



114th
Annual Report
1984

Sun Life
Assurance Company
of Canada

SunLife
OF CANADA

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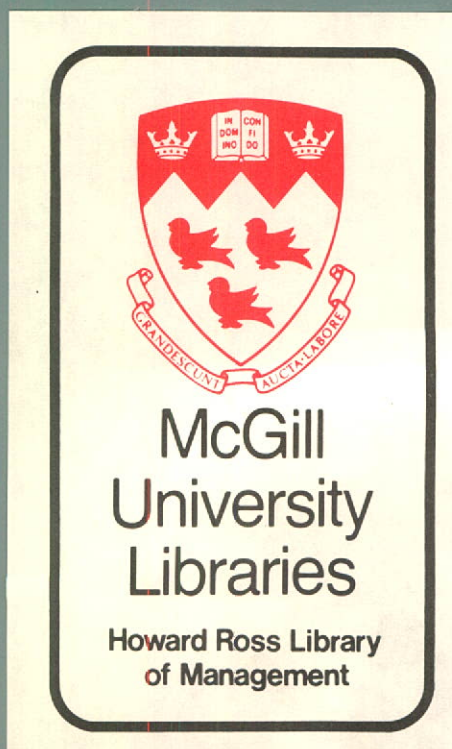
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Cover

This sunrise was captured by Canadian naturalist photographer Janet Foster in the Madawaska Valley in Ontario, Canada.

Le présent rapport est aussi disponible en français.

All dollar figures shown in this Report are Canadian dollars.



Company Highlights

	1984	1983	Percentage increase
In millions of Canadian Dollars	\$	\$	
Assets at December 31st	12,958	11,359	14%
Additional Assets Under Management	10,374	9,751	6%
Life Insurance: Amounts in Force	106,891	93,743	14%
New Amounts	21,876	19,367	13%
Funds held for Annuities in Force	3,945	3,398	16%
Premium Income	2,172	2,012	8%
Net Investment Income	1,090	945	15%
Total Revenue for the Year	3,493	3,299	6%
Payments to Policyholders and their Beneficiaries	1,440	1,319	9%
Operating Income before Dividends	348	343	2%
Policyholder Dividends	230	194	19%

Corporate Profile

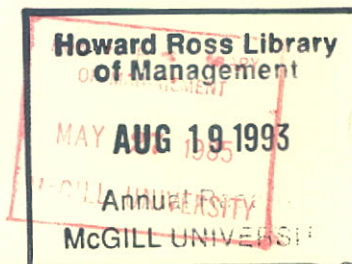
Sun Life Assurance Company of Canada was incorporated under the laws of Canada and started business in 1871. It is a mutual life insurance company which offers a broad range of financial services and products for groups and individuals through the parent company and its subsidiaries. These include life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

Sun Life has more than 3,300 field representatives and more than 4,600 staff in its international organization. Sales and service offices are located in major cities in our principal countries of operation—Canada, United States, Great Britain—and in Bermuda, Hong Kong, Ireland and the Philippines.

With assets of nearly \$13 billion, additional assets under management

of more than \$10 billion, and just under \$107 billion of life insurance in force, Sun Life is one of the largest life insurance companies in the world.

Enquiries may be addressed to:
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Senior Vice-President and
Secretary,
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150 King Street West,
Toronto, Ontario, Canada
M5H 1J9



Message to Policyholders

The year 1984 was one of continuing growth for Sun Life and its subsidiaries in most aspects of our business, with your Company maintaining its strong financial condition. Economic recovery continued to prevail in North America, although the improvement was stronger in the United States than in Canada. In Britain, industrial disputes and reduced consumer spending contributed to less buoyant economic conditions.

Highlights of Company Results

During the year, total consolidated revenue increased by nearly 6%. Of total revenues, premium income was up 8% and investment income was up 15%. A significant portion of the increase in investment income arose from an accounting change prescribed by the Federal Department of Insurance of Canada, as explained in Note 1(f) of the Notes to Consolidated Financial Statements.

Consolidated operating income amounted to \$348 million, up nearly \$6 million from 1983. Substantial increases in dividends to policyholders, and provision for 1985 dividends and for special maturity dividends, resulted in a net income for 1984 of \$118 million, compared with \$149 million in 1983.

The Company continues to enhance the long-term value of participating whole life insurance by improvements to the dividend program. To this end, the Board of Directors has approved an increase in dividend scales for participating policyholders, and the introduction of a special maturity dividend in Canada and the United States for policies which have been in force for ten years or more, both effective April 1, 1985. Participating policyholders in Great Britain and Ireland will benefit from the introduction of a terminal bonus for policies which have been in force for ten years or more. This change is also effective April 1, 1985.

A growing consumer interest in those products where benefits are closely linked to investment results means that investment performance continues to be increasingly important to the Company's overall results. Sales of such products helped to create a gain of 11% in annuity premiums, which rose to more than \$1 billion in 1984. The growth in annuity sales was assisted by the strong Sun Life presence in the American market, through Massachusetts Financial Services Company, a subsidiary of Sun Life (U.S.). On a consolidated basis, Sun Life is now a leader in the sale of variable annuities in the United States.

Total funds and reserves held for our annuity business in force amounted to nearly \$4 billion, 16% ahead of last year. In addition, the total funds accumulated on segregated fund policies in force grew 23% in the past year to more than \$2.4 billion.

At December 31, 1984, total consolidated assets amounted to nearly \$13 billion, an increase of 14% over the previous year end. In addition to the assets owned by the Company for the protection of our policyholders, other assets under management by Sun Life's subsidiaries,



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

Massachusetts Financial Services Company and Sun Life of Canada Investment Management Limited, grew to more than \$10 billion.

Total life insurance in force increased by 14% during the year to nearly \$107 billion at December 31, 1984.

Your management is pleased with the progress achieved during 1984 and believes that our increased productivity, improved cost controls, and continuing sensitivity and response to market conditions represent a sound foundation for future growth to the benefit of our policyholders.

Management Changes

Earlier this year, the Board of Directors approved the appointments, effective April 1, 1985, of John D. McNeil, C.F.A., to be Executive Vice-President and John R. Gardner, F.S.A., F.C.I.A., to be Senior Vice-President and Executive Officer.

John S. Lane, C.F.A., succeeds John Gardner as Senior Vice-President and General Manager for Canada. David D. Horn succeeds John McNeil as Senior Vice-President and General Manager in the United States.

Developments During the Year

In April 1984, the Company's Executive Officers and the Corporate Office moved into the new Head Office in Sun Life Centre in Toronto. The official opening ceremony was performed by the Lieutenant Governor of the Province of Ontario, the Honourable John Black Aird, on May 31, 1984. The two new buildings, comprising Sun Life Centre, represent an important investment for the Company's policyholders.

During the year, the Company continued to seek means to give better service to our clients. This resulted in further decentralization of our operations and an improvement in our ability to provide information to our customers on a timely basis.

Late in 1984, Sun Life entered the State of New York through the creation of a new subsidiary of Sun Life (U.S.), the Sun Life Insurance and Annuity Company of New York. The principal business of this new subsidiary will be individual and group variable annuity contracts.

During 1984, new tax legislation took effect in the United States, affecting life insurance companies and their products. This year, proposals to tax employee benefits such as pensions and life and health insurance in the United States are being firmly opposed by the life insurance industry and by other individuals and groups concerned about maintaining an adequate minimum level of protection for members of the work force and their dependents. Sun Life supports the American Council of Life Insurance in its efforts to inform Congress and the public of the negative effects of these proposals to tax employee benefits.

For the life insurance industry in Great Britain, 1984 was a year of important changes. The Chancellor's withdrawal of the tax relief on life assurance premiums, which was introduced for regular premium products almost two centuries ago, resulted in a decline in the market for endowment products. Because of our British National Organiza-

tion's strength in other product areas and our professionally-trained career agency force, we were in a good position to adjust to this development and fared better than many of our competitors, increasing our share of the market.

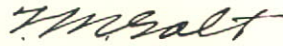
In January 1985 the British Government tabled a White Paper on regulation of financial services. It suggests self-regulation and has taken into account many of the suggestions made by life insurance industry representatives. New legislation is expected in 1986.

With the publication of federal and provincial discussion papers in Canada during 1985 on the role and legislative framework for financial services, we look forward to progress in the revision of legislation governing life insurance companies. Sun Life's objective in this process is to obtain the necessary legislative authority to provide a wider range of financial services to our clients. To this end, we strongly support life insurance industry proposals to make our governing legislation more flexible.

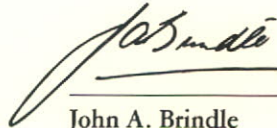
Conditions for Future Growth

With the pace of change accelerating amidst uncertainties in the economy and in the marketplace, companies need to develop and maintain flexibility in their operations to be able to respond quickly to new circumstances and to take advantage of opportunities for growth when they arise. If we are to achieve future growth, our ability to respond to a changing marketplace must not be fettered by unnecessarily restrictive legislation.

In all our territories, governments, as we have seen during 1984, can have a major influence in shaping business conditions and the economic climate in ways which encourage individuals and companies to invest in future progress. Governments have a responsibility to create a legislative environment that helps, not hinders the process of growth in the private sector. We believe that businesses and governments each have an important role to play in this process, if our policyholders and our fellow citizens are to enjoy the success and prosperity they have a right to expect.



Thomas M. Galt
Chairman and Chief
Executive Officer



John A. Brindle
President

Operations in 1984

Results from Operations

Total premiums received by the Company in 1984 amounted to more than \$2 billion, an increase of 8% over 1983. Included in this total were increases of life insurance premiums of 6%, of health insurance premiums of 5%, and of annuity premiums of 11%. Annuity premium income accounted for 47% of the Company's total premium income.

Amounts of new individual life insurance increased by 24% over 1983 to almost \$13 billion. This reflects improvements mainly in our United States and Far East operations. Premium income for new individual life insurance was 11% ahead of 1983 at \$99 million. While there were significant gains in amounts of new group life insurance policies sold in Canada, the total for the Company of \$9 billion was only slightly ahead of the results for 1983. Following the steep decline in annualized and single premiums for new annuity contracts in 1983, which was mainly the result of taxation legislation in Canada, premium income from annuity contracts recovered and showed a modest growth in 1984.

Our subsidiary company, Sun Life (U.S.), contributed to strong gains in deposits to new segregated fund policies, which rose 16% to \$456 million. Segregated funds are the funds held for life insurance policies and annuity contracts where the reserves vary according to market values of the underlying assets.

Annual premiums from new health insurance declined to \$32 million, partly as a result of continuing efforts to put this part of our business on a more profitable basis.

Reinsurance business continued to show strong growth, achieving a total of \$5 billion in new amounts of reinsurance assumed, an increase of 98%. New reinsurance annualized premiums rose 201% to \$17 million.

Management Developments

During 1984, each territory of the Company and each business unit continued to be faced with the challenge of increasing management efficiency in order to keep pace with changes in economic conditions and increased competition in the marketplace. Efforts to control growth in costs and to encourage greater productivity were maintained, which resulted in improved profitability and earnings in several business areas.

Management development continued to be emphasized as a vital element for improving overall performance. The reorganization which had taken place in all our major territories during 1983 and in early 1984, is already having an impact on productivity and on the opportunity for each business unit to increase its contribution to Company growth.

Management continued to seek ways to improve the service to our clients through our agents and branch offices. In each of our main territories studies were carried out, in cooperation with members of our field force, to determine the most effective ways of communicating with our clients and providing them with high quality, continuing service. We emphasized training for individual agents and for our field force managers to improve their ability to deal with competitive market conditions and to provide up-to-date financial advice to our many thousands of policyholders.



On June 2, 1984, more than 1,000 employees, agents and their families attended the Head

Office Open House at the new Sun Life Centre in Toronto, Ontario.



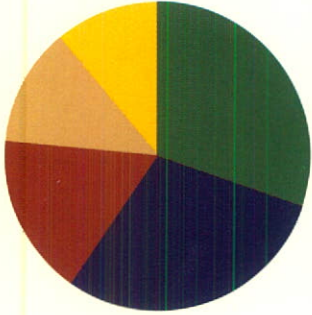
Dividends to Policyholders
(in millions of Canadian dollars)



Sun Life carries on business in seven major territories – Canada, the United States, Great Britain,

Ireland, the Philippines, Hong Kong and Bermuda.

Consolidated Premium Income



- Individual annuities
30.4%
 - Individual life
29.3%
 - Group annuities
16.9%
 - Health
12.6%
 - Group life
10.8%
- Total Premium Income
\$2.2 billion

On November 6, 1984, the Honourable Pauline McGibbon, former Lieutenant Governor of Ontario, unveiled the 26 ft bronze sculpture by Sorel Etrog entitled "Sun Life", which was commissioned for Sun Life Centre.

"Parent I", by British sculptor Barbara Hepworth, was unveiled at a ceremony in the landscaped garden area of Sun Life Centre earlier in the year.



Technology is a vital tool in offering timely service to our individual and group clients. To deal with the important issue of our current and future computer requirements, an international Systems Steering Committee was established within the Company, chaired by the President and including senior officers from our Corporate Office and each of our National Operations. During the year, improvements were made in our current systems, and the decision was taken to acquire new computer resources, which will greatly increase the capacity of our Central Systems Office to handle the heavy and growing demands on it. For example, the growing proportion of our business which is in flexible premium and interest-rate-sensitive products required matching systems support to keep us competitive in the market for such

The last decade has seen significant growth in consumers' needs for financial services. At Sun Life we have continued to develop products and services to meet those needs. In addition to growth in sales of life and health insurance products, we have experienced increased demand for annuity products. This is reflected in the changing pattern of pre-

mium income. In 1974, of our total premium income, individual and group life insurance amounted to 69%, health insurance contributed 9%, and annuities 22%. In 1984, individual and group life insurance totalled 40%, health insurance amounted to 13%, and annuities accounted for 47% of total premium income.

products. In addition, as our group life, health, and pensions business continues to grow, we have improved our systems capability for the administration and handling of benefits.

Canada

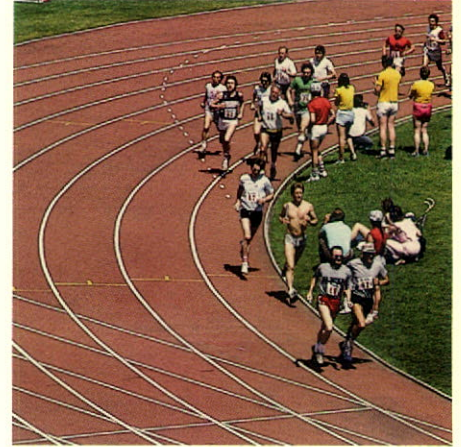
A highlight of 1984 in the Canadian operations was the improvement in growth in amounts of new group life insurance business sold, which increased by 26% over 1983 to \$3.6 billion. Annualized premiums from new group health insurance business declined 23% from amounts received in the previous year.

New amounts of individual life insurance sold declined slightly to \$3.2 billion, compared with \$3.4 billion in 1983. New individual annuities sold showed an increase of 29%, while new group annuities were off 21% compared to 1983's results.

Disability insurance was added to our current range of individual life and annuity products through an agreement whereby our agency force will distribute the quality product of one of the leading companies in that field.

The group insurance division in the Canadian operations was restructured to provide better service to meet the differing needs of the various markets we serve. In the area of group health insurance, a new system was installed for handling claims relating to medicare supplement benefits, and a more efficient dental claims-handling process is being developed.

Computer support in our branches was improved in order to enhance service to our individual clients. Microcomputers allow our agents to



Sun Life supports many fitness-related activities throughout the year. In May 1984 we sponsored the Sun Life/YMCA

Corporate Cup in Vancouver, British Columbia, where more than 90 company teams, of 15 members each, competed for the fitness title.

match a customer's individual needs with the variety of products and services offered by the Company. Because computers in our branch offices are now linked directly to our Central Systems Office, they can provide timely information to all our agents and policyholders.

Canadian operations increased the responsibility for underwriting and policy administration of the three regional service centres in Edmonton, Toronto and Montreal.

United States

In our United States operations, steps were taken to increase productivity, to conserve existing business, and to add new products to our portfolio. A new whole life insurance contract, Interestmaster, which

With nearly \$13 billion in assets, Sun Life clients enjoy the security and confidence of doing business with a company that has a record of financial strength and sound investment management. A care-

fully balanced portfolio of investments ensures future payments of policyholder benefits. Because Sun Life is a mutual life insurance company, our participating policyholders, through dividend payments, share in the results of our investment earnings.



Field force management and agent training was an important area of development in 1984 in all our National Operations. In our Boston North Shore branch, (l. to r.) agent Oscar Papanastasiou,

pension consultant David Egel, agent Susan Ghalili, and sales manager Carlyle Hancock, C.L.U. review new products in the Sun Life portfolio.

offers current interest rates, was introduced during 1984. This new product proved to be very successful, accounting for 28% of new individual life insurance premiums received during the year, despite the fact that it was only on the market from April.

Total amounts of new individual insurance sold rose 13% over 1983 to \$2.3 billion. Annual premiums for new individual insurance were up 30% from the previous year at \$26 million.

After an extraordinary gain of 76% in 1983, amounts of new group life insurance dropped 13% to \$2.8 billion. Annualized new premiums declined by 11%.

Annual premiums on new group health insurance grew 12% over amounts in 1983. Efforts were made to improve service to our group health insurance customers, particularly through the computer support for handling dental claims.

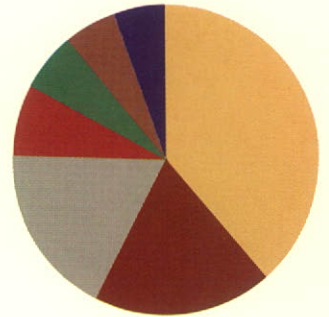
Arrangements were made during the year to distribute the disability income insurance products of a major United States insurer. This will add further to the range of products available through Sun Life in the United States.

Single and annualized premiums received for new individual annuities dropped slightly to \$33 million. New group annuity premiums, on the other hand, reached \$103 million, a 6% increase. New deposits in segregated funds were up 29% over 1983, reaching \$392 million. The Sun Life (U.S.) Compass product was a leader among all variable annuities sold in the United States during 1984.

Massachusetts Financial Services Company, a subsidiary of Sun Life (U.S.), was a major distributor of Sun Life products in the United



Consolidated Assets

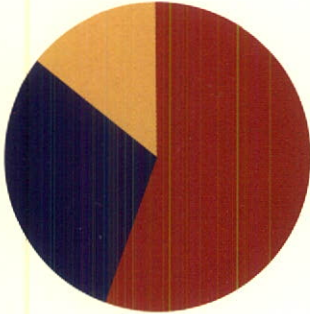


- Bonds 38.9%
 - Segregated Fund Assets 18.8%
 - Mortgages 17.9%
 - Real Estate 7.4%
 - Preferred & Common Stocks 6.1%
 - Other Assets 5.7%
 - Policy Loans 5.2%
- Total Assets
\$13.0 billion

Sun Life's United States Headquarters Office complex (in foreground) is located on Route 128, at the core of New

England's concentration of high technology enterprises, in Wellesley Hills, Massachusetts, 20 minutes from Boston.

Assets Under Management



- Insurance and Annuity Business (including Segregated Fund Assets) \$12.9 billion (55.6%)
- Mutual Fund Assets \$7.1 billion (30.2%)
- Managed Funds \$3.3 billion (14.2%)

Total Assets under Management
\$23.3 billion

Sun Life's real estate investment portfolio was enhanced with the addition of the head lease for the Saxon Square Shopping Centre in Christchurch, Dorset, England, which houses more than 20 shops and stores.

Because of the town's Saxon history, Sun Life commissioned a local stone mason to carve a replica of Winchester's Saxon cross in Cornish granite for the new Centre.



States, as well as of its own successful mutual funds. During 1984, MFS added a total of \$462 million of premiums for the Sun Life (U.S.) Horizon and Compass products. MFS also introduced three new mutual funds in 1984, bringing the total number of investment companies it manages to 23. Assets under MFS management grew by 9% in 1984 and amounted to \$10.2 billion at December 31, 1984.

Great Britain and Ireland

The principal event affecting all life insurance companies in Britain during 1984 was the removal in March of the tax relief on life assurance premiums. As a result, our total sales of individual life insurance grew by only 4% to \$1.8 billion, with annualized premiums declining 16%

In addition to maintaining a strong and well-diversified portfolio of assets supporting our growing individual and group life and health insurance and annuity business, Sun Life manages \$10.4 billion of investment assets for individuals and corporations

through our subsidiary companies. The rapid expansion of our investment management business is largely the result of our acquisition in 1982 of Massachusetts Financial Services Company.

to \$23 million. The new Life Plus Plan, which is a participating life insurance contract, achieved good results during 1984.

Following last year's good sales of new group life insurance, there was a decline in 1984 sales of 1% to \$2.7 billion. With group life insurance in force in 1984 of \$11.8 billion, Sun Life continues to be one of the leaders in that business in Britain.

Sales of individual annuities declined slightly during 1984. However, new group annuity business grew by 136% to \$6 million of single and annualized premiums. The opportunities for employer-sponsored pension schemes continued to be strong, with our new annual premiums increasing by 16% and single premiums growing by 400% over the previous year. This latter was due mainly to the success of the Individual Transfer Plan, a recently introduced pension product.

We introduced a unit-linked mortgage product, Maple Leaf Mortgage Plan, which combines term assurance with unit-linked investments.

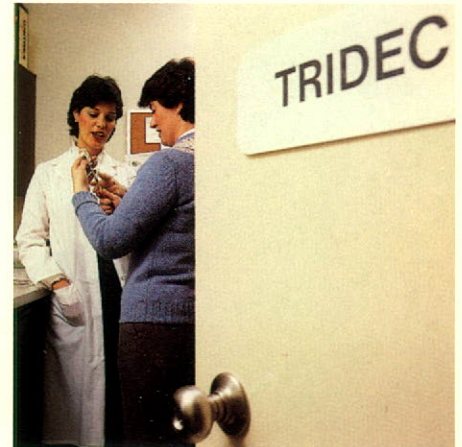
As in our other National Operations, field force management training was an important area of development during 1984.

The design of our building for the British Headquarters Office has been finalized and development of the site for construction is on schedule. We anticipate that our move from London to Basingstoke will take place early in 1987.

Far East

Our Far East Division, comprising the Philippines and Hong Kong, had another outstanding year in sales of individual life insurance.

Amounts of new life insurance grew by 33% to \$455 million, with new premiums ahead 30% at nearly \$8 million.



Sun Life provides funds to many health and fitness research programs, including the Banting and Best Diabetes Centre's education facility. Nurse Lynda Streeter (left) instructs Linda Haslehurst on the proper preparation

of insulin at the Tri-Hospital Diabetes Education Centre (TRIDEC), located at Women's College Hospital in Toronto. TRIDEC is a co-operative venture between Women's College, Mount Sinai and Toronto General Hospitals.

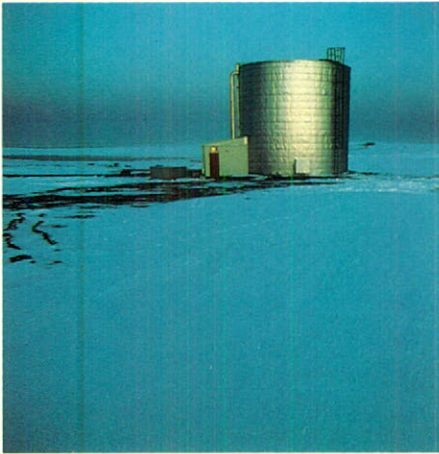
Review of Financial Statements

Total revenue for 1984, shown in the Consolidated Statement of Operations, rose 6% to \$3.5 billion. Premium income from all lines of business was up 8%. Net investment income grew by 15%. The growth in net investment income reflects improved interest earnings on fixed interest securities, principally bonds and mortgages, and the increased amortization of realized and unrealized gains and losses in the common share part of our portfolio, as explained in Note 1(a). The change in the amortization rate from 7% to 15% for gains and losses on life insurance fund stocks increased investment income by \$59 million. This amount was added to actuarial reserve liabilities for future dividend payments to policyholders.

Total expenditure shown in the Consolidated Statement of Operations increased to \$3.1 billion, of which operating expenses of \$346 million were up 8%. Advances were made in cost containment throughout the Company, with the parent Company's operating expenses increasing only 3%. The cost of processing the volume of new business produced by the Company's subsidiaries, particularly in the United States, contributed to higher consolidated operating expenses. Total payments to policyholders and their beneficiaries grew 9% over 1983 to \$1.4 billion. Mortality experience improved during 1984. The increase shown in actuarial reserve liabilities reflects provisions beyond 1985 for special maturity dividends for participating policyholders in Canada and the United States, and the terminal bonus for our British and Irish participating policyholders. Operating income rose slightly from \$343 million in 1983 to \$348 million in 1984. After the substantial increase to policyholder dividends, net income for 1984 was \$118 million, compared with \$149 million in 1983.

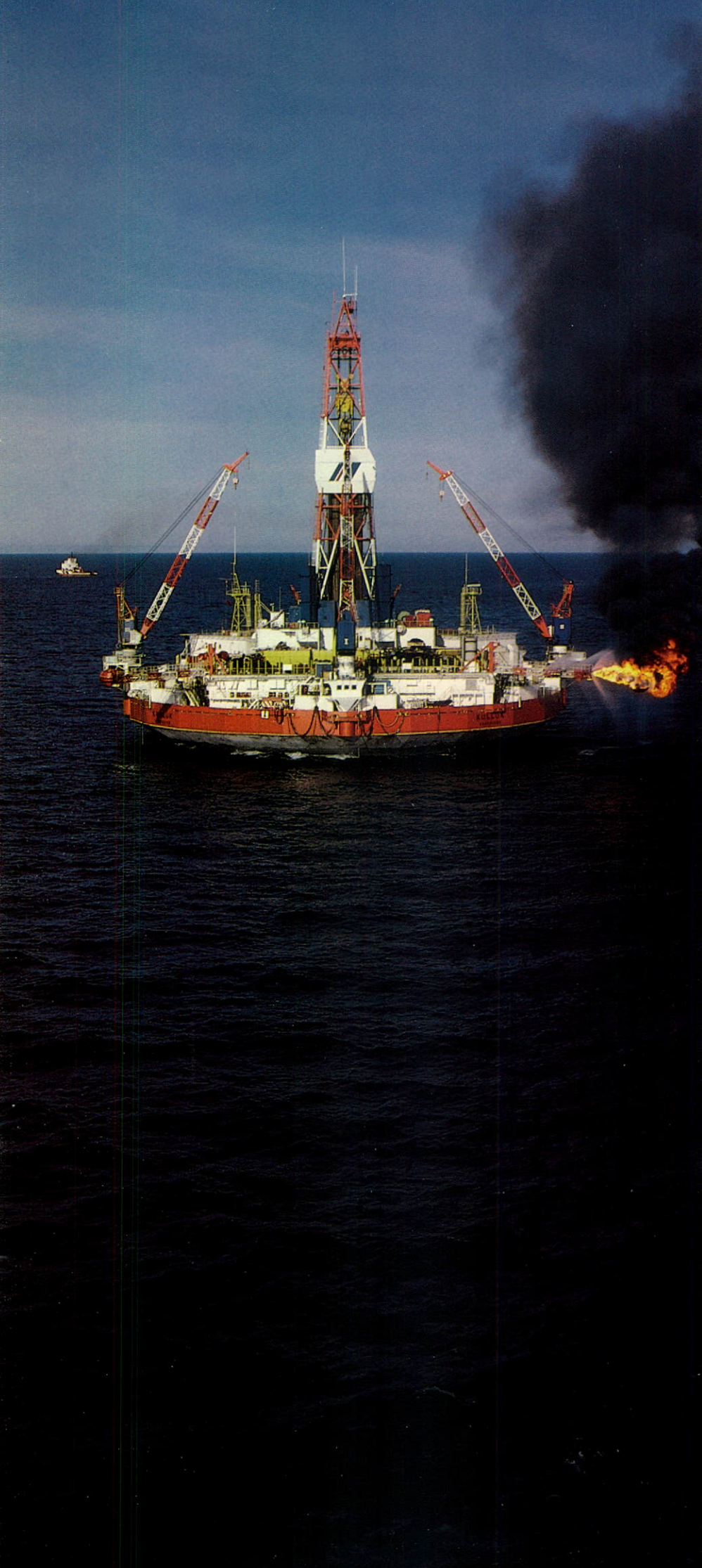
The net adjustment of assets and liabilities due to changes in exchange rates added \$24 million to surplus during 1984. In the Financial Statements the rates of exchange for conversion of foreign currencies into Canadian dollars were changed at the end of 1984. The rate for United States dollars was increased from \$1.20 to \$1.25, while the rate for Sterling was reduced from \$2.00 to \$1.80. In addition, \$10 million was released from appropriated surplus, mainly because of a decline in foreign statutory reserve requirements. At December 31, 1984, the balance of surplus amounted to \$997 million, an increase of 18% over the end of 1983.

Total assets shown in the Consolidated Balance Sheet rose to \$13 billion by December 31, 1984, an increase of 14% over the total assets of the Company at December 31, 1983. Segregated fund assets increased to \$2.4 billion during the year, reflecting the continuing growth in contributions from sales of variable annuity products in the United States, mainly through MFS. The growth in miscellaneous assets and liabilities reflects an increase in the amounts of reinsurance assumed and ceded by the parent Company. Policy loans declined during 1984 from the level of 1983. During the year, we continued to add substantially to our bond and mortgage portfolios and we added modestly to our portfolio of stocks.

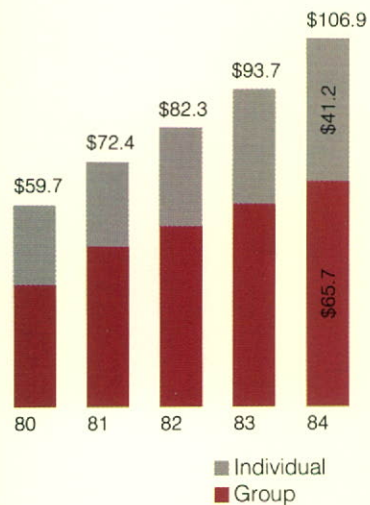


This fuel storage tank is located at Cominco Ltd.'s Polaris mine on Cornwallis Island in the Northwest Territories, Canada's most northerly zinc and lead mine. Cominco is a Vancouver-based

natural resource company with principal activities in mineral exploration, mining, smelting and refining. Sun Life has provided group life insurance coverage for Cominco employees for 65 years.



Consolidated Life Insurance in Force
(in billions of Canadian dollars)



In September 1984, Sun Life, through its one-third partnership in AT & S Exploration Inc., was involved in one of the largest oil finds in the Beaufort Sea at East Amauligak. The bulk of Sun Life's share in this project comes from pension funds invested in Sun Life

Energy Fund No. 1, a specialized investment fund. The Kulluk, which drilled and tested the well, is a new technology off-shore unit operated by a subsidiary of Gulf Canada Resources Inc.

Consolidated Balance Sheet

Year Ended December 31

1984

1983

In thousands of Canadian Dollars

\$

\$

Assets

Bonds	5,047,468	4,396,380
Preferred and common stocks	788,597	735,258
Mortgages	2,316,952	2,116,854
Real estate	951,788	935,870
Policy loans	674,631	689,141
Cash	67,013	20,912
Other invested assets	127,482	106,423
Investment income due and accrued	193,627	170,213
Outstanding premiums	49,521	46,173
Miscellaneous assets	300,015	151,796
Segregated fund assets	2,440,710	1,989,748
	12,957,804	11,358,768

Liabilities and Surplus

Actuarial liabilities:

Reserves for unmaturing obligations	7,474,401	6,742,025
Provision for dividends	225,158	201,787
Provision for experience refunds	33,079	31,290
Provision for unreported claims	50,563	46,252
Reserve for non-insured Company employee and retiree benefits	73,499	65,193
	7,856,700	7,086,547
Liability for segregated fund contracts	2,422,304	1,961,584
Policy amounts on deposit	647,968	593,107
Policy benefits in process of payment	63,072	57,711
Accrued expenses	47,677	39,976
Miscellaneous liabilities	308,072	150,781
Total liabilities	11,345,793	9,889,706
Appropriated surplus	615,000	625,000
Surplus	997,011	844,062
	12,957,804	11,358,768

Consolidated Statement of Operations

Year Ended December 31	1984	1983
	\$	\$
In thousands of Canadian Dollars		
Revenue		
Premiums		
Life insurance	871,770	825,142
Health insurance	272,549	259,790
Annuities	1,027,773	926,909
	2,172,092	2,011,841
Net investment income	1,090,236	944,664
Investment income on segregated fund assets	170,366	184,182
Net market value gain on segregated fund assets	13,677	116,501
Other income	46,262	41,364
	3,492,633	3,298,552
Expenditure		
Payments to policyholders and their beneficiaries:		
Death and disability benefits	279,312	271,049
Maturities and surrender values	658,335	593,089
Annuity payments	219,958	201,447
Interest credited to claims and amounts on deposit	63,678	54,555
Experience rating refunds	13,517	12,910
Health benefits	204,882	185,760
	1,439,682	1,318,810
Increase in actuarial reserve liabilities	754,773	673,617
Increase in liability for segregated fund contracts	453,148	508,791
Commissions	112,586	98,610
Operating expenses	345,506	319,349
Taxes	38,435	36,852
	3,144,130	2,956,029
Operating Income	348,503	342,523
Policyholder dividends	230,051	193,768
*Net Income	118,452	148,755

*See Note 4(c)

Consolidated Statements of Surplus and Appropriated Surplus

Year Ended December 31	1984	1983
In thousands of Canadian Dollars	\$	\$
Consolidated Statement of Surplus		
Balance, January 1	844,062	684,524
*Net income	118,452	148,755
	962,514	833,279
*Net adjustment of assets and liabilities due to changes in exchange rates	24,497	(6,941)
	987,011	826,338
Transferred from appropriated surplus	10,000	17,724
Balance, December 31	997,011	844,062

*See Note 4(c)

	Balance Jan. 1, 1983	1983 Appropriations	Balance Jan. 1, 1984	1984 Appropriations	Balance Dec. 31, 1984
	\$	\$	\$	\$	\$
Consolidated Statement of Appropriated Surplus					
Mandatory surplus appropriations:					
Canadian statutory investment valuation and currency reserves	48,042	(3,453)	44,589	(12,582)	32,007
Canadian statutory valuation reserve for non-admitted assets	40,287	7,048	47,335	15,579	62,914
Foreign statutory deficiency or solvency requirements	85,310	26,206	111,516	(56,813)	54,703
	173,639	29,801	203,440	(53,816)	149,624
Voluntary surplus appropriations	469,085	(47,525)	421,560	43,816	465,376
	642,724	(17,724)	625,000	(10,000)	615,000

Consolidated Statement of Cash Flow

Year Ended December 31	General Funds		Segregated Funds	
	1984	1983	1984	1983
In thousands of Canadian Dollars	\$	\$	\$	\$
Premiums received:				
Life insurance	813,944	772,806	57,965	47,019
Health insurance	272,217	259,816	—	—
Annuities	516,529	456,912	506,708	472,855
	1,602,690	1,489,534	564,673	519,874
Net investment income received	901,114	850,951	179,622	126,390
Other income received	46,110	38,645	—	—
	2,549,914	2,379,130	744,295	646,264
Payments to policyholders and beneficiaries	1,097,624	955,068	279,159	300,503
Policyholder dividends paid	195,401	189,940	—	—
Commissions, operating expenses and taxes paid	448,988	409,687	16,647	10,581
Net change in miscellaneous balances	8,209	9,151	21,876	(11,858)
Net new funds available for investment	799,692	815,284	426,613	347,038
Investments sold, matured or repaid:				
Bonds	1,299,508	800,689	809,148	372,244
Stocks	350,990	601,933	390,584	317,013
Mortgages	219,686	210,368	14,294	13,232
Real estate	91,832	62,738	—	936
Policy loans	162,247	129,459	—	—
Other invested assets	5,827	616	—	—
Total investments sold, matured or repaid	2,130,090	1,805,803	1,214,026	703,425
Investments acquired:				
Bonds	1,960,504	1,526,355	1,035,888	544,350
Stocks	307,333	361,797	529,220	393,102
Mortgages	404,790	431,046	23,439	34,377
Real estate	147,377	140,906	17,504	49,917
Policy loans	147,120	149,513	—	—
Other invested assets	23,117	24,463	—	67
Total investments acquired	2,990,241	2,634,080	1,606,051	1,021,813
Net increase (decrease) in cash and short-term securities	(60,459)	(12,993)	34,588	28,650

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 or alternative basis, over the period to maturity (maximum of 20 years). Commencing in 1984, realized gains and losses on sales of life insurance fund stocks are taken into income on a 15% declining balance basis; unrealized gains and losses on such stocks are treated in a similar manner. From 1978 to 1983, a 7% declining balance basis was prescribed. 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, net of encumbrances. For properties under development, cost reflects capitalization of imputed interest during the construction period. 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 Cana-

dian 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. The net adjustment of asset and liability values resulting from changes in the book rates of exchange, previously included in the determination of Net income, is reported in the Statement of Surplus 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. The change in the amortization rate from 7% to 15% for gains and losses on life insurance fund stocks increased 1984 investment income by \$59 million. Imputed interest on real estate under development, capitalized and included in investment income, amounted to \$10.4 million (\$12.3 million in 1983). Net realized gains on sales of real estate amounted to \$25.1 million (\$40.3 million in 1983). Investment expenses and taxes amounted to \$94.3 million (\$88.8 million in 1983), including real estate expenses, taxes and depreciation of \$68.1 million (\$64.9 million in 1983).

(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 makes provision for dividends payable in future years 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.

3. Company Pension Plans

The major portion of the Company's pension plan liabilities is insured with the Company and forms part of the Reserves for unmatured obligations. In addition, provision is made for non-insured employee and retiree benefits which 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

The following changes have been made to the 1983 consolidated financial statements to conform to the 1984 statement format:

(a) Experience rating refunds on non-participating Group contracts have been reported separately from Policyholder dividends on participating policies.

(b) The increase in the provision for dividends payable in the following year, formerly included as part of the Increase in actuarial reserve liabilities, has been included under the Policyholder dividends caption.

(c) The net adjustment of foreign currency asset and liability values resulting from changes in book rates of exchange has been excluded from the determination of Net income and included directly in the Statement of Surplus, increasing previously reported 1983 Net income by \$6.9 million. Surplus was not affected by the change.

(d) The Consolidated Statement of Cash Flow includes Segregated Funds and presents directly the components of Net new funds available for investment.

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, 1984 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, 1985

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, 1984 and the Consolidated Statements of Operations, Surplus, Appropriated Surplus and Cash Flow for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

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:
(i) these consolidated financial statements present fairly the financial position of the Company as at December 31, 1984 and the results

of its operations and its cash flow for the year then ended in accordance with the accounting principles described in Note 1;

(ii) the accounting principles described in Note 1 to these financial statements have been applied on a basis consistent with that of the preceding year except for the change in income recognition for life insurance fund stocks as explained in Note 1(a) and after giving retroactive effect to the change in accounting for foreign currency as explained in Note 1(c).

Toronto, February 4, 1985

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SUNIMCO provides investment management services for pension funds of corporations or other entities, and investment portfolios for sickness, accident or other welfare benefit plans.

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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.

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Sun Life (U.S.) distributes individual variable and fixed annuity policies, universal life insurance policies and group pension contracts.

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Lord Polwarth, T.D., D.L.

Sun Life (U.K.) markets investment-linked life insurance plans and personal pension policies.

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