113th Annual Report
1983

Sun Life Assurance Company of Canada

SunLife OF CANADA

Contents

Le présent rapport est aussi disponible en français.

Sun Life Assurance Company of Canada was incorporated under the laws of Canada and started business in 1871. It is a mutual life insurance company which offers a broad range of financial services and products for groups and individuals through the parent company and its subsidiaries. These include life and health insurance, group disability insurance, dental plans, individual and group pension plans, pension and investment management services and mutual funds.

Sun Life has nearly 3,500 field representatives and more than 4,800 staff in its international organization. Sales and service offices are located in the major cities in our principal countries of operation–Canada, the United States, Great Britain–and in Bermuda, Hong Kong, Ireland and the Philippines. With assets in excess of $11 billion and more than $90 billion of life insurance in force, Sun Life is the largest Canadian life insurance company and one of the largest life insurers in the world.

A major development for the Company is the construction of Sun Life Centre in Toronto, Ontario. Of the two-tower development featured on the cover, the east tower is the new location of the Company's Head Office. Sun Life Centre represents a sound long-term investment for our participating policyholders.

Enquiries may be addressed to:
S. James Gowdy,
Senior Vice-President and Secretary,
Sun Life Assurance Company of Canada,
Sun Life Centre,
150 King Street West,
Toronto, Ontario, Canada
M5H 1J9

1983 Highlights

Year ended December 31	1983	1982
In thousands of Canadian dollars	$	$
Payments to Policyholders and their Beneficiaries	**1,305,900**	1,188,059
Dividends and Experience Refunds	**201,878**	221,827
Assets	**11,358,768**	10,060,292
Other Assets under Management	**9,751,192**	8,008,180
Life Insurance:		
New Amounts	**19,367,222**	15,320,012
Amounts in Force	**93,743,187**	82,301,230
Premium Income:		
Life Insurance	**825,142**	746,287
Health Insurance	**259,790**	223,032
Annuities	**926,909**	939,564
Investment Income	**944,664**	754,749
Total Revenue for the Year	**3,291,611**	2,989,222
Net Income	**141,814**	5,070

Yuri Dojc, Canada

The Senior Advisory Council, the Company's senior management committee: (left to right) front row: Thomas M. Galt, John A. Brindle, middle row: Richard W.S. Baker, John D. McNeil, John R. Gardner, back row: S. James Gowdy, Cameron J.D. Leamy, Donald L. Gauer, Walter J. McCarthy.

To Our Policyholders

Following a difficult business year in 1982, 1983 was a year of economic recovery and decline in inflation. It was also a year marked by increasing complexity in the provision of financial services in our principal operating territories–Canada, the United States, and Great Britain and Ireland.

Company Results

Under the competitive conditions which prevailed, Sun Life had very satisfactory new business results. Premium income on new individual and group life insurance increased by 25%. Annual premiums on new health insurance policies rose 12%. New annuity and segregated fund premiums were down slightly.

Life insurance in force at December 31, 1983, stood at $94 billion, 14% higher than at the previous year end. Our consolidated assets grew 13% during the year to more than $11 billion at December 31, 1983. In addition, wholly-owned subsidiary companies had about $10 billion of investments under management.

An important contribution was made to the Company's total consolidated results by Massachusetts Financial Services Company, a wholly-owned subsidiary acquired in 1982. MFS offers a wide range of investment products and has considerably strengthened our position in the United States financial services market.

Your Company's consolidated earnings from operations showed a substantial improvement in 1983 with an increase of more than 50% over 1982 results. Net income rose to $142 million after dividends and experience refunds to policyholders. In 1982, restated net income was $5 million.

(left to right)
Thomas M. Galt,
Chairman and Chief
Executive Officer and
John A. Brindle,
President.

The improvement in net income marks an encouraging reversal in the downward trend in the previous two years. Many factors, including improved economic conditions, contributed to the better results. Our continuing efforts to offer the market a balanced mix of products and services, to attain higher levels of productivity with a smaller staff and to improve expense management met with considerable success in 1983. In health insurance, long a difficult and highly competitive segment of our industry, we moved back into profit.

Yuri Dojc, Canada

Earnings benefited from a 25% gain in investment income. This improvement resulted from a number of factors. These included substantial net realized capital gains on sales of real estate; an additional amount arising from a change in the Company's accounting practice with respect to real estate under development; and sales of common stock, with reinvestment of the proceeds in higher yielding fixed interest investments.

Changes in the valuation of actuarial reserves also made an important contribution to the increase in net income.

The Board of Directors approved an increase in dividend scales for participating policyholders, effective April 1, 1984.

Management Changes

The President, George F. S. Clarke, retired on December 31, 1983. He was succeeded as President and as a Director by John A. Brindle, formerly Executive Vice-President.

Earlier in the year, Donald L. Gauer, F.S.A., F.C.I.A., was appointed Valuation Actuary following the retirement of A. C. M. Robertson.

Market Conditions for Financial Services

In the climate of increasing competition in financial services the flow of new insurance and savings plans designed to meet the needs of an increasingly knowledgeable consumer market has quickened appreciably. Advances in computer systems and communications technology have contributed to this rapid change. A major factor in determining the future shape of the financial services industry will be the speed with which the regulatory environment adjusts to this change.

Federal Insurance Legislation in Canada

In September 1983 the life insurance industry submitted extensive recommendations to the Government of Canada for amendment to the federal legislation which governs life insurance activities. The governing statutes have not undergone a comprehensive revision since 1932. A thorough overhaul is urgently required.

The submission deals with the need for certain extended powers to permit federally chartered life insurance companies, such as Sun Life, to diversify their activities to meet the demands of a rapidly changing marketplace, both in Canada and externally.

The recommendations seek to respond to new market conditions, while maintaining the financial stability afforded our industry's customers. The Sun Life strongly supports the recommendations.

Delay in appropriate federal legislative changes could be a serious concern to the industry. Many federally chartered companies conduct substantial business operations internationally. There is a risk that they could be left at a competitive disadvantage in the gathering momentum for change in financial services in the United States and elsewhere.

Pension Reform

Pension reform has been a subject of intensive discussions in our major countries of operation for some years. In last year's Annual Report, we referred to the Government of Canada's Green Paper on Pension Reform. In November 1983 the Canadian Parliamentary Task Force on Pension Reform issued its report. We find common ground with a number of the Task Force's recommendations. For example, we support the need for earlier vesting, for improved portability and for adequate survivor benefits.

In our view, there should be no major increases in the Canadian and Quebec Pension Plans and we agree with the Task Force recommendation that these plans should be funded on a pay-as-you-go basis. Improvements in private pension plans have the advantage that they generate investment capital, which is then allocated within the economy through the capital markets.

Looking Ahead

The world economy continues to experience many problems which require careful and sustained attention by governments and international agencies. Although inflation has abated, the need, nationally and internationally, to support policies aimed at further containment of inflation remains.

Difficult economic conditions in recent years have coincided with a period of significant change and adjustment for the life insurance industry. Challenging times test the strength and resourcefulness of organizations. We believe that Sun Life has the resources, skills and understanding of our clients' changing needs to meet the future with confidence.

Thomas M. Galt
Chairman and Chief
Executive Officer

John A. Brindle
President

Operations in 1983

Premium Income
(in billions of Canadian dollars)

During the year a number of changes were introduced to improve efficiency and profitability in Sun Life's total operations. Following a careful study in our National Offices, in Canada, the United States, and Great Britain, the management structures within these Offices were reorganized along business unit lines to achieve greater operational effectiveness. In addition, certain functions were detached from the Corporate Office and established separately to provide services throughout the whole Company. The Central Services, as they are named, comprise Systems, Accounting, Medical Underwriting, and Reinsurance.

To increase the effectiveness in their operations, the National Offices initiated specific productivity improvement programs designed to meet their individual requirements. These efforts should lead to continuing improvements in cost control and greater efficiency.

Premiums received by the Company from new individual life insurance sales in 1983 increased by 28% over those for the previous year. In reinsurance, premiums assumed from reinsurers amounted to $4.3 million, more than double those of the previous year. Annual premiums on new health insurance policies rose by 12%. New annuity and segregated fund premiums declined by 4%.

In group life insurance, we performed strongly in the United States, Canada and Great Britain. Total new group life insurance increased by 9%. Sun Life experienced a good year in new business activity in group health insurance in which financial performance improved, so that we experienced a return to profitability.

At December 31, 1983 the Company's total consolidated assets amounted to $11.4 billion, an increase of 13% over the previous year end. The purchase of substantial amounts of fixed interest securities, principally in the bond portfolio, accounted for most of the growth in total assets. Income from investments rose by 25%. Consolidated earnings from operations increased by more than 50% over 1982 results. Net earnings after dividends to policyholders improved to $142 million from $5 million in the previous year.

Canada

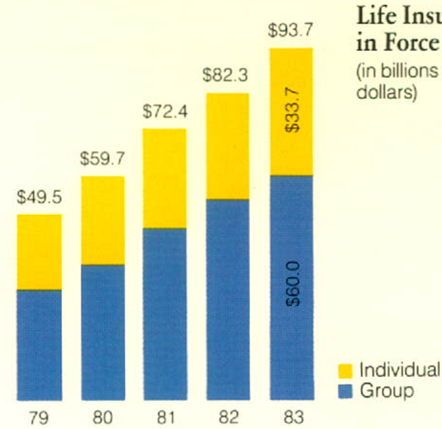
New individual life insurance sales in Canada increased by 10% to $3.4 billion. New group life insurance sales declined by 17% to $2.8 billion.

Annuity sales in Canada dropped substantially in 1983, partly as a result of changes in government income tax legislation. Annualized premiums on health insurance sales increased by 25%. Growth in Canadian segregated fund deposits increased nearly fourfold to $63.5 million, as a result of successful marketing efforts.

Regional Service Centres in Canada provide service to policyholders over the telephone or at the counter. These Toronto RSC employees Julie Margo (foreground), Trudy Cambareri and John Ridge handle a variety of inquiries and requests from policyholders with regard to their Sun Life policies.

Yuri Dojc, Canada

Life Insurance in Force
(in billions of Canadian dollars)



In September the Company, together with ATCO Ltd. and Texaco Canada Inc., formed AT&S Exploration Inc. to undertake a major oil exploration program in the Northwest Territories and off the east coast of Canada. Sun Life has a 37.5% interest in this joint venture. The bulk of its share in the financing will come from pension funds invested in a new specialized investment fund, Sun Life Energy Fund No. 1. The Canadian Real Estate Fund No. 1, established in 1981, continued to show satisfactory growth and amounted to $151 million at the year end.

New Canadian products introduced in 1983 included Adjustable Life, a low cost, permanent life insurance plan and, in the pension field, the Uniform Pension Plan. The UPP was developed to increase pension coverage, especially among small employers. For that reason, the plan was designed to be simple and easy to administer. Moreover, it is fully portable.

Canadian investment operations in 1983 were characterized by a shift in emphasis from equity to fixed interest investments. We took advantage of favourable market conditions to sell a substantial amount of common stock. The proceeds of these sales, together with most of the new funds available for investment, were invested in bonds and mortgages. In the latter area, a number of large commitments on commercial residential properties were made.

In January 1983 the Canadian Office launched a productivity campaign aimed at securing suggestions from staff employees and agents for improvement in operations. Many of the ideas submitted as a part of this campaign are making a useful contribution to efficiency. Also, a careful analysis of staffing requirements led to a reduction in staff.

In the Central Systems Office and the Canadian group division, work is underway on a new health claims payment system. When it is in place, this system will improve service to policyholders and reduce claims handling costs.

Computer terminals have been installed in 60 branches across Canada to improve service in field operations. The terminals provide a direct link-up with the computer in our Central Systems Office. This network makes appropriate information available on a timely basis to support Canadian sales and service activities.

United States

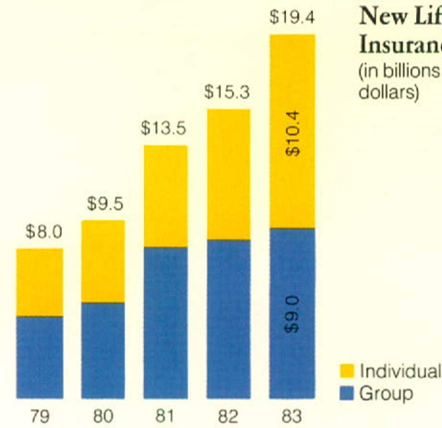
New products introduced by the Company in the United States market during 1982 made important contributions to the 1983 sales results achieved, both by the parent and by its subsidiaries, Massachusetts Financial Services Company and Sun Life Assurance Company of Canada (U.S.).

New individual life insurance written by the United States organization

During 1983, Massachusetts Financial Services Company, a subsidiary of Sun Life (U.S.), assumed management of the funds arising from the variable portion of the variable annuity contracts issued by the parent company. A. Keith Brodkin (left) and William S. Harris (centre) both of MFS, are meeting with L. Brock Thomson (right), Sun Life (U.S.) to review investment performance.

Jonathan Rawle, U.S.A.


Sun Life of Canada



New Life Insurance Sales
(in billions of Canadian dollars)

amounted to $2.1 billion, an increase of 44%. Sales of Sun Lifemaster, a universal life plan which features flexible premiums and adjustable coverage, accounted for 47% of first year premiums.

New group life insurance written in 1983 increased by 76% to $3.2 billion. Sales benefited from the introduction of a new group health product. The new plan is a type of stop loss insurance in the group health field. It is most effective in assisting sales of large group cases.

In 1983, the emphasis shifted from fixed to variable annuities. Sales of Horizon guaranteed annuities declined during 1983 and were replaced by sales of our new Compass policies. The volume of the new plans bought climbed to $268 million as buyers responded strongly to the attractive options and flexibility of these new products. Compass plans, which combine both fixed and variable annuity features, were designed for both the tax qualified and non-tax qualified markets.

Sun Life Assurance Company of Canada (U.S.) and Massachusetts Financial Services Company, wholly-owned subsidiary companies, now play a major role in United States marketing activities. MFS experienced another fine year. In addition to substantial sales of products from Sun Life (U.S.), its net sales of mutual funds increased by 15 percent. Funds under MFS management grew by 20% in 1983 and amounted to $7.7 billion (U.S.) at the year end. In December, Sun Growth Fund, Inc. was merged with Massachusetts Financial Development Fund Inc., an MFS mutual fund.

Revisions in the basis of life insurance taxation in the United States, under discussion for some time, were expected to be enacted in 1983 to replace expiring stopgap arrangements. These changes were not enacted, however, but are expected to become law in 1984. The tax reforms should provide a more equitable basis of taxation for the future.

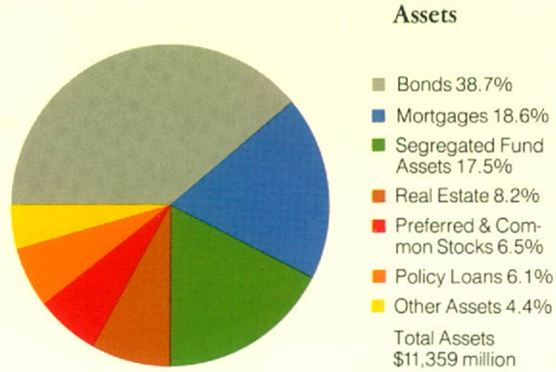
To achieve the full development potential of our United States National Office's headquarters site at Wellesley Hills, Massachusetts, a third office building was added to the complex during this, the tenth year since its opening. Sun Life will occupy close to three-quarters of the total space available and lease the balance to outside tenants.

Each year, the career agent with the largest volume of individual life insurance sales throughout the Company attains the honour of Presidency of the Macaulay Club. The members of this sales club, established in 1910, are the Company's leading sales representatives. Bunny Hager from our London Central Branch in Great Britain, has qualified as an officer of the Club in each of his 22 years as a Sun Life agent. President in 1972 and 1980, Bunny became President for the third time in 1983.

Nancy Durrell McKenna, U.K.

Great Britain and Ireland

The British market for life insurance products during 1983 was particularly active. In the early part of the year, Sun Life had considerable success with endowment policies linked to house mortgages; this market opportunity arose from a change in the method of providing tax relief for mortgage interest. The momentum generated continued throughout the year. New individual life insurance grew to almost



Sun Life's Far East Division, comprising the Philippines and Hong Kong, has grown rapidly in recent years. These Sun Life agents, Esther Tan (left) and Elizabeth Duy (right) were among the sales leaders honoured at the Company's 1983 Far East Leaders' Conference held in Singapore.

R. Ian Lloyd, Singapore

$2 billion, a 63% gain on 1982 results. Of this figure, $144 million represents the life insurance part of investment-linked policies written through our subsidiary, Sun Life Assurance Company of Canada (U.K.) Limited. Deposits arising from this business added almost $42 million to segregated funds, a gain of 91% over 1982 results.

The good investment performance of the funds offered through Sun Life (U.K.) has been an important factor in the past few years in support of the strong growth in sales of our individual investment-linked products in Great Britain.

Group life insurance sales declined slightly from the record total achieved in 1982 and amounted to $2.9 billion. The amount of group life insurance in force rose substantially in 1983, however. Sun Life now ranks second in Great Britain in total group coverage provided.

During 1983 Sun Life introduced several new products for the British market, and a range of new investment-linked products designed for the Republic of Ireland. The new products should strengthen our marketing activities in both these countries.

During the year Sun Life announced its plans to move its British headquarters in 1986 from Cockspur Street in London, where we have been located since 1928, to modern and expanded facilities to be developed in Basingstoke, Hampshire, 47 miles west of London. This move will accommodate the continuing growth of our British operations.

Far East

Sun Life's business in the Philippines and Hong Kong continues to grow at a rapid pace. Sales of new individual life insurance business increased by 48% over 1982's results to a total of $429 million.

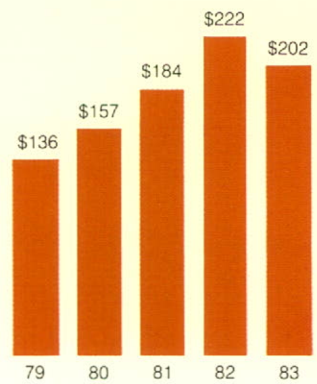
In November, leaders of our field force in the Philippines and Hong Kong met in Singapore with senior management officials of the Company to review the outstanding sales results and make plans for the future.

Review of Financial Statements

Total Revenue shown in the Consolidated Income Statement increased by 10% to $3.3 billion. Premium income from all lines of business grew by 5%. Investment income was up 25%.

Net income was reduced by a net adjustment to assets and liabilities of $7 million arising from changes in certain rates of exchange used to convert foreign currencies to Canadian dollars at December 31, 1983. This compares with a net increase of $27 million made at the previous year end. Sterling was the principal currency adjusted with a reduction in the rate from $2.20 to $2.00 Canadian.


SCHEME 2
NORTHERN



Dividends and Experience Refunds to Policyholders*
(in millions of Canadian dollars)

*Figures for 1979 and 1980 do not include Experience Refunds

Total expenditure shown in the Consolidated Income Statement increased by 7% to $2.9 billion. Payments to policyholders and their beneficiaries rose 10% to $1.3 billion. Within this total amount, death and disability benefits increased by 14%, while the rate of increase in maturities and surrenders of 11% was somewhat reduced from that in 1982. Increases in actuarial liabilities were adjusted by $23 million as explained in Note 2(c). The total amount of these increases was $678 million, down $268 million from 1982, while increases in segregated fund liabilities amounted to $509 million, up $266 million from 1982.

Payments to policyholders and their beneficiaries, together with additions to reserve liabilities and dividends and experience refunds, amounted to 82% of total 1983 revenue.

A substantial part of the growth in consolidated operating expenses in 1983 arose from the inclusion of operating expenses from MFS for the full year. In 1982 these expenses were taken into the Financial Statements only from the date of acquisition of that subsidiary.

Earnings from operations of $344 million were more than 50% higher than those in 1982. After dividend and experience refunds of $202 million, net income was $142 million compared with 1982 net income of $5 million, restated to be comparable with 1983 earnings. Note 4(a) of the Financial Statements describes the restatement which added $4 million to 1982 net income and appropriated surplus and decreased miscellaneous liabilities by the same amount.

Increases in mandatory appropriated surplus shown in the Consolidated Statement of Appropriated Surplus were more than offset by a reduction in voluntary appropriated surplus. As a result, $18 million was released from appropriated surplus to surplus, as shown in the Consolidated Statement of Surplus. At December 31, 1983, the balance of surplus amounted to $844 million, 23% higher than the figure for the previous year end.

In the Consolidated Balance Sheet, total assets amounted to $11.4 billion at the year end, an increase of $1.3 billion over total assets at December 31, 1982. In 1983, segregated fund assets grew by $499 million. Much of the improvement was due to a rise in market values between year ends, with a corresponding increase in the liability for segregated fund contracts. The Company's bond holdings rose by 18%, mortgages by 11%. Holdings of preferred and common stocks were reduced by 22%.

Sun Life offers a variety of benefit plans to employee groups. These include registered retirement savings plans, deferred profit sharing plans, registered pension plans and other investment services. Northern Telecom salaried employees (left to right) Janette Best, A. G. (Mario) Lazzeri, Tom Kangelis, Dorina Gligorie, participate in an investment plan administered by the Pensions Division of Sun Life.

Yun Dojc, Canada

Consolidated Financial Statements

Consolidated Balance Sheet

Year Ended December 31 In thousands of Canadian dollars	1983 $	1982 $
Assets		
Bonds	4,396,380	3,721,299
Preferred and common stocks	735,258	939,135
Mortgages	2,116,854	1,907,884
Real estate	935,870	864,740
Policy loans	689,141	680,178
Cash	20,912	23,620
Other invested assets	106,423	90,293
Investment income due and accrued	170,213	153,646
Outstanding premiums	46,173	43,959
Miscellaneous assets	151,796	145,047
Segregated fund assets	1,989,748	1,490,491
	11,358,768	10,060,292
Liabilities and Surplus		
Actuarial liabilities:		
Reserves for unmatured obligations	6,742,025	6,166,708
Provision for dividends and experience refunds	233,077	237,326
Provision for unreported claims	46,252	40,247
Reserve for non-insured Company employee and retiree benefits	65,193	57,390
	7,086,547	6,501,671
Liability for segregated fund contracts	1,961,584	1,471,279
Policy proceeds and other amounts left at interest	593,107	546,189
Policy benefits in process of payment	57,711	52,789
Accrued expenses	39,976	25,331
Miscellaneous liabilities	150,781	135,785
Total liabilities	9,889,706	8,733,044
Appropriated surplus	625,000	642,724
Surplus	844,062	684,524
	11,358,768	10,060,292

Consolidated Income Statement

Year Ended December 31 In thousands of Canadian dollars	1983 $	1982 $
Revenue		
Premiums:		
Life insurance	825,142	746,287
Health insurance	259,790	223,032
Annuities	926,909	939,564
	2,011,841	1,908,883
Investment income (net of investment expenses of $88,848; $85,797 in 1982)	944,664	754,749
Investment income on segregated fund assets	184,182	149,317
Net market value gain on segregated fund assets	116,501	128,668
Net adjustment of assets and liabilities due to change in exchange rates	(6,941)	26,827
Other income	41,364	20,778
	3,291,611	2,989,222
Expenditure		
Payments to policyholders and their beneficiaries:		
Death and disability benefits	271,049	236,971
Maturities and surrender values	593,089	536,149
Annuity payments	201,447	195,513
Interest credited to claims and amounts on deposit	54,555	54,696
Health benefits	185,760	164,730
	1,305,900	1,188,059
Increases in actuarial reserve liabilities	678,417	946,175
Increase in liability for segregated fund contracts	508,791	242,161
Commissions	98,610	82,168
Operating expenses	319,349	284,281
Taxes	36,852	19,481
	2,947,919	2,762,325
Earnings from Operations	343,692	226,897
Dividends and experience refunds	201,878	221,827
Net Income	141,814	5,070

Consolidated Statement of Surplus

Year Ended December 31 In thousands of Canadian dollars	**1983** $	**1982** $
Balance, January 1	**684,524**	782,142
Net income	**141,814**	5,070
	826,338	787,212
Transferred to appropriated surplus	**(17,724)**	102,688
Balance, December 31	**844,062**	684,524

Consolidated Statement of Appropriated Surplus

	Balance Jan. 1, 1982	1982 Appropriations	Balance Jan. 1, 1983	1983 Appropriations	Balance Dec. 31, 1983
In thousands of Canadian dollars	$	$	$	$	$
Mandatory surplus appropriations:					
Canadian statutory investment valuation and currency reserves	57,566	(9,524)	48,042	**(3,453)**	**44,589**
Canadian statutory valuation reserve for non-admitted assets	35,247	5,040	40,287	**7,048**	**47,335**
Foreign statutory deficiency or solvency requirements	27,304	58,006	85,310	**26,206**	**111,516**
	120,117	53,522	173,639	**29,801**	**203,440**
Voluntary surplus appropriations	419,919	49,166	469,085	**(47,525)**	**421,560**
	540,036	102,688	642,724	**(17,724)**	**625,000**

Consolidated Statement of Changes in Invested Funds
(excluding segregated funds)

Year Ended December 31 In thousands of Canadian dollars	1983 $	1982 $
Source of Funds		
Net income	141,814	5,070
Reversal of non-cash items included in net income and change in miscellaneous balances:		
Increase in actuarial reserve liabilities	584,876	954,165
Increase in policy proceeds and other amounts left at interest	46,918	38,315
Depreciation on investments	8,509	7,767
Statutory investment adjustments included in income	(46,593)	(33,354)
Currency adjustment of invested funds	109,194	(19,566)
Miscellaneous (net)	81	(87,679)
Total provided from operations	844,799	864,718
Investments sold, matured or repaid:		
Bonds	800,689	660,210
Stocks	601,933	242,519
Mortgages	210,368	127,806
Real estate	62,738	17,689
Other invested assets	616	—
Total investments sold, matured or repaid	1,676,344	1,048,224
Policy loans repaid	129,459	118,438
	2,650,602	2,031,380
Application of Funds		
Investments acquired:		
Bonds	1,526,355	1,076,263
Stocks	361,797	331,200
Mortgages	431,046	158,184
Real estate	153,198	148,318
Other invested assets	24,463	41,132
Total investments acquired	2,496,859	1,755,097
Policy loans advanced	149,513	186,540
Net increase in short-term securities	6,938	116,134
Decrease in cash	(2,708)	(26,391)
	2,650,602	2,031,380

Notes to Consolidated 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 life insurance fund 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 life insurance fund stocks are taken into income on a 7% declining balance basis; unrealized gains and losses on such stocks are treated in a similar manner. Gains and losses on sales of health insurance fund investments are included in income when realized.

Life insurance fund bonds and mortgages are carried at amortized values, adjusted for the unamortized portion of the gains or losses described above. Health insurance fund bonds and mortgages are carried at amortized cost.

Life insurance fund 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. Health insurance fund stocks are carried at 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.

Real estate is carried at depreciated cost. Commencing in 1983, cost has been adjusted for properties under development to reflect capitalization of imputed interest during the construction period (see also Note 1(f)). Gains and losses on sales of real estate are included in income when realized.

(b) Subsidiaries

Subsidiary companies are accounted for on a consolidated basis. Assets of life insurance subsidiaries are carried at values prescribed by the regulatory authorities in their respective countries. Assets of other subsidiaries are carried at values determined by generally accepted accounting principles.

(c) Segregated Funds

Segregated fund assets are carried at market values.

(d) Acquisition Costs

Costs of acquiring new insurance 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 realized gains and losses on sales of real estate and the amortization of other gains and losses as described in Note 1(a), net of all investment expenses and taxes. In 1983, the Company adopted the practice of capitalizing imputed interest on real estate under development and including such amounts in investment income. In 1983 imputed interest on real estate under development amounted to $12.3 million. Net realized gains on sales of real estate during 1983 amounted to $40.3 million ($5.7 million in 1982).

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

2. Actuarial Liabilities
(a) Reserves for unmatured obligations shown on the Consolidated 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 these actuarial liabilities provides for dividend expectations and for modest adverse fluctuations in future experience. Provision for more severe adverse fluctuations is made through appropriations of surplus.

(b) The reserves included for the unmatured obligations of the Company's branches and subsidiaries operating in foreign jurisdictions have been valued in accordance with Canadian requirements. Any resulting foreign statutory deficiency or solvency requirements are held as mandatory appropriations of surplus, as are certain other Canadian statutory solvency safeguards.

(c) In 1983, the Company made changes in interest and mortality rate assumptions and certain other refinements in the estimation process for calculating individual insurance actuarial liabilities. These changes reduced the increase in Reserves for unmatured obligations at December 31, 1983 by approximately $22.9 million and consequently increased Net income by the same amount.

3. Company Pension Plans
The major portion of the Company's pension plan liabilities are insured with the Company and form part of the Reserves for unmatured obligations. In addition, provision is made for non-insured employee and retiree benefits and is identified separately on the Consolidated Balance Sheet. These actuarial reserves represent the estimated funds currently required to meet accrued benefit obligations under the Company's pension plans.

4. Comparative Figures
Certain changes have been made to the 1982 consolidated financial statements to conform to the 1983 statement format:

(a) In 1982, the mandatory securities valuation reserve held by the Company's life insurance subsidiary in the United States was included under Miscellaneous liabilities; in 1983 this reserve is carried as a mandatory appropriation of surplus. This change required a restatement of $4.3 million, increasing 1982 Net income and Appropriated surplus and decreasing Miscellaneous liabilities. Surplus was not affected by the change.

(b) Segregated Funds deposits have been reclassified as life insurance and annuity premiums. Segregated Funds payments, expenses and taxes have been reclassified to their particular benefit payment or expenditure category.

(c) The format of the Consolidated Statement of Appropriated Surplus has been changed to reflect the distinction between mandatory and voluntary appropriations.

Valuation Actuary's Certificate

I certify that in my opinion the Actuarial liabilities make appropriate provision for future benefits payable under the Company's policies in force at December 31, 1983 and have been properly reflected in the consolidated financial statements. 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 31, 1984

D.L. Gauer, F.S.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, 1983 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, based on our examination and the certificate of the Company's Valuation Actuary, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1983 and the results of its operations and the changes in its invested funds for the year then ended in accordance with the accounting principles described in Note 1 applied, except for the change regarding imputed interest on real estate as explained in Note 1(*a*) and after giving retroactive effect to the change in accounting for the mandatory securities valuation reserve as explained in Note 4(*a*), on a basis consistent with that of the preceding year.

Toronto, January 31, 1984

Touche Ross & Co.
Chartered Accountants

The Board of Directors

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

John A. Brindle,
President,
Toronto, Ontario

Claude Bertrand, C.C., M.D.
Emeritus Professor of Surgery,
Université de Montréal,
Montreal, Quebec

H. Roy Crabtree, C.D.
Chairman,
Wabasso Inc.,
Montreal, Quebec

Albert L. Fairley, Jr.
Company Director,
Birmingham, Alabama

Jock K. Finlayson,
Chairman,
Royal Insurance Company of Canada,
Toronto, Ontario

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

G. Arnold Hart, M.B.E., C.M., LL.D., D.C.L., D.C. Sc.
Company Director,
Mountain, Ontario

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

Howard J. Lang, P. Eng.
Retired Chairman,
Canron Inc.,
Toronto, Ontario

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

J. William E. Mingo, Q.C.
Partner,
Stewart, MacKeen & Covert,
Halifax, Nova Scotia

The Rt. Hon. Lord Polwarth, T.D., D.L.
Director,
Bank of Scotland,
Edinburgh, Scotland

Alfred Powis,
Chairman and Chief Executive Officer,
Noranda Mines Limited,
Toronto, Ontario

Kathleen M. Richardson, O.C.
Director,
James Richardson & Sons, Limited,
Winnipeg, Manitoba

Hon. Ian D. Sinclair, O.C., Q.C.
Chairman,
Canadian Pacific Enterprises Limited,
Toronto, Ontario

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
Thomas M. Galt–Chairman
John A. Brindle
Jock K. Finlayson
J. Peter Gordon
G. Arnold Hart
Louis Hébert
Howard J. Lang
Alfred Powis
Hon. Ian D. Sinclair

The Audit Committee
Hon. Ian D. Sinclair–Chairman
H. Roy Crabtree
Jock K. Finlayson
G. Arnold Hart
Howard J. Lang

The Nominating Committee
J. Peter Gordon–Chairman
Thomas M. Galt
G. Arnold Hart
Louis Hébert
Alfred Powis
Hon. Ian D. Sinclair

Management

Executive Officers

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

*John A. Brindle,
President

Principal Officers in Corporate Office

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

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

*Donald L. Gauer, F.S.A., F.C.I.A.
Senior Vice-President and Chief Actuary

*S. James Gowdy,
Senior Vice-President and Secretary

Jean Gregoire, F.S.A., F.C.I.A.
Vice-President, Pensions

Tom R. Hale, M.D.
Vice-President and Chief Medical Director

John H. Harrison,
Vice-President, Property Investments

D.R. Warwick Jamieson, F.S.A., F.C.I.A.
Vice-President and Comptroller

A. Douglas Lang,
Vice-President, Human Resources

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

Peter R. MacGibbon,
Vice-President, Corporate Affairs

*Walter J. McCarthy,
Senior Vice-President, Investments

Robert J. Mifflin,
Vice-President, Planning

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

Owen A. Reed, F.S.A., F.C.I.A.
Vice-President and Actuary

Principal Officers in National Offices

Canada

*John R. Gardner, F.S.A., F.C.I.A.
Senior Vice-President and General Manager

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

Pierre O. Boileau,
Vice-President, Quebec

Wayne H. Faithfull, F.L.M.I.
Vice-President, Human Resources

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

Gérald P. Jean,
Vice-President, Individual Insurance Marketing, Quebec

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

A. Graham McCracken,
Vice-President and General Counsel

William R. Pearo,
Vice-President, Individual Insurance

Thompson E. Skinner, C.A.
Vice-President and Comptroller

Donald A. Stewart, F.I.A., F.C.I.A.
Vice-President, Pensions

Kenneth M. Stewart,
Vice-President, Individual Insurance Marketing

C.L.F. (Lee) Watchorn, F.S.A., F.C.I.A.
Vice-President, Group Insurance

Alfred G. Wirth,
Vice-President, Securities Investments

United States

*John D. McNeil, C.F.A.
Senior Vice-President and General Manager

David D. Horn,
Vice-President and Assistant General Manager

Gerald A. Jeutter, C.L.U.
Vice-President, Agencies and Assistant General Manager

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

A.R. (Tim) McMurrich, F.S.A.
Vice-President, Individual Products and Services

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

Austin O. Armitage,
Vice-President, Individual Customer Services

Maurice E. Bates,
Vice-President, Investments

Roy J. Fredericks,
Vice-President and Legal Adviser

H.A. (Tony) Heath, F.I.A.
Vice-President, Group Benefits

Peter R. Isgar,
Vice-President, Agency

Stanley J. Quirk, F.I.A.
Vice-President, Financial Control

*Members of the Senior Advisory Council

Sun Life Subsidiaries and Services

Canada

Sun Life of Canada Investment Management Limited [SUNIMCO]
Directors
John A. Brindle*–Chairman
Walter J. McCarthy–President
James M. Greaney, C.F.A.*–Senior Vice-President
John R. Gardner, F.S.A., F.C.I.A.*
John H. Harrison
John S. Lane, C.F.A.
SUNIMCO provides investment management services for pension funds of corporations or other entities, and investment portfolios for sickness, accident or other welfare benefit plans.

*Subject to ratification by the securities commissions with which the Corporation is registered.

Sun Life of Canada Benefit Management Limited [SUNBENCO]
Directors
John A. Brindle–Chairman
John R. Gardner, F.S.A., F.C.I.A.–President
Frank G. Morewood, F.S.A., F.C.I.A.
Owen A. Reed, F.S.A., F.C.I.A.
SUNBENCO provides 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.

United States

Sun Life Assurance Company of Canada (U.S.) [Sun Life (U.S.)]
Directors
Thomas M. Galt, F.S.A., F.C.I.A.–Chairman
John A. Brindle–Vice-Chairman
John D. McNeil, C.F.A.–President
Richard B. Bailey
Albert L. Fairley, Jr.
Walter J. McCarthy
Sun Life (U.S.) distributes individual variable and fixed annuity policies, universal life insurance policies and group pension contracts.

Massachusetts Financial Services Company [MFS]
Directors
Richard B. Bailey–Chairman
H. Alden Johnson, Jr.–President
A. Keith Brodkin–Senior Executive Vice-President
Thomas M. Galt, F.S.A., F.C.I.A.
John A. Brindle
MFS, a subsidiary of Sun Life (U.S.), provides management for mutual funds and client funds including pensions. It distributes mutual funds, fixed and variable annuities and universal life insurance policies.

Suncan Equity Services Company [SUNESCO]
Directors
John A. Brindle–Chairman
John D. McNeil, C.F.A.–Vice-Chairman
David D. Horn–President
Walter J. McCarthy
SUNESCO distributes variable annuity policies and mutual fund shares in the United States, and provides investment management and administrative services.

Sun Benefit Services Company [SUNBESCO]
Directors
John D. McNeil, C.F.A.–President
H. Roy Bentley, F.L.M.I.–Vice-President, Controller and Treasurer
Robert E. McGinness–Vice-President and Counsel
David D. Horn
SUNBESCO provides record-keeping, claims, and actuarial services with respect to pension, health and welfare benefit plans of corporations and other entities in the United States.

Great Britain

Sun Life Assurance Company of Canada (U.K.) Limited [Sun Life (U.K.)]
Directors
Thomas M. Galt, F.S.A., F.C.I.A.–Chairman
John A. Brindle–Deputy Chairman
Richard W. S. Baker–Managing Director
Lord Polwarth, T.D., D.L.
Sun Life (U.K.) markets investment-linked life insurance plans and personal pension policies.

Design
Gottschalk + Ash International
Printed in Canada