sickness, accident or other welfare benefit plans.

Sun Life of Canada Benefit Management Limited (SUNBENCO)

Sun Life of Canada Benefit Management Limited provides administrative services in Canada in respect of pension plans, and administrative, claims and actuarial services in respect of health and welfare plans to corporations and other entities. SUNBENCO was incorporated in 1976.

Suncan Benefit Services Company (SUNBESCO)

Suncan Benefit Services Company provides administrative, claims and actuarial services in respect of pension, health and welfare benefit plans of corporations and other entities in the United States. The company was incorporated in 1977 and has its executive office in Wellesley Hills, Massachusetts.

Sun Life Service Around the World

Canada

Barrie
Brandon
Calgary
Chicoutimi
Edmonton
Granby
Halifax
Hamilton
Kamloops
Kingston
Laval
Lethbridge
London
Moncton
Montreal
New Westminster
Ottawa
Prince George
Quebec
Red Deer
Regina
Rimouski
Saskatoon
Sept Iles
St. Catharines
St. John's
Thunder Bay
Toronto
Trois-Rivières
Vancouver
Victoria
Waterloo
Windsor
Winnipeg

United States

Ann Arbor
Atlanta
Baltimore
Belmar
Boston
Canton
Casper
Cherry Hill
Chicago
Cleveland
Columbus
Coral Gables
Dallas
Denver
Detroit
Flint
Fort Collins
Fort Lauderdale
Fort Walton
Grand Rapids
Hartford
Honolulu
Houston
Indianapolis
Jacksonville
Kansas City
Los Angeles
Louisville
Mayaguez, P.R.
Miami
Minneapolis/St. Paul
Newark
New Orleans
Orlando
Peoria
Philadelphia
Phoenix
Pittsburgh
Portland, Me.
Portland, Or.
Providence
Richmond
Romeo

Sacramento
San Diego
San Francisco
San Jose
San Juan, P.R.
Santa Ana
Seattle
Spokane
Springfield, Ma.
St. Louis
Tallahassee
Tampa
Washington, D.C.
Wellesley Hills

Great Britain and Ireland

Aberdeen
Beckenham
Belfast
Birmingham
Brighton
Bristol
Bromley
Chester
Colchester
Croydon
Dublin
Edinburgh
Glasgow
Ipswich
Leeds
Leicester
Liverpool
London
Maidstone
Manchester
Newcastle
Northampton
Orpington
Plymouth
Preston
Reading
Sheffield
Southampton
Wolverhampton

Bermuda

Hong Kong

Malta

Philippines

The Officers

Executive Officers

- ***Thomas M. Galt**, F.S.A.
Chairman and Chief Executive Officer
- ***George F. S. Clarke**, F.S.A.
President

Principal Officers in Corporate Office

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Senior Vice-President
- Ronald J. Emery**, F.L.M.I.
Vice-President, Systems
- H. R. Facey**
Senior Vice-President, Group
- F. Herbert Frizzell**
Regional Vice-President, Far East
(located in Hong Kong)
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Vice-President and Actuary
- ***S. James Gowdy**
Senior Vice-President
- John H. Harrison**
Vice-President, Property Investments
- David D. Horn**
Vice-President and Secretary
- D. R. W. Jamieson**, F.S.A.
Comptroller
- A. Douglas Lang**
Vice-President, Human Resources
- P. R. MacGibbon**
Vice-President, Corporate Affairs
- ***W. J. McCarthy**
Senior Vice-President
- Graham McCracken**
Vice-President and General Counsel
- John D. McNeil**
Vice-President, Securities Investments
- Robert J. Mifflin**
Vice-President, Planning
- O. A. Reed**, F.S.A.
Vice-President and Actuary
- ***A. C. M. Robertson**, F.F.A., F.C.I.A.
Senior Vice-President
- F. Santangeli**, C.L.U.
Vice-President, Marketing
- D. H. Woodhouse**, M.D.
Vice-President and Chief Medical Director

**Members of the Senior Advisory Council*

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- David B. Wray**
Vice-President, Investments

Great Britain and Ireland

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Senior Vice-President and General Manager
- Richard W. S. Baker**
Vice-President and Deputy General Manager
- M. E. Bates**
Vice-President, Investments
- R. J. Fredericks**
Vice-President and Legal Adviser
- P. R. Isgar**
Vice-President, Agencies
- S. J. Quirk**, F.I.A.
Vice-President and Actuary
- H. R. C. Riches**, M.D.
Consulting Medical Officer

