

SunLife
OF CANADA



SUN LIFE ASSURANCE COMPANY
OF CANADA

Howard Ross Library
of Management

AUG 19 1993

Annual Report
McGILL UNIVERSITY

Board of Directors

Thomas M. Galt, F.S.A.
Chairman and Chief Executive
Officer
Toronto, Ontario

George F.S. Clarke, F.S.A.
President
Toronto, Ontario

Claude Bertrand, C.C., M.D.
Professor of Surgery (Neurosurgery),
Université de 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
President,
The Royal Bank of Canada
Toronto, Ontario

J. Peter Gordon
Chairman and Chief Executive
Officer,
Stelco Inc.
Toronto, Ontario

Eric L. Hamilton
Director,
Royal Trustco Limited
Montréal, Quebec

**G. Arnold Hart, M.B.E., C.M., LL.D.,
D.C.L., D.C.Sc.**
Director,
Bank of Montreal
Mountain, Ontario

Louis Hébert, O.C.
Company Director
Montréal, Quebec

Howard J. Lang, P.Eng.
Chairman of the Executive
Committee,
Canron Inc.
Toronto, Ontario

Angus A. MacNaughton
Chairman and Chief Executive
Officer,
Genstar Corporation
San Francisco, California

The Rt. Hon. Lord Polwarth,
T.D., D.L.
Director,
Bank of Scotland
Edinburgh, 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 Enterprises 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 and Chief Executive
Officer,
TransAlta Utilities Corporation
Calgary, Alberta

The Executive Committee

George F.S. Clarke
Jock K. Finlayson
Thomas M. Galt
J. Peter Gordon
G. Arnold Hart
Louis Hébert
Howard J. Lang
Alfred Powis
Ian D. Sinclair

The Audit Committee

Jock K. Finlayson
Eric L. Hamilton
G. Arnold Hart
Howard J. Lang
Ian D. Sinclair

The Nominating Committee

Thomas M. Galt
J. Peter Gordon
G. Arnold Hart
Louis Hébert
Alfred Powis
Ian D. Sinclair

Cover:

The sponsorship of participation and fitness programs is an important component of Sun Life's "Get Your Life In Shape" campaign in Canada. Many of our branch managers and field representatives are involved in a wide variety of community programs, including the sponsorship of team sports. These Oakville, Ontario youngsters are members of a Sun Life sponsored minor soccer team.

1981 Highlights

	(with comparative figures for 1980)	
	(in thousands of dollars)	
	1981	1980
Total Payments to Policyholders and Beneficiaries	\$ 1,145,662	\$ 902,952
Dividends to Policyholders	176,564	156,605
Assets, December 31st	8,797,314	8,023,306
Total Revenue for the Year	2,229,042	1,924,769
Life Insurance:		
New Amounts	13,455,962	9,498,315
Amounts in Force	72,351,176	59,675,639
Premiums Received:		
Life Insurance	662,123	589,089
Annuities	452,464	298,907
Health Insurance	175,485	132,761
Segregated Funds	204,870	116,462

Sun Life of Canada, one of the world's major life insurance companies, provides financial services to thousands of policyholders throughout Canada, the United States, Great Britain, Hong Kong, Ireland, the Philippines and elsewhere.

By the very nature of our business, our involvement with our policyholders, our employees and representatives, and our community takes many forms ...



Chairman's Address

Annual General Meeting
February 9, 1982



Thomas M. Galt
Chairman and Chief
Executive Officer

It is a pleasure for us to present to you our 1981 results. It was a very good year for the Company and its policyholders.

Board of Directors

It is with very deep regret, however, that I record here the death, in October 1981, of Derek F. Mitchell, Chairman and Chief Executive Officer of BP Canada Inc., whom you elected to the Board only last February. In the short period during which he served as a Director, Derek Mitchell showed a keen interest in the affairs of the Company, and the board will miss his wise counsel and ready grasp of issues.

It is with sadness that I also record the passing during 1981 of a past President of the Sun Life, George Wesley Bourke. Mr. Bourke served the Company as its fifth President from 1950 to 1962. Subsequently, he became Chairman of the Board of Directors and then Chairman of the Executive Committee until his retirement in 1972. Mr. Bourke's service with the Company extended for a period of more than fifty years, and under his leadership, the Company made much progress.

In a few minutes I shall ask the President to report to you the details of the year's results and I will accordingly confine myself to a few general comments.

Company Results

Taken as a whole, the Company had an outstanding year in 1981. Although economic conditions deteriorated throughout the year in each of our main countries of operation, our sales and business in force showed excellent growth. Total new life insurance written increased 42%, while life insurance in force increased 21%. We also showed very good increases in sales and business in force for annuities and health insurance.

The total of the life insurance coverage being provided by Sun Life stood at over \$72 billion at the year end. Total payments to policyholders during the year at \$1.1 billion were another measure of the beneficial services

we provide to our millions of policy and group certificate holders. We presently have a total of nearly 8 million policies and group certificates in force for life, health and annuity benefits.

In the short space of the last four years, we have doubled our annual figures for total income, total insurance in force, and payments to policyholders, while new life insurance sales have tripled.

As the President will report, our 1981 net income was considerably lower than the high level it has been at in recent years, but it nevertheless provided a substantial increase in surplus and the Company maintains its very strong financial position to face, with confidence, the uncertainties of the future.

Property Investments

At our annual meeting last year, I referred to the growing importance of real estate as an attractive long-term investment in the Company's asset structure. Since then, we have continued to increase the proportion of our assets which is invested in real estate.

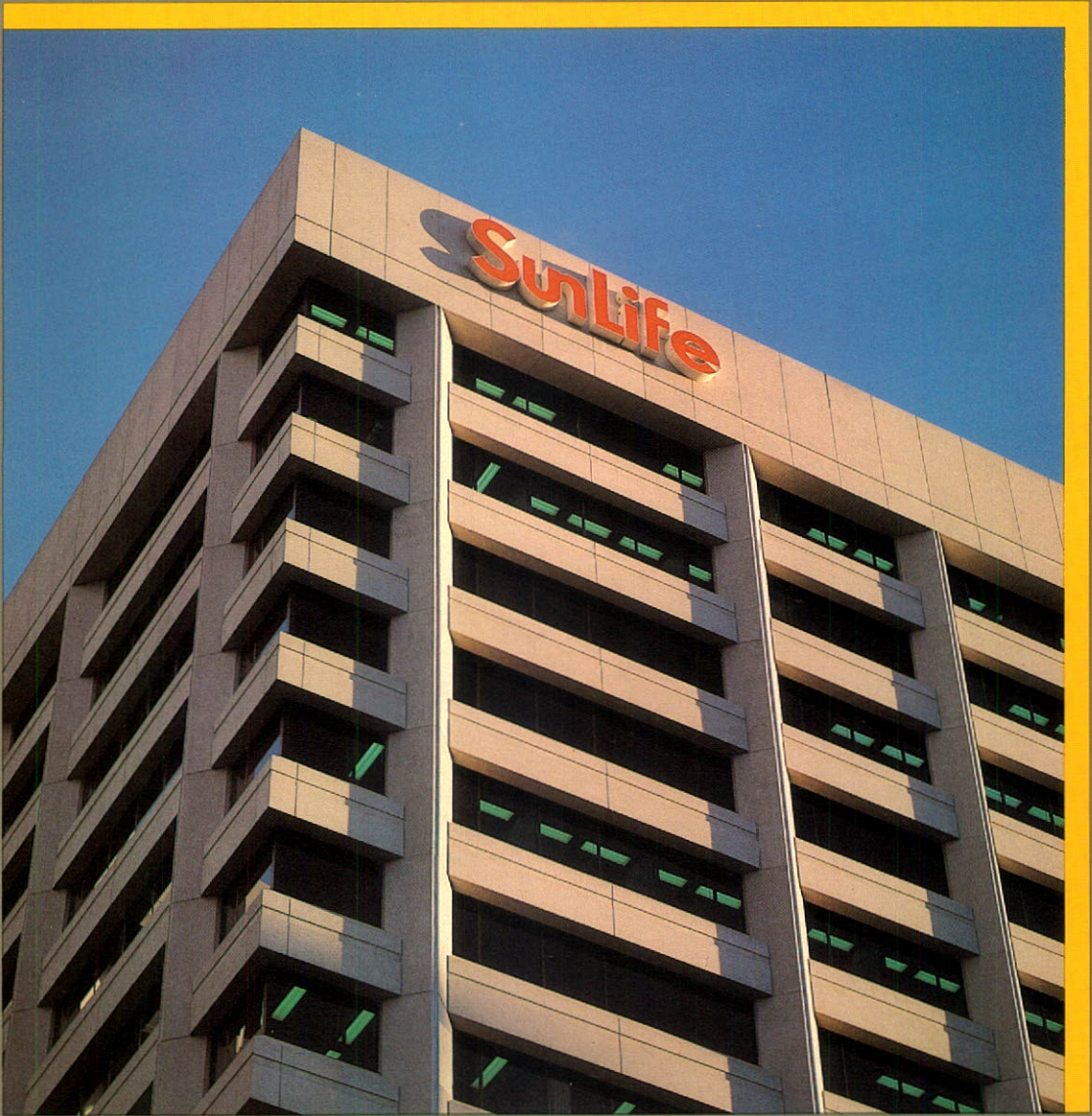
In Vancouver, the opening of our new building, Sun Life Plaza, last April provided an appropriate occasion for a meeting of the Board of Directors on the West Coast. In Calgary, our three-tower development is due for phased completion during 1982 and 1984, providing total rentable space of over one million square feet. This will be a major addition to the Company's Western Canadian property investment holdings.

In Eastern Canada, our Head Office Development in Toronto, comprising two office buildings, 28 and 24 storeys high, also with one million square feet of space, represents another major addition to our property investment portfolio. These buildings will be at the north-east and north-west corners of King Street and University Avenue. The east site building, which will be the Company's Head Office, is scheduled for completion late next year, with the west site building expected to be ready for occupancy a few months later.

In August the Company successfully launched a pooled Real Estate Fund in Canada, which is invested in well-diversified properties.

Sun Life Plaza, Vancouver, B.C.

An increasingly important part of Sun Life's asset structure is in property investments. One of the Company's real estate holdings in Canada is the 16-storey Sun Life Plaza office tower situated in downtown Vancouver. In April 1981, the Company's Directors attended the building's official opening.



We aim to fulfil our obligations to our *policyholders* in a manner which, while taking full advantage of modern systems and technology, remains sensitive to the individual needs and desires of our clients.

This has already, in its first months of operation, attracted more than \$70 million from pension clients.

New Acquisition

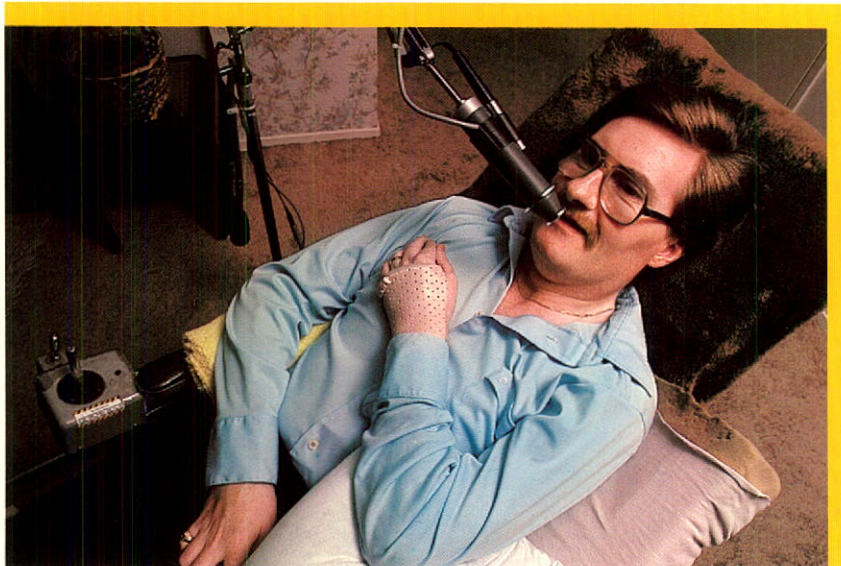
One of the highlights of the year for us came in December when we announced the completion of an agreement to purchase Massachusetts Financial Services Company. The President will say more about this. I just want to say that this purchase, when completed, will represent a very important step forward for Sun Life in our fuller development of the potential of the United States market.

International Year of the Disabled

1981 was the United Nations International Year of Disabled Persons. We took the occasion to review carefully Company practices and activities in relation to the needs of the handicapped and disabled in the workplace and in society. Sun Life has been a leader in rehabilitation work related to claims arising from our disability insurance, and has also contributed over the years to groups and organizations assisting the handicapped. During the year we reviewed again our own employment practices and opportunities for the handicapped and disabled. This served to increase the awareness and sensitivity of our Human Resources people and of all of us with respect to this most fundamental of needs of the handicapped.

TASH

As part of its charitable contributions program, Sun Life supports Technical Aids & Systems for the Handicapped Inc. (TASH), a non-profit corporation in Toronto, which markets specialized products for disabled persons. Here, Malcolm Stead, a quadriplegic, is using a TASH environmental control system which enables him to operate a variety of electrical appliances, including a telephone, by means of a mouth-controlled switch. Malcolm runs his hosiery wholesale business from his home.



Economic Issues

There has been a great deal of discussion and controversy in recent weeks over the Federal Budget. Some of its provisions are of particular concern to the life insurance industry and I would therefore like to make a few general comments on the subject.

As background, and with regard to the Canadian economy, I still consider the reduction of inflation as the number one priority, since inflation is a major cause of many of our other economic and social problems, including high interest rates and high unemployment. I believe that sound monetary and fiscal policies on the part of the federal government and the Bank of Canada are essential if we are to have any hope of success in fighting inflation.

I strongly support Governor Bouey in his avowed intention to keep the growth of the money supply under control.

With regard to the following of a sound fiscal policy, the Federal Budget's general thrust seems to me to be in the right direction, since it does call for some reduction in the federal deficit. I would urge the government to provide more support to monetary policy by further reducing their spending. This would help to reduce interest rates and would at the same time tend to bring the rate of inflation down more quickly. I do, however, believe strongly that Canada has, and will continue to have, a great need for long-term capital

Rehabilitation Program
Sun Life Rehabilitation Counsellor Francine Lafantaisie (centre) gives stroke patient Henriette Baulne encouragement as she receives physiotherapy treatment at the Montreal Rehabilitation Centre. As an employee with the Federal Government's Employment and Immigration Department in Quebec, Ms. Baulne is entitled to monthly disability benefits under her employer's Sun Life Long-term Disability contract.



provided by the private sector. The government should therefore consider carefully before reducing or eliminating incentives for long-term saving. Over the years, the life insurance industry has made a very important contribution to the economy of this country by providing long-term capital. Certain of the budgetary provisions would greatly reduce the ability of our industry to provide such long-term capital to the economy in the future. There are, of course, also compelling social reasons for not discouraging the purchase of life insurance protection.

I profoundly hope that the process of discussion and review, which the Minister of Finance has now initiated with our industry and with other sections of the business community, will help to re-establish the central importance of savings and long-term investment to economic growth, and that there will be changes made in the Budget proposals which will restore public confidence and encourage the savings process.

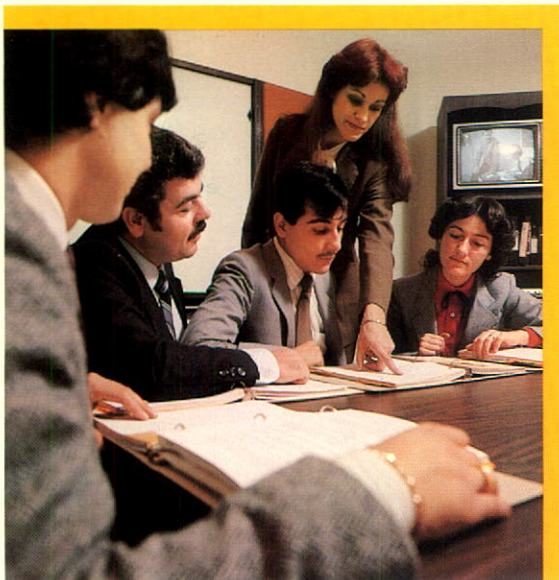
Future Prospects

Canada has enormous potential and, given a climate which encourages initiative in the private sector, we have the resources to fulfill that promise for the future benefit and enjoyment of all Canadians. I am optimistic about our longer term future and about the future prospects of the life insurance industry. I

believe in the fundamental value of the long-term life insurance contract, as, clearly, do the many thousands of policyholders who chose to form such a contract with Sun Life during 1981.

I am very pleased with the Company's performance during 1981 and I am confident that we will continue to grow and to improve our position in the marketplace in 1982.

Thomas M. Galt
Chairman and
Chief Executive Officer



Branch Training Session

To help our field representatives give good service to their clients, we provide them with on-going training and up-to-date informational support. Several representatives from our Toronto High Park Branch are seen here reviewing some of Sun Life's product information material.



With approximately 8,000 *employees* and *field representatives* in our various countries of operation, we consider it to be of fundamental importance to maintain a work environment which attracts able people and provides them with challenging and rewarding careers.



President's Address

Annual General Meeting
February 9th, 1982

FLMI Examinations

We offer employees professional development courses on Company time and provide free instruction for the Life Management Institute education program. These employees, located in our United States Headquarters Office in Wellesley Hills, Massachusetts, are writing examinations for one of the nine courses necessary for full accreditation as a Fellow of the Institute.

On behalf of the Board of Directors, I have pleasure in presenting the 111th Annual Report of the Company. The 1981 results demonstrate our continuing efforts to strengthen the Company's position in each of our principal countries of operation—Canada, the United States and Great Britain—as well as in our Far East division.

Corporate Office Developments

The Corporate Office in Toronto has also been strengthened to provide increased support to the National Office operations. During the year, Mr. C.J.D. Leamy, formerly Branch Manager in Houston, was appointed Senior Vice-President, Marketing, to provide leadership in this fundamental area. The Company's planning process has been reinforced by establishing more formal support to the Executive Office in determining priorities and developing strategies in key result areas.

The Central Computer Centre in suburban Toronto has recently taken delivery of a new large computer (IBM 3081) to supplement the existing equipment (IBM 3033). The centre provides central computing facilities which are linked by a telecommunications network to our three National Headquarters Offices where local computer facilities are also available. The new equipment will provide more capacity and quicker response time for users throughout Sun Life.

Company Operations

The year 1981 brought with it a full share of opportunities and problems in each of our different countries of operation.

Canada

In Canada, we continued to make important additions to our individual product portfolio. New plans include Sun Life 100—a low premium whole life plan which provides low cost permanent insurance coverage; the graded premium whole life plan; preferred non-smoker rates for renewable term insurance plans and benefits and for the Sun Life 100 and Graded Premium plans; and the Sun Escalating

Annuity, designed to help stabilize the purchasing power of annuitants and their dependents.

On the group side, the Chairman has already mentioned a new Canadian Real Estate Fund for pension plans which complements the several Funds already available for pension plans in the large employer market. We have installed several employee savings plans in large companies, providing for individual allocation of contributions to a number of different investment accounts held within our Segregated Funds. We are also introducing a group pension plan for small employers which has been especially designed to increase pension coverage and offer portability in this area of the market. This plan will complement our group insurance package developed for the small employer market.

Great Britain and Ireland

In our British operations, we continue to seek ways to improve our marketing activities. We have set up two new Group Sales Offices and have strengthened our agency management structure. Greater emphasis is being placed on branch management training and development. Assistance, in the form of further modernization of our communications and support facilities, is being provided to our field organization. Already more than half our branch offices have computer terminals and our remaining branches will be similarly equipped before May. We are continuing a long-term program to physically upgrade our British branch premises.

Work is nearly completed on the introduction of revised investment-linked insurance plans for individuals, providing a choice of several different investment accounts held within the Life Fund of our subsidiary life insurance company in Great Britain.

United States

With respect to the United States, the Chairman has referred to our agreement to purchase Massachusetts Financial Services Company. The closing date and price for this

transaction are subject to certain conditions. A large and well-respected Boston-based investment management company, MFS was founded in 1924 and currently manages a number of mutual funds with total assets of approximately \$3.5 billion (U.S.). In addition, it has \$1.7 billion (U.S.) of client funds under management.

MFS has an excellent marketing capability and the acquisition will provide an opportunity for Sun Life to broaden its marketing thrust in the United States in a manner fully compatible with our existing operations. The availability of an additional distribution system in the United States, and the extension in the range of financial products and services which Sun Life will be able to provide, place the Company in a strong position to participate in the growth and development of the financial services industry in that market. Our United States life insurance subsidiary will be able to issue variable or investment-linked plans providing individual allocations to several different investment accounts managed by MFS. Also, from the standpoint of MFS, a link-up with a life insurance company on the marketing side will be advantageous to their operations.

During the year we completed plans for the expansion of our United States Headquarters Office near Boston. This expansion includes the construction of a third office building and a six-storey covered parking struc-

ture to serve the needs of the whole complex. The parking facility should be ready by the summer, with the completion of the office building expected a year later.

The Company has been watching carefully new product developments in the United States market. A number of American companies have recently introduced the so-called "universal life" plan. This is a form of life insurance where the premium, less a charge for term insurance and expenses, is invested at a current investment rate of return. The sum assured and premiums may be varied, so that the plan is a highly flexible one which currently enjoys a favourable tax position in the United States based on an Internal Revenue Service ruling. We are planning to introduce a "universal life" product through our United States life insurance subsidiary this year.

Far East Division

To support the rapid pace of growth which we are experiencing in our Far East division, a number of new branch offices were opened. As a result we now have six branches in the Philippines and two in Hong Kong. These will enable us to continue to take advantage of the favourable opportunities for growth which exist in these markets.

Drop-In Club

Sun Life staff associations enjoy a high level of participation from employees and pensioners and their families. Here "Magic" Tom Auburn (left) entertains members of Sun Life's Drop-In Club, a very active group formed under Staff Association auspices by pensioners living in the Montreal area.



Women In Sun Life

An increasing number of women are seeking careers in life insurance sales. Two of the Company's most respected field managers are Anita Macapinlac (left) and Elizabeth Huang (right), both of whom are in charge of new business offices in Manila.

In recent years, there has been considerable discussion and public debate about the need to improve pensions and pension benefits. Against this background, we made major changes in staff and field force retirement benefit plans during the year in our principal countries of operation. These included earlier vesting and other improvements. There was also some upgrading for our pensioners and we continued to improve pensioners' income to assist them in meeting the increasing cost of living.

Company Results

I now turn to the outstanding results for 1981 shown in the Directors' Report. For the first time, the Company's results and financial statement are presented on a consolidated basis. They therefore include the figures for the parent company and for all our subsidiary companies. The effect of this change in accounting policy on the Balance Sheet and Income Account is shown for both 1981 and 1980 in Note 3 to the Financial Statement.

Once again, the Company experienced good increases in business in force. In life insurance in force, excellent increases were recorded in group life insurance for both amounts and premiums payable. Individual life insurance increases in both amounts and premiums payable were reduced by a larger than usual number of surrenders and, for premiums payable, the increase was also reduced by a tendency in recent years to lower premium plans. Significant increases were recorded in business in force in the Health field as measured by annual premium income, in Annuity Funds and reserves held and in Segregated Fund balances.

Record levels of new business were again established. Premiums payable on total new business written during 1981 amounted to \$465 million, an increase of \$125 million, or 37%, over 1980 premiums.

Annual premiums payable on new life insurance increased by 24% and total life insurance sales at \$13.5 billion increased by 42% over 1980. Individual life insurance sales

showed a gain of 21% while total group life insurance, at over \$8 billion, was up by 60%. In sales of individual life insurance, our Far East division showed the largest percentage gain with an increase of 46%, followed by Canada with 28%, the United States with 11% and Great Britain with 5%.

In Group life insurance, our United States organization had an outstanding year with an increase in business written of 111%. The British group organization was able to achieve an excellent increase of 54%, while in Canada we had another good year with an increase of 34%. Group health insurance written, based on annualized premiums, showed an increase of 22% over 1980.

A satisfactory aspect of the year's new business activities was an improved performance in both the individual and group annuity fields with an increase in premiums payable on new business of 43%. Sales of individual and group variable annuities for the Company were also higher in 1981. Our efforts benefited from the introduction of a new computerized pension administration system. This enables us to offer our customers faster, more efficient service. Canadian sales of individual guaranteed annuities were particularly strong. Unfortunately, the impact of the November budget proposals in Canada has been such that we will not likely be able to repeat this performance in 1982.



Fitness Classes

Flextime allows these Toronto employees to participate in fitness classes subsidized by the Company and organized by the Staff Association.

Review of Financial Statement

In the Financial Statement the rates of exchange for conversion of foreign currencies into Canadian dollars were changed at the end of 1981. The rate for United States dollars was increased from \$1.10 to \$1.15, while the rate for Sterling was reduced from \$2.60 to \$2.40 and that for the Irish pound from \$2.40 to \$2.00. The net effect of these adjustments is \$17.5 million as shown under Revenue in the Income Account. Note 2(b) to the Financial Statement refers to other adjustments made in the restatement of the Income Account for 1980 to show Net Income for that year on a basis comparable with 1981.

In the Balance Sheet, total consolidated assets grew to \$8.8 billion at year end for an increase of 9.6% compared with consolidated assets at December 31st, 1980. Our net rate of return on assets in the life branch was 9.76% for 1981, compared with 9.47% in the previous year.

In accordance with the Company's policy to increase the proportion of property investments in its asset structure and to expand its holdings of oil and gas exploration investments, we made important additions to these asset categories in 1981 in both Canada and the United States. A major part of the increase in fixed income investments occurred in Canada as the Company matched assets with liabilities arising from our substantial sales of annuities in 1981.

Total consolidated revenue from all sources amounted to \$2.2 billion, an increase of 16% over 1980. Total premiums rose to almost \$1.5 billion on a consolidated basis compared with \$1.1 billion for the previous year. Payments to policyholders and beneficiaries increased to \$1.1 billion. Of this \$176 million represented dividends to policyholders, an increase of \$20 million over dividend payments in 1980. Operating expenses rose to \$305 million as a result both of higher costs arising from inflationary conditions and of the substantial increase in the Company's new business.

Net Income, as the Chairman has mentioned, declined from \$105 million to \$61

million. Among the reasons for this decline are the increase in operating expenses as mentioned, greater actuarial reserve strain from substantially increased new business, increased policyholder dividend scales in 1981, group health claims losses and a reduction in the amount of realized and unrealized net capital gains brought into investment income.

From Net Income, \$3 million has been transferred to Surplus appropriated for Fluctuation in Security Values and \$12 million for Fluctuation in Currency Values. Adjustments to foreign statutory and other deficiency or solvency requirements released \$23 million from Appropriated Surplus. Overall, Appropriated Surplus was reduced by \$6 million so that it stood at \$564 million at year end. Surplus was increased by \$68 million to \$843 million.

Effective April 1st, dividend scales for the dividend year commencing on that date will be increased in all active territories. We are anticipating that for the full dividend year, dividends to participating policyholders will increase by about 8%. A major part of this increase will arise from the changes made in the scales for our United States policies where no increase was made for the previous dividend year. Interest rates on deposits will also be increased in all active territories on April 1st.

This year, we have added to the Directors' Report a Consolidated Statement of Changes in Invested Funds showing their source and application.

On behalf of the Directors, I wish to thank all those throughout the Company who have worked hard to produce the outstanding results achieved in 1981. The economic outlook for 1982 is not a promising one in any of our major countries of operation. Nevertheless, we hope for an improving business climate as the year progresses. I am confident that our men and women will use their skills to the best of their ability to try to match or surpass their achievements of last year.



George F.S. Clarke
President

Memorial University, St. John's, Newfoundland
Sun Life supports many charitable activities and organizations. A recent contribution was made to the Memorial University Anniversary Fund. The only university in the Province of Newfoundland, Memorial is situated in the City of St. John's. Sun Life's donation has been allocated to the University's new Queen Elizabeth II Library (opposite), which will be opened in 1982.



Ours is a long tradition of contributing to the many *communities* where we carry on business.

Sun Life: Participating in Community Health and Fitness Programs

12

Excerpts from an article by Thomas M. Galt, Chairman and Chief Executive Officer, published in Response, a publication of the Center for Corporate Public Involvement, an organization sponsored by the American Council for Life Insurance and the Health Insurance Association of America.

The nature of life insurance is such that companies in our industry have a wide span of involvement in the communities which they serve. One of our more important areas of concern is the health and fitness of the people who comprise the market for our products and services. The Sun Life of Canada has concentrated on this area as its main point of focus for community involvement during the past decade. We have implemented this policy through rehabilitation activities related to health and disability claims, through various public relations programs, and in the special emphasis which we give to medical research and health care in our charitable contributions.

Sun Life's "Get Your Life in Shape" Campaign

The concept that participation in fitness programs is fun is an essential component of our "Get Your Life in Shape" campaign which was launched in Canada during the '70s.

As the centrepiece of this program, the Company has produced a series of booklets on

cross-country skiing, walking and hiking, cycling, rowing and paddling, and financial fitness—linking this concept with physical fitness. It has now distributed, free of charge, over 1½ million of these booklets.

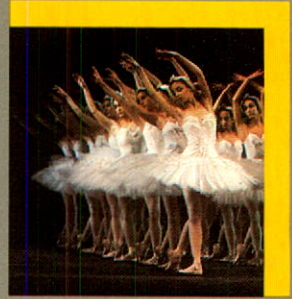
Together with PARTICIPaction, a non-profit corporation working to promote fitness in Canada, and the Kinsmen Clubs, community service organizations for younger business people, Sun Life has helped fund the construction of exercise trails called ParticiParks in residential communities across Canada.

It is now more than four years since the first ParticiPark was inaugurated in Port Coquitlam, British Columbia. Since that time 130 have been completed—with 75 more currently under construction.

As a part of our "Get Your Life in Shape" campaign, we provide support to the Canadian Ski Marathon, an annual cross-country skiing event held over a 100-mile trail between Montreal and Ottawa. The 1981 marathon attracted 4,300 skiers from Canada, the United States and Europe.

TV Series Promotes Participation

Arising from our interest in cross-country skiing, we decided to produce the Sun Life Cross-Country Ski School television series. This has been shown across Canada on the Canadian Broadcasting Corporation network, and on Public Broadcasting Stations in the United

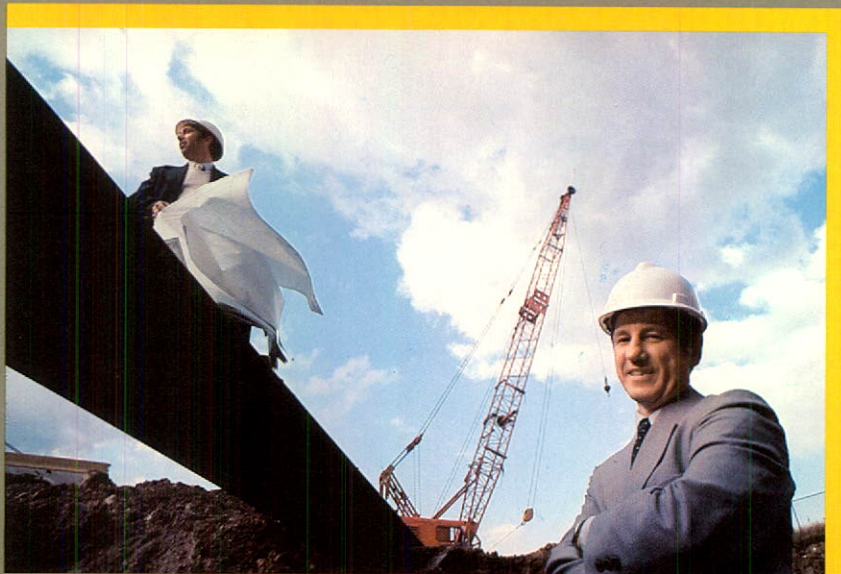


Royal Ballet

A highlight of our community arts sponsorship program in 1981 was a performance of Swan Lake by Britain's renowned Royal Ballet. This performance, one of several held in Toronto, was sponsored as part of the Royal Ballet's 50th anniversary tour of North America.

Expansion of United States Headquarters

Construction is under way for expansion of our United States Headquarters Office in Wellesley Hills, Massachusetts. On the building site, Arthur Lock (right), Senior Administrative Officer, and Peter Rizutto (left), Project Manager of Perini Corporation, review construction plans which were developed in close cooperation with local authorities and environment groups to protect the nearby Charles River.



States, where it is again being shown this winter.

Another aspect of our health and fitness program involved funding the production of "Counter Attack," a film featuring the work of Dr. Terence Kavanagh of the Toronto Rehabilitation Centre. Dr. Kavanagh, a heart specialist, has pioneered the use of endurance exercise for the treatment of heart victims.

Involvement of Sun Life People Important

We also consider our programs an excellent opportunity for Sun Life staff and, in particular, our field representatives to become involved in their local communities. Through the sponsorship of recreational activities, distribution of fitness information, and individual participation, Sun Life branch managers, representatives and staff have a ready means to improve their visibility in their communities in a constructive way.

Contributions to Medical Research

As part of our charitable contributions program, we are particularly interested in making donations to carefully selected medical research organizations and projects.

Among organizations which we have supported in Canada is the Montreal General Hospital Research Institute. The Institute has established an international reputation in medi-

cal research. It is involved in active biomedical investigations in the fields of medicine, surgery and dentistry.

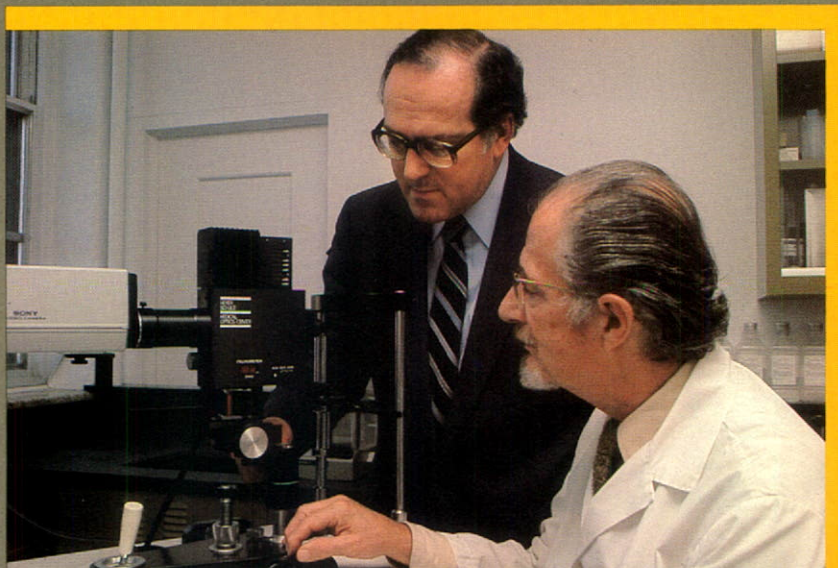
In the United States this has been the principal way in which we have expressed our interest in health. For example, we have contributed to the Brigham and Women's Hospital in Boston. Our donation was allocated to clinical research being undertaken to evaluate prostaglandin, a substance which preserves blood platelets during open heart surgery.

Benefit to the Company

We have found over the years that the growing identification of Sun Life with health and fitness has brought with it new opportunities which have widened our horizons and our perspective of community service. We believe that our involvement in this area has added significantly to our stature as a life insurance company.

Sun Life has produced a 10-minute audio-visual presentation entitled "Sun Life-Involved in the Community". This presentation, on film or video-tape, can be borrowed free of charge by writing to:

*Sun Life-Involved in the Community,
Corporate Affairs Department,
P.O. Box 4150,
Station A,
Toronto, Ontario
Canada
M5W 2C9*



Quebec Eye Bank

Executive support is another way of showing the Company's concern for community welfare. The 1981 Campaign Chairman for the Research Foundation of the Quebec Eye Bank Laboratory was Sun Life's Vice-President for Quebec, Pierre Boileau, seen here with Foundation President, Dr. Michel Mathieu.

†Consolidated Balance Sheet

As at December 31, 1981
(with comparative figures for 1980)

(in thousands of dollars)

	1981	1980
Assets		
Bonds	\$3,178,668	\$2,944,798
Preferred and common stocks	819,098	764,897
Mortgage loans	1,861,961	1,754,899
Real Estate—Company buildings	59,041	43,846
Real Estate—Held for investment	685,183	577,187
Loans to policyholders on their policies	606,411	492,633
Cash	50,011	38,275
Other invested assets	56,905	39,642
Investment income due and accrued	128,341	112,813
Outstanding premiums	45,544	38,254
Miscellaneous assets	67,541	73,971
Segregated fund assets	1,238,610	1,142,091
	\$8,797,314	\$8,023,306
Liabilities and Surplus		
Actuarial liabilities:		
*Reserves for unmatured obligations	\$5,314,591	\$4,770,585
Provision for dividends and experience rating refunds to policyholders	67,929	60,429
Provision for unreported claims	31,001	23,598
Reserve Account for Company pension and survivor benefits	49,573	42,941
	\$5,463,094	\$4,897,553
Policy proceeds and other amounts left at interest	507,874	473,672
Policy benefits in process of payment	43,499	46,662
Accrued expenses	33,666	24,811
Miscellaneous liabilities	105,424	94,586
	\$6,153,557	\$5,537,284
Segregated fund liabilities	1,237,167	1,140,678
Total liabilities	\$7,390,724	\$6,677,962
Appropriated surplus	563,948	570,263
*Surplus	842,642	775,081
	\$8,797,314	\$8,023,306

†See Note 3

*See Note 2(b) and (c)

†Consolidated Statement of Income

Year Ended December 31, 1981
(with comparative figures for 1980)

	(in thousands of dollars)	
	1981	1980
Revenue		
Premiums:		
Life Insurance	\$ 662,123	\$ 589,089
Annuities	452,464	298,907
Health Insurance	175,485	132,761
Segregated Funds	204,870	116,462
Total	<u>\$1,494,942</u>	<u>\$1,137,219</u>
Investment Income	690,765	615,446
Net adjustment of assets and liabilities due to change in currency rates of exchange	17,595	6,761
Segregated fund investment and other income [including appreciation (depreciation) in assets of (\$96,646); \$73,381 in 1980]	25,740	165,343
Total Revenue	<u>\$2,229,042</u>	<u>\$1,924,769</u>
Expenditure		
Payments to policyholders and their beneficiaries:		
Death benefits	\$ 204,528	\$ 177,719
Disability benefits	2,038	3,153
Matured endowments	41,746	39,300
Annuity payments	131,015	105,970
Dividends	176,564	156,605
Experience rating refunds	7,581	15,191
Surrender values	294,355	190,714
Interest credited to claims and amounts on deposit	40,445	38,012
Health benefits	128,722	98,416
Segregated fund payments	118,668	77,872
Total	<u>\$1,145,662</u>	<u>\$ 902,952</u>
*Additions to actuarial reserve liabilities	561,953	427,377
Segregated fund increases and expenses	111,974	203,690
Operating expenses	304,953	247,973
Taxes	43,254	37,738
Total Expenditure	<u>\$2,167,796</u>	<u>\$1,819,730</u>
*Net Income	<u>\$ 61,246</u>	<u>\$ 105,039</u>

†See Note 3

*See Note 2(b)

Consolidated Statement of Surplus

Year Ended December 31, 1981
(with comparative figures for 1980)

	(in thousands of dollars)	
	1981	1980
Balance, January 1		\$698,974
Restatement As Per Note 2(b)		21,400
Balance, January 1 (As Restated)	\$775,081	\$677,574
Net Income [see Note 2(b)]	61,246	105,039
	\$836,327	\$782,613
Transferred to Appropriated Surplus	(6,315)	7,532
Balance, December 31	\$842,642	\$775,081

Consolidated Statement of Appropriated Surplus

Year Ended December 31, 1981
(with comparative figures for 1980)

	(in thousands of dollars)				
	Balance Jan. 1, 1980	1980 Appropriations	Balance Jan. 1, 1981	1981 Appropriations	Balance Dec. 31, 1981
Surplus Appropriated for:					
Fluctuation in Security Values	\$313,915	\$ 11,085	\$325,000	\$ 3,000	\$328,000
Fluctuation in Currency Values	88,150	(2,050)	86,100	12,300	98,400
Fluctuation in Group Mortality	30,000	3,500	33,500	0	33,500
Foreign statutory and other deficiency or solvency requirements	107,606	(16,197)	91,409	(23,194)	68,215
Statutory Asset Valuation	22,564	11,150	33,714	1,533	35,247
Health Contingency Reserve	496	44	540	46	586
	\$562,731	\$ 7,532	\$570,263	\$ (6,315)	\$563,948

Consolidated Statement of Changes in Invested Funds

(excluding segregated funds)

Year Ended December 31, 1981
(with comparative figures for 1980)

	(in thousands of dollars)	
	1981	1980
Source of Funds		
Reversal of non-cash items included in Net Income:		
Increase in actuarial liabilities	\$ 565,541	\$ 494,301
Increase in policy proceeds and other amounts left at interest	34,202	36,084
Depreciation on investments	9,958	7,359
Statutory investment adjustments included in income	(28,630)	(37,783)
Currency adjustment of invested funds	(12,944)	(66,895)
Miscellaneous (net)	7,532	(19,972)
	\$ 575,659	\$ 413,094
Net Income from Statement of Income	61,246	105,039
Total funds provided from operations	\$ 636,905	\$ 518,133
Investments sold, matured or repaid:		
*Bonds	476,081	407,887
Stocks	223,567	228,194
Mortgage loans	167,296	138,326
Real Estate	17,542	19,112
	\$1,521,391	\$1,311,652
Policy loans repaid	92,282	74,446
	\$1,613,673	\$1,386,098
Application of Funds		
Investments acquired:		
*Bonds	\$ 695,428	\$ 540,957
Stocks	252,957	277,928
Mortgage loans	258,858	240,082
Real Estate	154,018	121,428
Other invested assets	23,335	9,810
	\$1,384,596	\$1,190,205
Policy loans advanced	201,059	158,367
Net increase in short-term bonds	16,282	29,778
Increase in cash	11,736	7,748
	\$1,613,673	\$1,386,098

*Excluding \$2.2 billion short-term in 1981 and \$1.5 billion in 1980.

Notes to Financial Statement

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 companies are accounted for on a consolidated 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

(a) Reserves for unmaturing obligations shown on the Balance Sheet represent 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 is made through appropriations of surplus.

(b) On December 31, 1981 the valuation basis for certain actuarial liabilities was changed, resulting in an increase of approximately \$27,200,000 in the Reserves for unmaturing obligations. Had the new basis been used in prior years, the corresponding increases would have been \$21,400,000 in 1979 and \$23,740,000 in 1980. The 1980 figures in these financial statements have been restated on this basis. In addition, an unrelated understatement of reserves of \$20,980,000 on December 31, 1980 has been corrected. Accordingly, the 1980 figures have been restated as follows: a) Reserves for unmaturing obligations increased and Surplus decreased by \$44,720,000 (\$23,740,000 plus \$20,980,000); b) Additions to actuarial liabilities increased and Net Income decreased by \$23,320,000 (\$23,740,000 less \$21,400,000 plus \$20,980,000).

(c) In 1981, the reserve for open and unreported instalment disability claims has been included in Reserves for unmaturing obligations. For comparison, 1980 reserves have been shown on the same basis.

Valuation Actuary's Certificate

3. Change to Consolidation Method of Accounting

In 1981 the Company adopted the policy of consolidating the accounts of its subsidiary companies in its financial statements. Subsidiary companies were accounted for in prior years on the equity method. For purposes of comparison, the 1980 Balance Sheet and Statement of Income have been restated.

The effect of this change in accounting policy on the Balance Sheet and Statement of Income has been:

	1981	1980
Increase in Assets and Liabilities	\$219,932,000	\$168,015,000
Increase in Revenue and Expenditure	\$ 92,490,000	\$ 94,861,000

Net Income and the Statement of Surplus are not affected by the change.

4. Reinsurance

During the year, the Company reinsured a portion of its ordinary life insurance business in the United States under a modified coinsurance agreement. The consequent reductions in premium income and death benefits were \$4,629,000 and \$4,379,000 respectively. The expected result of the agreement is a reduction in the effect of adverse fluctuations in mortality experience and a reduction in United States federal income tax.

5. Agreement to Purchase

In December 1981, the Company entered into an agreement to purchase all the shares of a new corporation resulting from incorporation by Massachusetts Financial Services Company, which is presently a limited partnership. The closing date and price are subject to certain conditions set out in the agreement.

6. 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.

I certify that in my opinion the Actuarial Liabilities included in the Consolidated 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, 1981 and have been properly reflected in the Consolidated Statement of Income. I have relied upon the valuations made by the actuaries of subsidiary companies. Appropriations of Surplus have been made to provide against adverse fluctuations in experience significantly greater than those assumed in computing the Actuarial Liabilities. As mentioned in Note 5, a commitment has been made to purchase another company. I certify that to my knowledge no other 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 29, 1982

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 Consolidated Balance Sheet of Sun Life Assurance Company of Canada as at December 31, 1981 and the Consolidated Statements of Income, Surplus, Appropriated Surplus and Changes in Invested Funds 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 consolidated financial statements present fairly the financial position of the Company as at December 31, 1981 and the results of its operations and the changes in its invested funds 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, after the restatement outlined in Note 2(b) and after giving retroactive effect to the change to the consolidation method of accounting described in Note 3.

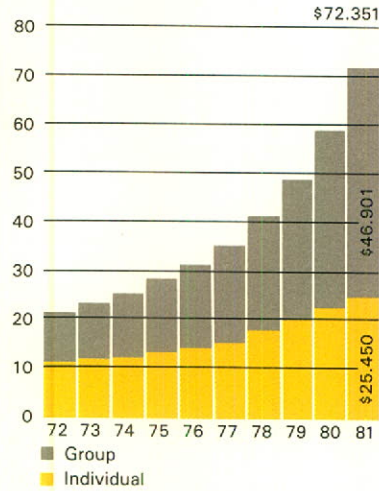
Toronto, January 29, 1982

(Signed) Touche Ross & Co.
Chartered Accountants

Sun Life Growth 1972 to 1981

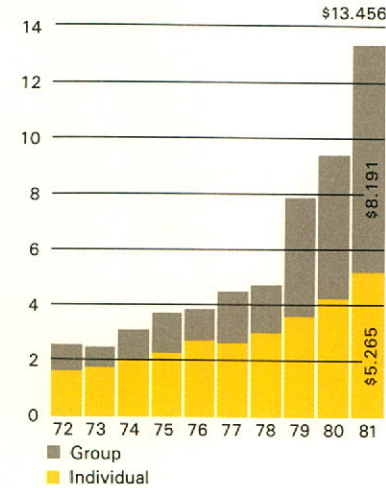
Life Insurance in Force

(in billions of dollars)



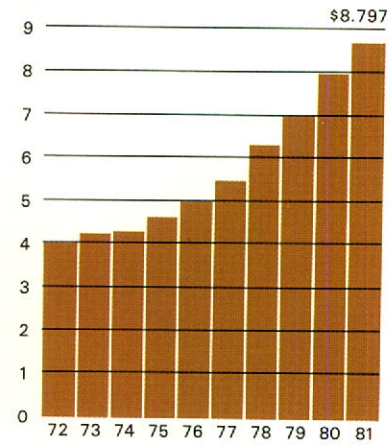
New Life Insurance

(in billions of dollars)



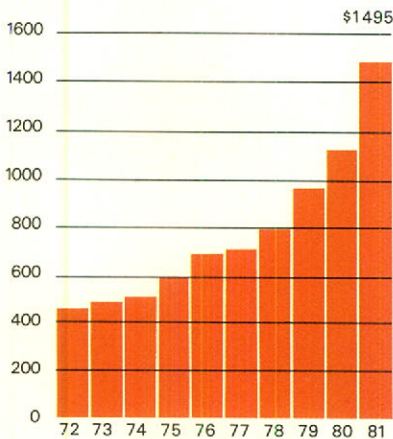
*Assets

(in billions of dollars)



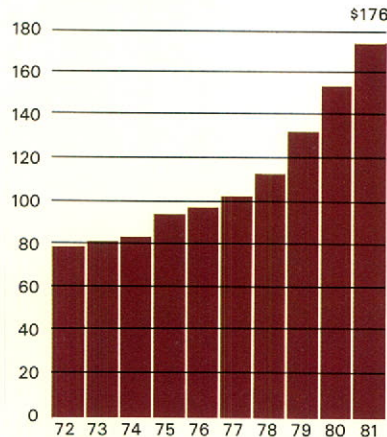
*Premium Income

(in millions of dollars)



Dividends to Policyholders

(in millions of dollars)



*Commencing with figures shown in 1980, amounts are on a consolidated basis.

Life Insurance and Service Subsidiaries

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

Investment-linked life insurance business and personal pension business.

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

Individual variable and guaranteed annuity policies and group pension contracts.

Suncan Equity Services Company (SUNESCO)

Distribution of variable annuity policies and mutual fund shares in the United States, as well as investment management and administrative services.

Sun Life of Canada Investment Management Limited (SUNIMCO)

Investment management services for 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)

Administrative services in Canada in respect of pension plans, and record-keeping, claims, and actuarial services in respect of health and welfare plans to corporation and other entities.

Suncan Benefit Services Company (SUNBESCO)

Record-keeping, claims, and actuarial services in respect of pension, health and welfare benefit plans of corporations and other entities in the United States.

The Officers

Executive Officers

***Thomas M. Galt, F.S.A.**
Chairman and Chief Executive
Officer

***George F.S. Clarke, F.S.A.**
President

***John A. Brindle**
Executive Vice-President

Principal Officers in Corporate Office

Ronald J. Emery, F.L.M.I.
Vice-President,
Systems

John H. Harrison
Vice-President,
Property Investments

P.R. MacGibbon
Vice-President,
Corporate Affairs

O.A. Reed, F.S.A.
Vice-President and Actuary

F. Herbert Frizzell
Regional Vice-President,
Far East (located in Hong Kong)

David D. Horn
Vice-President and Secretary

***W.J. McCarthy**
Senior Vice-President

***A.C.M. Robertson, F.F.A., F.C.I.A.**
Senior Vice-President

Donald L. Gauer, F.S.A.
Vice-President and Actuary

D.R.W. Jamieson, F.S.A.
Vice-President and Comptroller

John D. McNeil
Vice-President,
Securities Investments

F. Santangeli, CLU
Vice-President,
Agency Marketing

***S. James Gowdy**
Senior Vice-President

A. Douglas Lang
Vice-President, Human Resources

Robert J. Miffin
Vice-President,
Planning

D.H. Woodhouse, M.D.
Vice-President and
Chief Medical Director

Jean Gregoire, F.S.A.
Vice-President,
Group Pensions

***Cameron J.D. Leamy**
Senior Vice-President

Frank G. Morewood, F.S.A.
Vice-President,
Group Insurance

Principal Officers in National Offices

Canada

***J. Taylor Bradbury, F.L.M.I.**
Senior Vice-President and
General Manager

Graham McCracken
Vice-President and
General Counsel

Pierre Boileau
Vice-President,
Quebec

William R. Pearo
Vice-President,
Group Insurance

John R. Gardner, F.S.A.
Vice-President and
Associate General Manager

D.A. Stewart
Vice-President,
Group Pensions

James M. Greaney, C.F.A.
Vice-President,
Property Investments

K.M. Stewart
Vice-President,
Agencies

Gerald P. Jean
Vice-President,
Agencies, Quebec

C.L.F. Watchorn, F.S.A.
Vice-President,
Administration

John S. Lane, C.F.A.
Vice-President and
Assistant General Manager

A.G.F. Wirth
Vice-President,
Securities Investments

Yves Laneuville, F.S.A.
Vice-President,
Product and Underwriting

United States

***George L. Meltzer, CLU**
Senior Vice-President and
General Manager

H. Roy Bentley, F.L.M.I.
Vice-President,
Administration

**J. Jacques Deschênes, F.S.A.,
C.G.A.**
Vice-President and
Actuary

Gerald A. Jeutter, CLU
Vice-President,
Agencies

Robert E. McGinness
Vice-President
and Counsel

Alexandre Parodos, F.S.A.
Vice-President,
Group

David B. Wray
Vice-President,
Investments

Great Britain and Ireland

***Richard W.S. Baker**
Senior Vice-President and
General Manager

A.O. Armitage
Vice-President,
Administration

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

*Members of the Senior Advisory Council

