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SunLife
OF CANADA

# 112th Annual Report

Sun Life Assurance Company of Canada

1982

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Le présent rapport est aussi disponible en français.

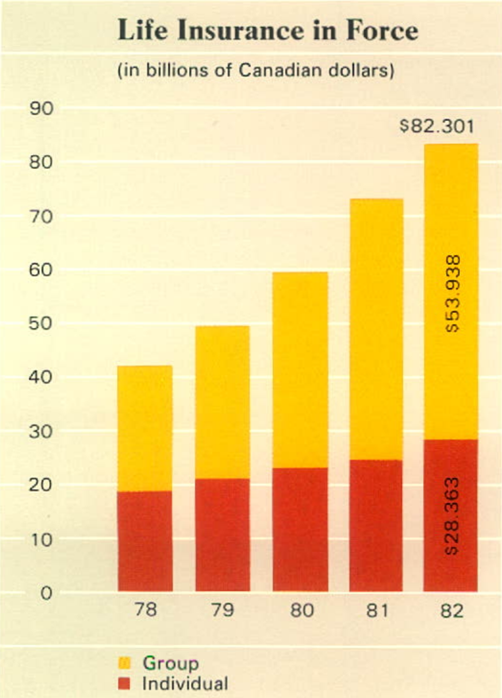


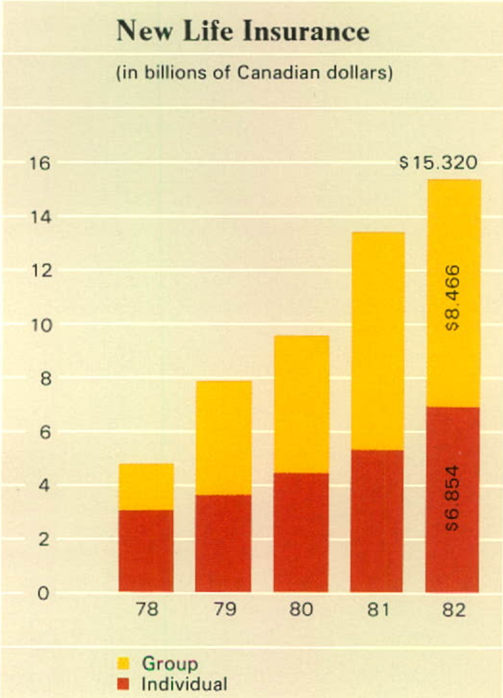
## Contents

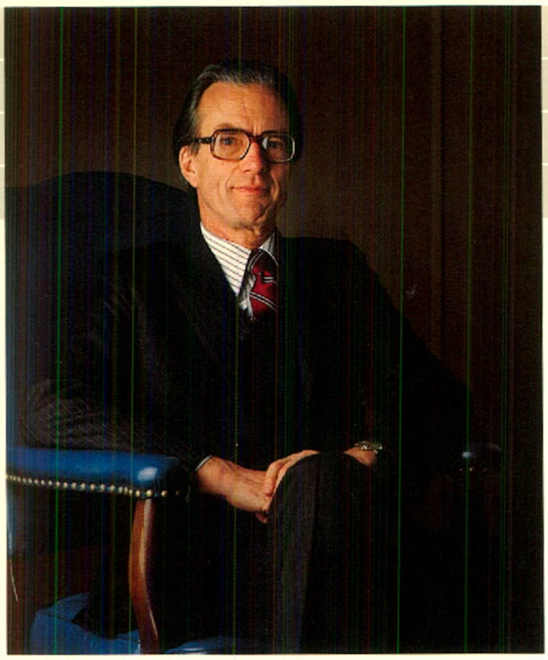
# 1982 Highlights

(with comparative figures for 1981)

| | 1982 | 1981 |
|---|---|---|
| | (in thousands of Canadian dollars) | |
| | $ | $ |
| Total Payments to Policyholders and Beneficiaries | **1,409,886** | 1,145,662 |
| Dividends and Experience Refunds to Policyholders | **221,827** | 184,145 |
| Assets, December 31st | **10,060,292** | 8,797,314 |
| Total Revenue for the Year | **2,987,972** | 2,203,309 |
| Life Insurance: | | |
| New Amounts | **15,320,012** | 13,455,962 |
| Amounts in Force | **82,301,230** | 72,351,176 |
| Premium Income: | | |
| Life Insurance | **715,929** | 662,123 |
| Annuities | **809,444** | 452,464 |
| Health Insurance | **223,032** | 175,485 |
| Segregated Funds | **160,478** | 204,870 |





**Thomas M. Galt**
Chairman and Chief
Executive Officer

## Chairman's Address

Annual General Meeting February 8, 1983

I would like to begin by expressing thanks, on behalf of the Company's policyholders, to the Board of Directors for their advice and counsel in what has been a year of difficult and uncertain economic circumstances here in Canada and throughout the world.

### Changes on the Board of Directors

I would like to pay particular tribute to the two members of the Board who are retiring on February 8, 1983. Mr. Frank Covert, having reached the retirement age for directors, will not be standing for re-election. Mr. Covert has served the Company as a Director since 1966. Mr. Eric Hamilton, elected to the Board in 1974, has asked that his name not be submitted for re-election, since he is reducing his business activity. Both these gentlemen have made distinguished contributions to the affairs of the Company over many years and their interest and participation in our deliberations will be greatly missed.

You will be asked later in the meeting to elect a new Director. It is with pleasure that I inform you that Mr. J. William E. Mingo, Q.C., who is a partner in the firm of Stewart, MacKeen & Covert in Halifax, has consented to stand for election. His wide experience in Canada, his particular knowledge of the Maritimes, and his distinguished legal career make him an excellent candidate for our Board.

Before I ask the President to report to you on the details of the year's results, I would first like to touch on a few highlights of the year's operations and to comment on some of the issues which confront the Company.

### Federal Budget in Canada

The environment in which we were operating in 1982 was in certain respects not an easy one. Here in Canada in November 1981 the life insurance industry was hit by a number of extremely unfavourable proposals in the Federal budget. During all of 1982 discussions on these proposals were held between the government, the life underwriters and the life insurance companies. The resulting proposed legislation, expected to become law very shortly, is in our view much more reasonable than the original proposals. All existing and most, though not all, future permanent life insurance plans will be exempt from taxation on the imputed interest on the reserves, provided they are held until a death claim occurs. Unfortunately, some of the negative aspects of the budget remain. For instance, the ending of the availability of income averaging annuities removes a source of considerable business for our industry. Moreover, the uncertainty which prevailed during the entire year with regard to the future taxation of both life insurance and annuities undoubtedly made it a very difficult year for our sales representatives and prospective buyers.

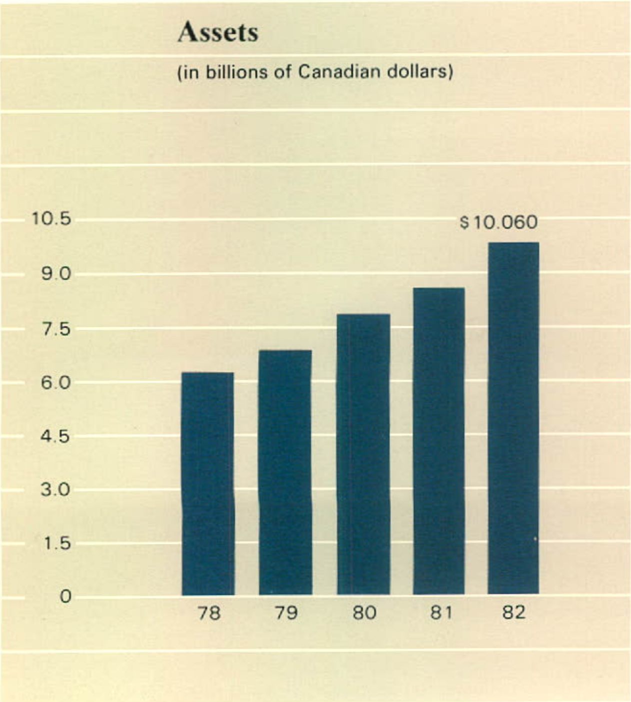
In addition to the problems created in Canada by the budget proposals, 1982 was, of course, a year filled with economic difficulties in all our National areas of our operations. In each of them unemployment was high, interest rates were extremely volatile, and the economic outlook was uncertain.

**Company Results**

In light of all the circumstances, I believe that the Company's sales results in 1982 were very good. Sales of life and health insurance showed good increases, while the sales of annuities were up sharply. Most of the increase in annuity sales resulted in the United States from our acquisition during the year of Massachusetts Financial Services Company.

Many other aspects of the year's operations were also favourable. Total insurance in force and total assets showed excellent gains. With the acquisition of MFS we now have very substantial additional assets under management. The quality of our assets continues to be very high.

We did, however, have a very considerable reduction in net income for the year. This largely represented an investment in increased sales. In our business, because of expenses and the actuarial reserves that have to be set up, an increase in sales in a given year tends to reduce net income for that year. In part the reduction was also due to increasingly competitive markets.




We had expected to have a lower net income in 1982 than in the previous year as a result of the planned increases in sales, but a number of factors, including the continued losses from our group health business, produced an even lower figure. However, I would like to assure our policyholders that the lack of any substantial net income in a single year should not be of concern to them. The Company remains very strong financially because of the magnitude of the surplus and contingency margins in our balance sheet, the quality of our assets and the fact that currently the market values of our investments are well in excess of the book values shown. Obviously as our business grows, we must produce net income in most years in order that our surplus grows appropriately. As one means to achieve better earnings for 1983 we have budgeted for a much lower increase in general expenses than we have had in recent years. Lower rates of inflation in Canada, the United States and the United Kingdom, combined with our adherence to the 6 and 5 salary guidelines in Canada, will help us to limit expense increases.

One of the highlights of the year was our acquisition of Massachusetts Financial Services Company. As I have mentioned, it has already proven beneficial to our marketing efforts in the United States, where the financial services markets are changing rapidly. We intend to make every effort to take full advantage of the opportunities which these changing financial services markets will afford in the years to come.

**Insurance Company Legislation**

In Canada the various elements which comprise our financial services industry are also experiencing change. In December 1980, the Bank Act was revised to allow the chartered banks greater flexibility in several aspects of their operations. Last summer, the Federal Government published its proposals for the revision of the legislation governing federally incorporated trust companies in Canada. Naturally, we in the life insurance industry are anxious that the provisions of our Insurance Company Act also be brought up to date very soon. We are concerned that the revision process move forward on a timely basis, so that the federal legislation affecting life insurance companies will not constrain them from competing effectively in the Canadian savings market against the other types of financial institutions. A healthy climate of competition in the provision of financial services to Canadians makes an important contribution to capital formation in Canada.

## Pension Reform Issues

A very significant event for our industry and for all Canadians, which took place last December, was the publication of the Federal Government's Green Paper on Pensions. In recent years there have been many studies of the whole pension question, by governments, business associations, the pension industry and others. The matter was examined at the National Pension Conference in 1981 at which the life insurance industry put forward proposals.

Following publication of the Federal Green Paper, a special Committee of the House of Commons is to hold hearings across the country and make recommendations by the end of this year.

Last August, the Business Committee on Pension Policy published a consensus statement on pension reform. This represented a consensus of nine major business organizations covering a very wide spectrum of the business community, including our own industry association.

There is broad agreement on many aspects of pension reform between the Green Paper and the business consensus. It is generally agreed that the problem of inadequate income for those currently retired should be addressed by increasing the Guaranteed Income Supplement. There is also considerable agreement on certain measures to improve private pension plans. These are in the areas of earlier vesting, locking in contributions, portability of pensions and better protection of spouses.

The areas where there seems to be considerable difference of opinion, and where there will undoubtedly be much debate are:

*1)* inflation protection;
*2)* whether pension plans should be mandatory for all employees;
*3)* whether improvement should be in public plans, private plans, or both;
*4)* whether public plans should be pay-as-you-go or funded; and,
*5)* if funded, whether the funds should be invested in the public sector or in the private sector.

Behind all these and other questions lies one fundamental problem and that is cost. With the rapid increase in the proportion of our population over age 65, which is going to continue, even our current pension plans will be an ever-increasing burden on the working population of the country. Demographic projections show that over the next 50 years, the ratio of those over age 65 to the working-age population is expected to double. Fairness and equity suggest that certain improvements should be made. However, the working people of Canada must understand that pensions for the retired can only be improved by reducing the consumption of those of working age, unless action is taken to change the numbers in the respective groups. The easiest way to do that and to help resolve the problem of excessive cost would be to have a gradual increase in the age of normal retirement to reflect steadily lengthening life expectancies. It would only require a postponement of retirement to age 66 or 67 to have a very marked effect on the cost burden of pensions and social security on the working population. This is a possibility which deserves serious consideration and I was disappointed that it was not even mentioned in the Green Paper. It is being discussed quite seriously in the United States where the rising cost of pensions and social security is also a serious problem.

Returning to the five controversial points I enumerated, I do not propose at this time to discuss all of them. I think the Green Paper proposal for inflation protection is interesting but would require changes to be workable. Also, it would be very costly. With regard to the rest, I would simply like to stress the vital importance to the Canadian economy of the investment capital provided by the private pension industry.
It would, in my view, be a tragic mistake for Canada to expand greatly its government pension plans, thus greatly reducing the flow of private sector capital into the economy.

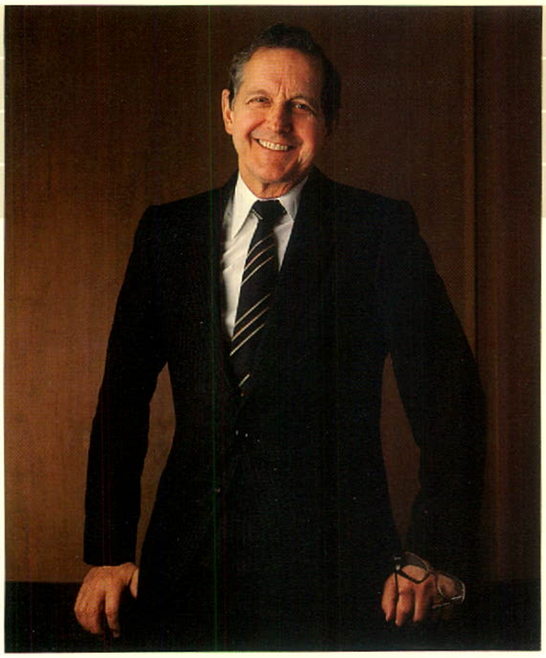
## Economic Outlook

Speaking of the economy, this is the time of year when many people are making economic forecasts. I do not propose to give you yet another set of predictions for GNP, interest rates, inflation rates, etc. I will say, however, that I view 1983 with optimism. I believe we should see steady improvement in many sectors of the economy during the year. I think the progress will be slow, but in the end that slowness will be advantageous as it will be less likely to lead to a renewal of increasing inflation. We must not forget that inflation was a major cause of the current recession and unemployment, and we must keep trying to reduce it further.

In summary, I believe 1983 will see an improving economy and I believe it will see continued growth in our Company's business.

T.M. Galt

**Thomas M. Galt**
Chairman and
Chief Executive Officer



**George F.S. Clarke**
President

## President's Address

**Annual General Meeting February 8, 1983**

The past year has been one of challenge and change for the Company in our different countries of operation. Difficult economic conditions combined with life insurance taxation changes and intensified competition created an unsettled business environment. Demands for new and different types of insurance and annuity policies, coupled with growing competition from closely related products and services from other financial institutions, caused life insurance companies to step up the pace of their new product development activities. There was considerable pressure on profitability from rising operating costs and the competitive pricing conditions which prevailed in most lines of business. The Company has addressed these and other challenges with a series of management programs designed to meet the special conditions of each of our different countries of operation.

### Management Developments

Sun Life's management system continued to evolve as further changes were made. These should increase our flexibility to respond quickly to opportunity and give us a greater degree of management focus and control with respect to the various elements which affect the growth and profitability of our different lines of business.

A directional plan task force was established with a mandate to assist the Executive Office in the reassessment of the scope of our business activities within the context of the financial services environment which we expect to prevail during the years immediately ahead. Fulfilment of this mandate will also make an important contribution to the further development of the strategic element of our planning which provides the link in the Company's planning process between day-to-day operations and the Company's longer-term goals.

With increasing pressure on the profitability of our business, even greater attention must be paid to productivity. Each of our National Offices has programs and projects which will help them achieve a higher level of productivity in their operations. A similar process to improve effectiveness in the Corporate Office is also underway. One of the keys to our ability to strengthen and improve our position in the coming years will be to successfully combine highly trained human resources with highly technical information management facilities at competitive levels of cost effectiveness.

During the year, the Board of Directors approved two senior appointments. Mr. John R. Gardner became Senior Vice-President and General Manager for Canada, effective May 1st and Mr. John D. McNeil became Senior Vice-President and General Manager for the United States, effective June 1st.

Mr. Gardner, an actuary by training, has had wide experience in the Company's operations, including a period at our United States Headquarters Office, where he served as Vice-President and Actuary for the United States, and subsequently as Vice-President, Marketing in that country. This was followed by a period as Vice-President, Group in our Canadian Headquarters Office.

Mr. McNeil is highly qualified in the investment field. His business career includes general management experience in financial services. More recently, he has been Vice-President, Securities Investments in our Corporate Office. This background has prepared him well to provide leadership to our United States organization.

Along with Mr. Richard W.S. Baker, our Senior Vice-President and General Manager for Great Britain and Ireland, we are sure that the management teams being developed by the three General Managers in our National Offices will have the necessary skills and experience to meet ambitious goals in the development of business in their respective countries.

Senior Vice-President and General Manager for Great Britain and Ireland Richard W.S. Baker (left), Senior Vice-President and General Manager for the United States John D. McNeil (centre), and Senior Vice-President and General Manager for Canada John R. Gardner (right), are shown here with Executive Vice-President John A. Brindle (seated). Each National Office is responsible to the Executive Office for the conduct of operations in its territory.

**Company Results**

Turning to our results for 1982, this is the second year in which the results are presented on a consolidated basis. The figures for Massachusetts Financial Services Company are therefore included from the date of acquisition, May 20, 1982. The results of our subsidiary life insurance companies in the United States and Great Britain are becoming a more significant portion of our total operations and in 1982 amounted to 18% of total premiums and 6 1/2% of total assets. In addition to contributing to our marketing results, MFS had a successful year in mutual fund sales and its total assets under management in all categories increased during the year from $5.9 billion to $7.7 billion.

Life insurance in force at December 31, 1982 showed a satisfactory increase for the year. The increase for individual life insurance was slightly ahead of that for the previous year, although the volume of surrenders continued to be heavy, resulting in only a marginal increase in premiums payable on individual business in force. The increase in group life insurance in force, although above that for most years, was below the exceptional growth achieved in 1981. Business in force in health insurance as measured by annual premiums payable showed a good gain, partly reflecting the adjustment of renewal premiums on existing business. Annuity funds and reserves held rose significantly, due to exceptionally large sales of annuity products in 1982. Segregated Fund balances were higher, due mainly to the improvement which occurred in the market values of the assets held and the increasing portion of life insurance premiums in Great Britain which go into investment-linked plans.

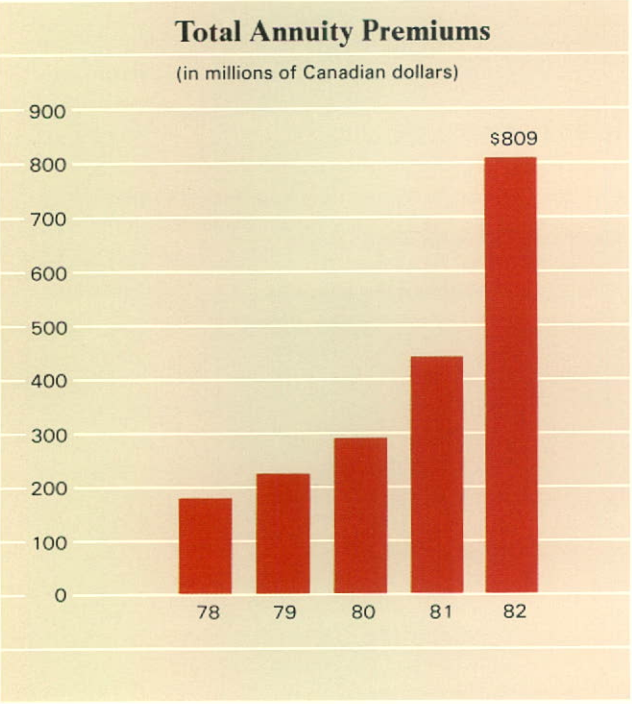
Premiums payable, including single premiums, on the total amount of new business in all lines, reached a new record level of $840 million, an 81% improvement over 1981. The major part of this increase was in new guaranteed annuity business. Premiums on new life insurance were up only slightly but on a volume basis life insurance sales were 14% ahead of 1981 results. Individual life insurance showed a volume increase of 30%, a bigger increase than that achieved in 1981 and reflecting a continuing trend to lower premium plans. Group life insurance sales improved by 3%, on top of the excellent growth achieved in 1981.

A new feature of 1982 sales of individual insurance was the amount of reinsurance business which we assumed from reinsurance companies. The active development of this source of business contributed about 10% to the total amount of new individual life insurance written last year.

In Canada, individual business exceeded the 1981 figure by 23%. Sales of permanent policies were helped by the continuing good market reception for our new life insurance products and by our new non smokers' rates. Given the Canadian economic climate in 1982 and the uncertainty concerning the taxation of life insurance policies, the results achieved by our agency organization in Canada, particularly in Quebec, were very gratifying.

In the United States, sales of individual life insurance policies showed a 50% increase over 1981, the major part of this gain arising from reinsurance assumed. The new universal life policy, which we introduced into this market during the year, made Sun Life the first major mutual life insurance company to bring forward this type of plan in the United States. The new policy, termed "Lifemaster", has been well received.

In Great Britain and Ireland, sales of individual insurance increased by 21%, a good improvement over the rate of increase in 1981. Much of the gain was due to an encouraging acceptance of our new range of investment-linked products providing life insurance, with the balance of the premium invested in specialized funds which offer the buyer a wide range of investment choices. Additionally, we introduced non smokers' term rates in Britain last year and adjusted premium rates on recently issued term plans as in Canada, being the only Company to do so in the British market.




The Far East Division continued to achieve rapid growth in new individual life insurance business due to continuing expansion of our field force in the Philippines, and the progress which we are making in establishing our presence in Hong Kong.

Group life insurance sales in 1982 showed a gain of 19% in Great Britain, 7% in Canada and a decline of 16% in the United States, after an exceptionally large amount of new business in that country in 1981. The overall new sales volume of $8.5 billion included business from many major employers and we continue to hold a significant market share of this type of business in Canada and Great Britain.

In group health insurance, severe competition continued to prevail in 1982. New annual premiums for this line of business were down slightly following very large increases during the past few years.

Total annualized and single premiums on new annuities increased by 110%. Nearly three-quarters of the improvement came from sales of our new guaranteed annuity products in the United States, with the rest almost entirely accounted for by large group annuity sales in Canada. Annualized and single premiums on new Canadian individual guaranteed annuity sales were virtually unchanged in total for the year. However, there was a large decrease in single premium plans and a large increase in flexible premium plans, with a proportion of the latter including rollovers of existing business into new contracts.

New individual annuity plans introduced–the Superflex Guaranteed Annuity in Canada and the Compass Variable Annuity in the United States–put us in a good competitive position in the individual savings market in both these countries.

**Review of Financial Statements**

Once again, the Company's Financial Statements were adjusted at December 31st to take into account changes in the rates of exchange for conversion of foreign currencies into Canadian dollars. The rate for United States dollars was increased from $1.15 to $1.20 Canadian. Sterling was reduced from $2.40 to $2.20 Canadian. These and other rate changes – in Irish pounds and some West Indian currencies – produced a net positive adjustment of $27 million as shown under Revenue in the Income Account.

A correction referred to in Note 2(b) of the Financial Statements increased Actuarial Liabilities in 1982 to include the full amount of dividends payable in the ensuing year on individual life insurance. In the restatement of 1981 figures to be compatible with 1982, Surplus and Appropriated Surplus were reduced to offset the increase in Actuarial Liabilities, while Net Income for 1981 was increased by $12 million.

An important highlight in the Balance Sheet at December 31st was a large increase in Consolidated Assets. These rose by $1.2 billion or 14% to more than $10 billion. During the year, the Company added significantly to bond holdings. These increased by 17% as we made bond investments at attractive rates of interest to match the growth in our annuity business. With the exception of mortgage loans, with a small increase of 2%, policy loans and cash, all other investment categories increased substantially.

In the Consolidated Income Statement, total Revenue from all sources rose substantially to just under $3 billion in 1982. Consolidated premiums, now approaching the $2 billion mark, gained 28%. Of this figure, annuity premiums constitute over 40% and increased by 79% last year. Net investment income improved by 16%, and the growth in Segregated Fund Investments, mainly arising from the increased market values, contributed 9% of the total revenue.

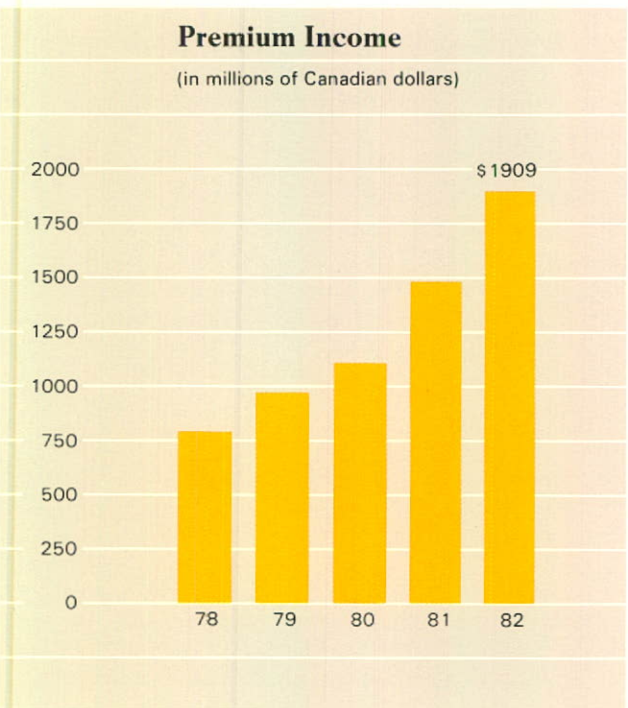
Despite the excellent growth in Revenue, Net Income, as the Chairman has mentioned, fell to less than $1 million. The level of actuarial reserve requirements associated with new annuity business is particularly high. This arises from the statutory limit on interest assumptions allowed in calculating actuarial reserves on policies with new money interest rate assumptions in the premium calculations. Our excellent annuity results were, therefore, a major factor in the substantial increase in additions to actuarial reserve liabilities and constitute an investment in increased sales which will augment our earnings in future years.

Payments to policyholders and their beneficiaries increased by 23% to $1.4 billion. Within this figure, the item, dividends and experience rating refunds, was 20% higher. Health Benefit Payments were up 26%. Last year, I referred to losses on group health business and although we took significant measures during the year aimed at eliminating or reducing these losses, they persisted in 1982, but were falling rapidly during the latter part of the year. We are continuing to attack this problem. It is of particular interest to note that current benefit payments to policyholders and their beneficiaries and additions to actuarial reserve liabilities to provide future benefit payments constitute 79% of the total Expenditure figure.

Consolidated operating expenses were sharply higher in 1982. The major part of the increase is a result of the consolidation of MFS operating expenses incurred since acquisition in 1982, and increased expenses associated with the large volume of new business written during the year. The Parent Company operating expenses, comprising 83% of the consolidated figure, rose by 12%.

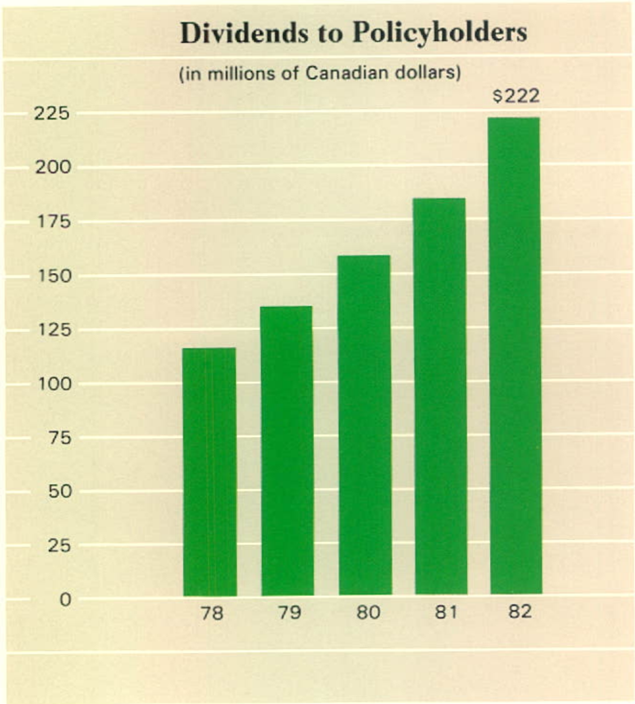
In the Consolidated Statement of Surplus nearly $100 million was transferred to Appropriated Surplus. The main appropriation increased the provision for Foreign statutory and other deficiency or solvency requirements by $74 million. Further provision was made for Fluctuation in Currency Values and for Statutory Asset Valuation. There was also a small addition to the Health Contingency Reserve. In consequence, Appropriated Surplus has been increased to $638 million and Surplus reduced to $685 million.

The Board of Directors has approved the continuation of the payment of dividends according to the existing dividend scales for the dividend year commencing on April 1st for all our active territories. It is expected that the total dividends paid in 1983 will increase by 5% over those paid in 1982.



On behalf of the Directors, I wish to thank all those in Sun Life who have contributed to our accomplishments in 1982. Although we expect some improvement in the economic outlook as the year progresses, conditions in the life insurance industry will continue to be challenging. In this climate, we will be making every effort to improve productivity throughout the Company and also the effectiveness of our marketing activities. Our programs and projects are designed to achieve these objectives and we look with confidence to the members of our staff and field organizations to make 1983 another excellent year for the Company.

**George F.S. Clarke**
President




Figures for 1981 and 1982 include Experience Rating Refunds.


Toronto High Park Branch Agency Assistant Lucy Turrin (left) discusses tax-sheltered retirement savings plans with a prospective client. Sun Life provides agent support through participation in local trade shows and other community events.

*Sun Life participates in a variety of selected events throughout the year, linking field force marketing efforts with community activities.*

Quebec Vice-President Pierre Boileau (right) joined Montreal EXPO baseball player Gary Carter, Sun Life-sponsored Junior team member Luc Tremblay and the EXPO mascot Youppi during an Expo game sponsored by Sun Life.

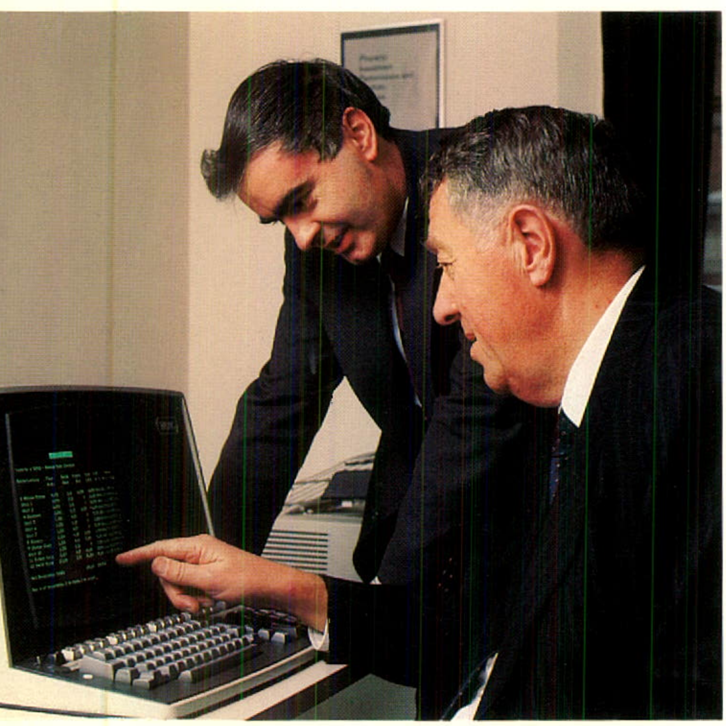
Sun Life promotes sports and other fitness activities and sponsors a variety of community-based athletic events throughout the year as an investment in community well-being.

*Investment in data processing and communications technology enhances the range of services available to Sun Life's policyholders and agents.*

Hong Kong agents (left to right) Steve Chan, Catherine Kwai and Steve Mak review a capital needs analysis proposal for a client. Up-to-date communications and data processing equipment linked with the Company's Central Systems Office enables local Sun Life agents to match Company products with the financial service requirements of their clients.


Shift leader Douglas Stephenson checks the direct access storage devices (DASD) at the Company's Central Systems Office in Toronto. DASD houses 50 billion bytes of data covering everything from life and health insurance policies to securities and real estate investments.

*Sun Life's strong and diversified investment portfolio is fundamental to the development and marketing of competitive financial services.*



Investment Vice-President for Great Britain and Ireland Maurice Bates (left) discusses a real estate valuation with Chief Property Investment Officer Derrick Marks. Attaining attractive rates of return on policyholder assets allows Sun Life to develop competitive long-term insurance and investment-linked products.


United States Marketing Services Manager James Naughton, Associate Actuary Ronald Klein, Assistant Systems Officer Sheila Osler, and Associate Actuary Robert Smardon, discuss Sun Life's universal life product, Lifemaster, developed for the United States market. Sun Life actuarial and marketing teams in the United States, Canada, and Great Britain, develop products to meet changing consumer needs in their particular markets.

# Consolidated Balance Sheet

December 31, 1982 (with comparative figures for 1981)

(in thousands of Canadian dollars)

| | 1982 | 1981 |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| Bonds | **3,721,299** | 3,178,668 |
| Preferred and common stocks | **939,135** | 819,098 |
| Mortgage loans | **1,907,884** | 1,861,961 |
| Real Estate–Company buildings | **86,503** | 59,041 |
| Real Estate–Held for investment | **778,237** | 685,183 |
| Loans to policyholders on their policies | **680,178** | 606,411 |
| Cash | **23,620** | 50,011 |
| Other invested assets | **90,293** | 56,905 |
| Investment income due and accrued | **153,646** | 128,341 |
| Outstanding premiums | **43,959** | 45,544 |
| Miscellaneous assets | **145,047** | 67,541 |
| Segregated fund assets | **1,490,491** | 1,238,610 |
| | **10,060,292** | 8,797,314 |
| **Liabilities and Surplus** | | |
| Actuarial liabilities: | | |
| Reserves for unmatured obligations | **6,166,708** | 5,239,607* |
| Provision for dividends and experience rating refunds to policyholders | **237,326** | 227,325* |
| Provision for unreported claims | **40,247** | 31,001 |
| Reserve for non-insured company employee and retiree benefits | **57,390** | 49,573 |
| | **6,501,671** | 5,547,506* |
| Policy proceeds and other amounts left at interest | **546,189** | 507,874 |
| Policy benefits in process of payment | **52,789** | 43,499 |
| Accrued expenses | **25,228** | 33,666 |
| Miscellaneous liabilities | **123,329** | 105,424 |
| | **7,249,206** | 6,237,969 |
| Segregated fund liabilities | **1,488,111** | 1,237,167 |
| Total liabilities | **8,737,317** | 7,475,136 |
| Appropriated surplus | **638,451** | 540,036* |
| Surplus | **684,524** | 782,142* |
| | **10,060,292** | 8,797,314 |

*See Note 2 (b)

## Consolidated Income Statement

Year Ended December 31, 1982 (with comparative figures for 1981)

(in thousands of Canadian dollars)

| | 1982 | 1981 |
|---|---|---|
| | $ | $ |
| **Revenue** | | |
| Premiums: | | |
| Life Insurance | **715,929** | 662,123 |
| Annuities | **809,444** | 452,464 |
| Health Insurance | **223,032** | 175,485 |
| Segregated Funds | **160,478** | 204,870 |
| | **1,908,883** | 1,494,942 |
| Investment Income [net of investment expenses of $86,389; $73,781 in 1981] | **774,455** | 665,032† |
| Net adjustment of assets and liabilities due to change in currency rates of exchange | **26,649** | 17,595 |
| Segregated fund investment income [including appreciation (depreciation) in assets of $147,577; $(96,648) in 1981] | **277,985** | 25,740 |
| Total Revenue | **2,987,972** | 2,203,309 |
| **Expenditure** | | |
| Payments to policyholders and their beneficiaries: | | |
| Death and disability benefits | **234,700** | 206,566 |
| Maturities and surrender values | **379,237** | 336,101 |
| Annuity payments | **172,539** | 131,015 |
| Dividends and experience refunds | **221,827** | 184,145 |
| Interest credited to claims and amounts on deposit | **54,696** | 40,445 |
| Health benefits | **164,730** | 128,722 |
| Segregated fund payments | **182,157** | 118,668 |
| | **1,409,886** | 1,145,662 |
| Additions to actuarial reserve liabilities | **946,175** | 550,152* |
| Segregated fund increases and expenses | **255,908** | 111,974 |
| Operating expenses | **359,677** | 279,962† |
| Taxes | **15,529** | 42,512† |
| Total expenditure | **2,987,175** | 2,130,262 |
| **Net Income** | **797** | 73,047* |

†See Note 1 (f)
*See Note 2 (b)

## Consolidated Statement of Surplus

Year Ended December 31, 1982 (with comparative figures for 1981)

| | (in thousands of Canadian dollars) | |
|---|---|---|
| | **1982** | **1981** |
| | $ | $ |
| Balance, January 1 | | 775,081 |
| Restatement | | (86,327)* |
| Balance, January 1 | **782,142*** | 688,754 * |
| Net Income | **797** | 73,047 * |
| | **782,939** | 761,801 |
| Transferred to Appropriated Surplus | **98,415** | (20,341)* |
| Balance, December 31 | **684,524** | 782,142 * |

*See Note 2 (b)

## Consolidated Statement of Appropriated Surplus

Year Ended December 31, 1982 (with comparative figures for 1981)

(in thousands of Canadian dollars)

| | Balance Jan. 1, 1981 | 1981 Appropriations | Balance Jan. 1, 1982 | 1982 Appropriations | Balance Dec. 31, 1982 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Surplus Appropriated for:** | | | | | |
| Fluctuation in Security Values | 325,000 | 3,000 | 328,000 | **0** | **328,000** |
| Fluctuation in Currency Values | 86,100 | 12,300 | 98,400 | **19,100** | **117,500** |
| Fluctuation in Group Mortality | 33,500 | 0 | 33,500 | **0** | **33,500** |
| Foreign statutory and other deficiency or solvency requirements | 81,523* | (37,220)* | 44,303* | **74,234** | **118,537** |
| Statutory Asset Valuation | 33,714 | 1,533 | 35,247 | **5,040** | **40,287** |
| Health Contingency Reserve | 540 | 46 | 586 | **41** | **627** |
| | 560,377* | (20,341)* | 540,036* | **98,415** | **638,451** |

*See Note 2 (b)

## Consolidated Statement of Changes in Invested Funds

(excluding segregated funds)

Year Ended December 31, 1982 (with comparative figures for 1981) (in thousands of Canadian dollars)

| | 1982 | 1981 |
|---|---|---|
| | $ | $ |
| **Source of funds** | | |
| Reversal of non-cash items included in Net Income and change in miscellaneous balances: | | |
| Increase in actuarial liabilities | **954,165** | 553,740* |
| Increase in policy proceeds and other amounts left at interest | **38,315** | 34,202 |
| Depreciation on investments | **7,767** | 9,958 |
| Statutory investment adjustments included in income | **(33,354)** | (28,630) |
| Currency adjustment of invested funds | **(19,566)** | (12,944) |
| Miscellaneous (net) | **(83,406)** | 7,532 |
| | **863,921** | 563,858 |
| Net Income from Statement of Income | **797** | 73,047* |
| | **864,718** | 636,905 |
| Investments sold, matured or repaid: | | |
| Bonds | **660,210**† | 476,081† |
| Stocks | **242,519** | 223,567 |
| Mortgage loans | **127,806** | 167,296 |
| Real Estate | **17,689** | 17,542 |
| | **1,912,942** | 1,521,391 |
| Policy loans repaid | **118,438** | 92,282 |
| | **2,031,380** | 1,613,673 |
| **Application of funds** | | |
| Investments acquired: | | |
| Bonds | **1,076,263**† | 695,428† |
| Stocks | **331,200** | 252,957 |
| Mortgage loans | **158,184** | 258,858 |
| Real Estate | **148,318** | 154,018 |
| Other invested assets | **41,132** | 23,335 |
| | **1,755,097** | 1,384,596 |
| Policy loans advanced | **186,540** | 201,059 |
| Net increase in short-term bonds | **116,134** | 16,282 |
| Increase (decrease) in cash | **(26,391)** | 11,736 |
| | **2,031,380** | 1,613,673 |

*See Note 2 (b)
†Excluding $2.8 billion short-term in 1982 and $2.2 billion in 1981

# 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 companies, including Massachusetts Financial Services Company acquired in May 1982, 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 and the amortization of gains and losses as described in Note 1(a). In 1982, Investment Income has been reported net of all investment expenses and taxes. In 1981, Investment Income was reported net of Real Estate expenses, taxes and depreciation only. For comparison, 1981 Investment Income has been restated with corresponding adjustments to Operating

expenses and Taxes. Real Estate expenses, taxes and depreciation amounted to $58,696,000 in 1982 and $48,048,000 in 1981.

*(g) Income Taxes*
The Company follows the taxes payable method.

**2. Actuarial Liabilities**
*(a)* Reserves 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.

*(b)* In 1982, the Company included in Actuarial Liabilities dividends on individual life insurance for the ensuing year, part of which had been omitted in prior years. This correction required a restatement of the prior year's Net Income, Actuarial Liabilities, Surplus and Appropriated Surplus. The Actuarial Liabilities were increased by $96.2 million at January 1, 1981 and by $84.4 million at December 31, 1981, resulting in an increase of $11.8 million in previously reported Net Income for 1981. As a further result, Surplus and Appropriated Surplus at January 1, 1981 were decreased by $86.3 million and $9.9 million respectively and the 1981 transfer to Surplus from Appropriated Surplus with respect to Foreign statutory and other deficiency or solvency requirements was increased from $23.2 million to $37.2 million.

The dividends on individual life insurance referred to above have been included in Actuarial Liabilities under the heading "Provision for dividends".

**3. Reinsurance**
During 1982, the Company discontinued the modified coinsurance arrangement made in 1981 under which the Company reinsured a portion of its ordinary life insurance business in the United States.

**4. 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 non-insured portion of the Company's employee and retiree benefits.

## Valuation Actuary's Certificate

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, 1982 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. 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 28, 1983*

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, 1982 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, 1982 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).

*Toronto, January 28, 1983*

Touche Ross & Co.
Chartered Accountants

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**H.R.C. Riches,** M.D.
Consulting Medical Officer

*Members of the Senior Advisory Council

## Sun Life Subsidiaries and Services

**Sun Life Assurance Company of Canada (U.K.) Limited [Sun Life (U.K.)]**
Investment-linked life insurance business and personal pension business.

**Sun Life Assurance Company of Canada (U.S.) [Sun Life (U.S.)]**
Individual variable and fixed annuity policies, universal life insurance policies and group pension contracts.

**Massachusetts Financial Services Company [MFS]**
Management of mutual funds and client funds including pensions. Also distribution of mutual funds, fixed and variable annuities and universal life insurance policies. A subsidiary of Sun Life (U.S.)

**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 corporations and other entities.

**Sun Benefit Services Company, Inc. [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.

## Sun Life Services Around the World

| | | | | | |
|---|---|---|---|---|---|
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| | Brandon | Hamilton | Moncton | Rimouski | Toronto |
| | Brossard | Hull | Montreal | Saskatoon | Trois-Rivières |
| | Calgary | Kamloops | New Westminster | Sept Iles | Vancouver |
| | Charlottetown | Kingston | Ottawa | Sherbrooke | Victoria |
| | Chicoutimi | Kitchener/Waterloo | Prince George | St. Catharines | Windsor |
| | Edmonton | Laval | Quebec City | St. John's | Winnipeg |
| | Granby | Lethbridge | Red Deer | Trail | |
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| | Chicago | Hartford | New Orleans | San Francisco | Wellesley Hills |
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| | Belfast | Coventry | Horsham | Manchester | Southampton |
| | Birmingham | Croydon | Ipswich | Newcastle | Walthamstow |
| | Bristol | Diss | Leeds | Northampton | Wembley |
| | Bromley | Dublin | Leicester | Orpington | Wimbledon |
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