

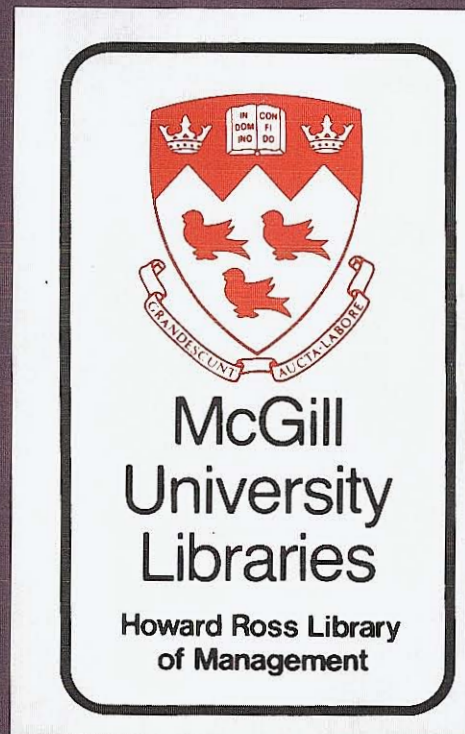
Sun Life  
Assurance Company  
of Canada

Howard Ross Library  
of Management

AUG 19 1993

Annual Reports  
McGILL UNIVERSITY

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**S**un Life Assurance Company of Canada, which commenced business in 1871, today provides financial security and protection to millions of people worldwide. A leading international financial organization, we are the largest Canadian life insurance company and have assets under management of \$54 billion.

Our basic business is to serve the financial protection, asset accumulation and financial advice needs of the individuals and groups who are our clients. The products and service we provide to meet these needs are life, health and disability insurance, pension and annuity contracts, mutual funds, trust services, investment management services and other savings and investment instruments. We conduct business directly and through reinsurance.

Sun Life representatives give a personalized service to their clients. We believe strongly in this method of distribution as it enables us to provide financial counsel and products appropriate to each individual.

The Company also serves the financing needs of many corporations through investments in stocks, bonds and real estate, and provides funds for private placements and mortgage loans.

The Company's strong financial position is illustrated by our Standard & Poor's rating of 'AAA' for claims paying ability and A+ (Superior) by A.M. Best Company. These are the highest corporate ratings given by these organizations.



# Company Highlights of 1989

	1989	1988	change
<i>(in millions of Canadian dollars)</i>	\$	\$	%
<b>Financial Position</b>			
Total Assets under Management	54,082	48,979	10
Total Company Assets	25,953	23,189	12
Mutual Fund and other Assets under Management	28,129	25,790	9
Surplus	2,495	2,317	8
<b>Business Statistics</b>			
New Life Insurance ●	45,582	56,723	(20)
Life Insurance in Force ●	223,158	202,393	10
Funds held for Annuities in Force	8,367	7,305	15
Segregated Fund Deposits	706	682	4
<b>Operating Results</b>			
Premiums			
Life Insurance	1,404	1,278	10
Health Insurance	512	465	10
Annuities	1,455	1,158	26
Investment Income	1,939	1,696	14
Fee Income	372	362	3
Total Revenue	5,682	4,959	15
Payments to Policyholders and their Beneficiaries	2,232	2,018	11
Operating Income before Dividends	591	589	0
Policyholder Dividends	352	342	3
Net Income	239	247	(3)

● Includes reinsurance assumed

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**T**he '80s were outstanding years of achievement for Sun Life, ending on a particularly strong note. In 1989 records were broken in almost every aspect of our operations. Payments to policyholders, assets, investment income and premium income all established new highs for the Company. Taxes, however, also rose sharply and net income was slightly lower than the record level set in 1988.

**Benefit Payments:** Payments to policyholders amounted to \$2,584 million and included death and disability benefits of \$496 million, annuity payments of \$400 million, health benefits of \$390 million and dividends to policyholders of \$352 million.

**Growth of Business:** There was continued steady growth in our core business in 1989 in all countries in which we operate: Canada, the United States, Great Britain and Ireland, the Philippines, Hong Kong and Bermuda. Premiums for life and health insurance rose 10 per cent. Funds received for individual annuities and pension plans increased 26 per cent. Life insurance in force at year end amounted to \$223 billion. More than five million people around the world are today covered by Sun Life plans.

We market our individual products and services through full-time career agents in Canada, Great Britain, Ireland, the Philippines and Bermuda. In the United States and Hong Kong, in addition to career agents, our individual business is marketed by brokers and general agents. We believe strongly in the effectiveness of the personalized agency delivery system in providing individual financial counsel and advice to our clients.

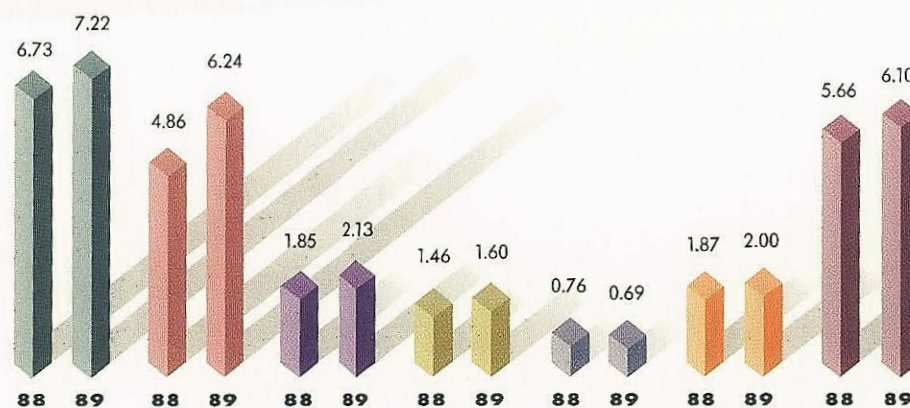
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**Assets:** The Company's assets at year-end amounted to \$25,953 million. In addition Sun Life managed other assets of \$28,129 million, mostly mutual fund assets and pension funds. The total of Sun Life assets and of assets under Sun Life management was \$54,082 million at year-end, an increase of 10 per cent.

Imprudent lending practices in many sectors of the capital markets, particularly in North America, have heightened concerns over the financial condition of financial institutions. Sun Life commands an outstanding reputation for sound investment management. The rating firm, Standard & Poor's Corporation, has given Sun Life its highest rating and refers to the Company as 'one of the strongest financial institutions in North America'.

This high quality rating reflects a policy under which fixed income investments are focused on 'investment grade' bonds and soundly underwritten mortgages. Moreover the strong surplus position of Sun Life has permitted significant investments in good quality common stocks and real estate, which have contributed a growing stream of investment income and have enhanced capital values over time.

The Company's investment income reflects the soundness of our investment policy. In 1989 investment income was \$1,939 million, up 14 per cent over the preceding year.



**Company Invested Assets**  
(Figures are in billions of Canadian dollars)

- Bonds
  - Mortgages
  - Stocks
- Real Estate
  - Cash & Short-term Securities
- Other Assets
  - Segregated Assets



**Standing, left to right:**  
**David D. Horn,**  
**Senior Vice-President**  
**and General Manager**  
**for the United States,**

**Donald L. Gauer,**  
**Senior Vice-President**  
**and Chief Actuary,**

**Michael A. Hasley,**  
**Senior Vice-President,**  
**Finance,**

**John H. Harrison,**  
**Senior Vice-President,**  
**Investments,**

**John S. Lane,**  
**Senior Vice-President**  
**and General Manager**  
**for Canada,**

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

**Seated, left to right:**  
**Richard W.S. Baker,**  
**Senior Vice-President**  
**and General Manager**  
**for Great Britain**  
**and Ireland,**

**John R. Gardner,**  
**President,**

**John D. McNeil,**  
**Chairman and Chief**  
**Executive Officer,**

**Donald A. Stewart,**  
**Senior Vice-President,**  
**Information Systems.**



**Surplus:** The Company's surplus, which is the excess of assets over all liabilities and is one of the important measures of our strength, amounted to \$2,495 million at year end. The ratio of surplus to liabilities was the strongest among the major Canadian life insurance companies.

**Earnings:** Operating income, at \$591 million, was \$2 million more than in 1988. Increased investment income, improved mortality experience and a sharp reduction in group health insurance losses, all contributed to increased earnings. These improvements were offset by heavier expenses associated with strong marketing performance and significant additional taxes. After dividends to policyholders of \$352 million, net income was \$239 million, down four percent.

In 1990 annual dividend scales for British policies and for policies in the Far East are being maintained at 1989 levels. Terminal dividends are being increased for British policies issued prior to 1980 and a new scale is being introduced for policies issued after that date.

Annual dividend scales for Canadian and United States policies are being reduced to reflect tax increases and generally higher expenses respectively. Terminal dividend scales for Canada and the United States are being maintained at the 1989 levels.

**Taxes:** The life insurance companies, by mobilizing the savings of millions of people, promote economic growth. The governments of some countries, recognizing the need for a strong private sector economy, encourage such savings. Yet the tax burden on the life insurance companies continues to increase.

In 1989, the Canadian government introduced a Large Corporations Tax, which will lead to some double taxation for life insurers. Other new and revised tax measures have been proposed. The burden of these taxes is inevitably passed on to our policyholders through higher prices or lower dividends. Sun Life is actively involved in discussions with government officials in an effort to ensure that our policyholders are not faced with an unfairly heavy tax burden.

**Legislation:** The subject of fair competition received much attention through 1989, as the Government of Canada continued to contemplate changes to the legislation under which life insurance companies operate. Reform, however, continues to be delayed.

It is imperative that our 58-year-old legislation be updated so that Canadian life insurance companies can operate effectively at home and abroad.

The Canadian banks have expressed a desire to own insurance companies and to sell insurance. Sun Life believes that this would not be in the public interest for many reasons. We believe that specialization is beneficial, and that having many institutions and many different types of institutions lends strength to our financial system.

**Policyholder Compensation:** For some years there has been a growing interest, on the part of governments in Canada, in the establishment of a compensation fund to provide some protection for policyholders and their families in the event of the failure of a life insurance company.

No policyholder has ever lost money owing to the failure of a federally chartered Canadian life insurance company. However, as a measure of good faith the industry responded in 1989 by establishing the Canadian Life and Health Insurance Compensation Corporation, or 'CompCorp'.

While the financial strength of Sun Life is beyond question, as an industry leader we participated actively in the development of CompCorp and we are one of its members.

**The Eighties in Review:** The Company enjoyed substantial growth through the decade. Insurance in force increased nearly five-fold from \$49 billion in 1979 to \$223 billion in 1989. Total revenues quadrupled in the period. The Company's assets grew from \$7 billion to \$26 billion and total assets under management are more than seven times greater today than they were in 1979.

Through the '80s, Sun Life greatly broadened its range of financial products and services to individuals and groups. During the decade we added, by acquisition or by forming new subsidiary companies, lines of business complementary to our traditional core businesses. For many years we had been in the managed funds business for corporate clients.

In the 1980s we made significant advances into the mutual fund business. Our first substantial step into mutual fund management was taken in 1982 when we acquired a very large and successful company, Massachusetts Financial Services (MFS), with headquarters in Boston.

Britain was next. In 1986 we formed a company to manage our unit trusts there and we now offer a family of four funds to satisfy the varying objectives of our clients for income and growth.

In 1987 we established a mutual fund management company in Canada, Spectrum Mutual Funds. Spectrum has been highly successful, with mutual fund balances of \$340 million after just two and a half years of operation. Spectrum markets a family of seven funds.

In 1986, the Company acquired valuable trust and banking powers in the United States through the purchase of New London Trust Company. In the following year we purchased a high quality provider of individual disability income insurance, Massachusetts Casualty Insurance Company.

Sun Life continued to pursue a course of diversification to the end of the decade. In 1989 we acquired a Canadian trust company which has been renamed Sun Life Trust. This acquisition provides an important strategic addition to the range of financial services we offer in Canada. Toward the end of the year we purchased a 30 per cent interest in Century 21 Canada, a major real estate broker in Canada. This investment will be important to Sun Life Trust as Century 21 Canada is expected to generate a flow of residential mortgages for the trust company.

In Great Britain and Ireland our agents over the years have developed an important business in providing mortgage funding through insurance as a means of repaying individual residential mortgages. A logical next step was to enable agents to offer an integrated service of life insurance protection and mortgage financing. Accordingly we formed a subsidiary, Sun Life of Canada Home Loans Limited, which commenced operations in February, 1990, to provide residential mortgages.

Our diversification strategy is to add financial services which are logical extensions to our core businesses. One of the criteria is that any new business we enter must fit with our distribution expertise and capabilities.

**Directors:** At the Annual General Meeting in May, 1989, Ronald W. Osborne, F.C.A., President and Chief Executive Officer, Maclean Hunter Limited, David G. Vice, Vice-Chairman, Products and Technology, Northern Telecom Limited, and Jeannine G. Wood, Chairman of the Board and Chief Executive Officer, Guillevin International Inc., were elected to the Company's Board of Directors. Their wide knowledge and expertise will permit them to make extremely useful contributions to our Board. In February of this year, Grant L. Reuber, a former Director, rejoined the Sun Life Board. We are fortunate to be able to benefit once again from his wise counsel.

At the 1989 Annual General Meeting, Dr. Claude M. Bertrand and John A. Brindle, formerly President of the Company, completed their terms as Directors of the Company. Both gentlemen served the interests of the Sun Life with distinction over many years.

We regret that in June, 1989, A. Jean de Grandpré found it necessary to resign from the Board due to conflicts with his other business associations. He was elected a Director at the Annual General Meeting in 1984 and during his five years of service on the board made valuable contributions to the Company.

**Management:** There have been a number of senior management changes since the Annual General Meeting in 1989.

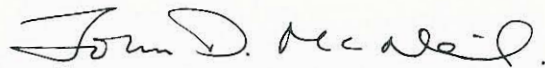
In the Corporate Office, Yves Laneuville was appointed Vice-President, Product Management, returning to the parent Company after two years as President of Spectrum Mutual Funds. Edward P. Brndiar, was appointed Vice-President, Systems, to assist Donald A. Stewart in the direction of the Company's increasing information systems activities.

Robert P. Allard, located in our Montreal Office, was appointed Vice-President, Group Client Services for Canada.

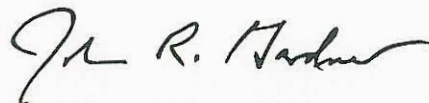
In the United States, O. Allan Anderson, Vice-President, Group, retired after 29 years of service, and was succeeded by James A. McNulty III.

Thompson E. Skinner transferred from the Corporate Office, where he had been Vice-President, Systems Strategy, to be Vice-President, Finance, for Great Britain and Ireland. Roy J. Fredericks, Vice-President and Chief Legal Adviser for Great Britain and Ireland, retired after 33 years of service to Sun Life, and was succeeded by Barry J. Blackburn.

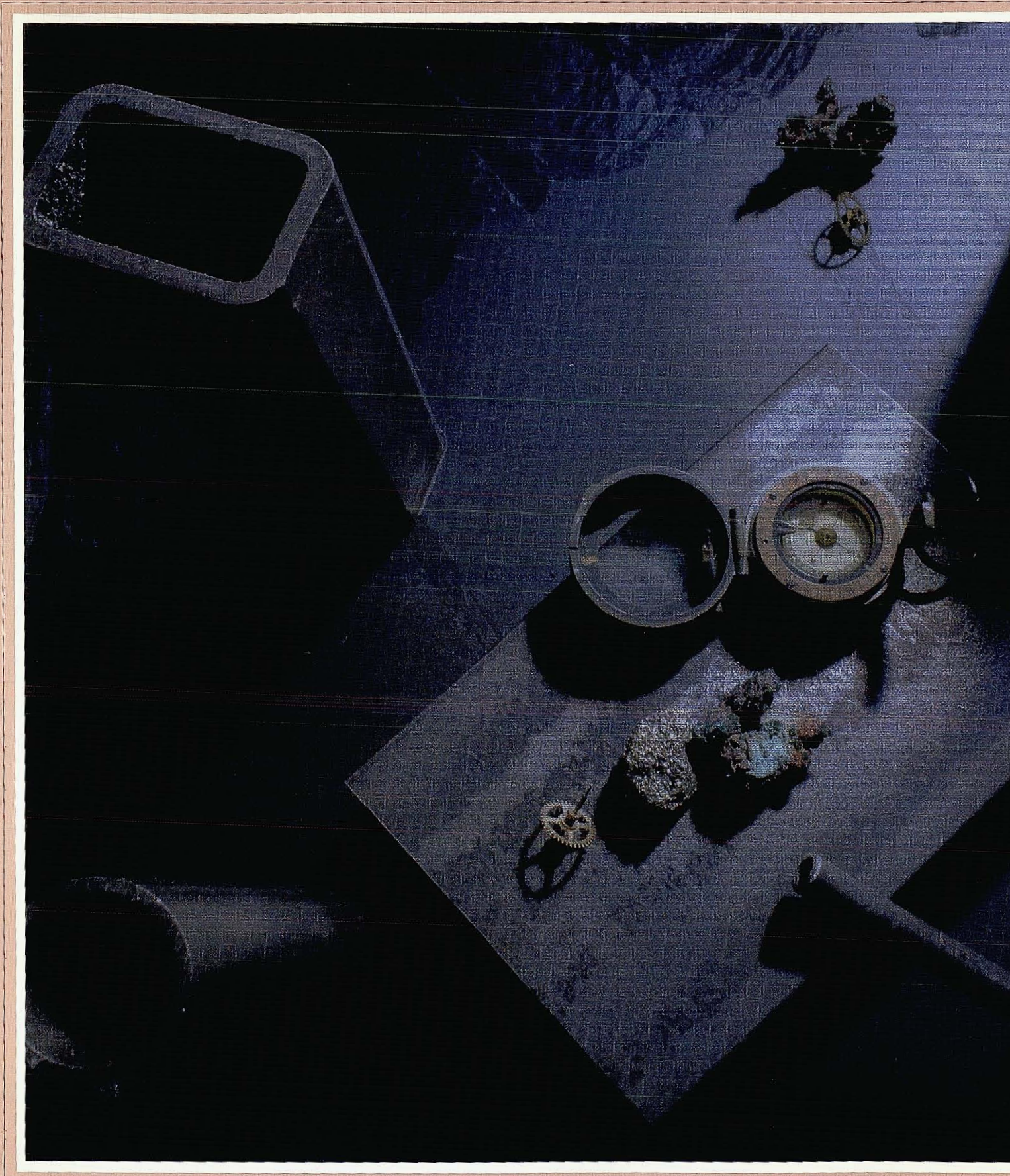
**Staff:** We thank Sun Life staff and agents worldwide who contributed to the success of the Company through the '80s. Their hard work and dedication on behalf of our policyholders have made the Company a leader in providing quality products, advice and service to clients and have added to our reputation for good corporate citizenship.



John D. McNeil  
Chairman and Chief Executive Officer



John R. Gardner  
President



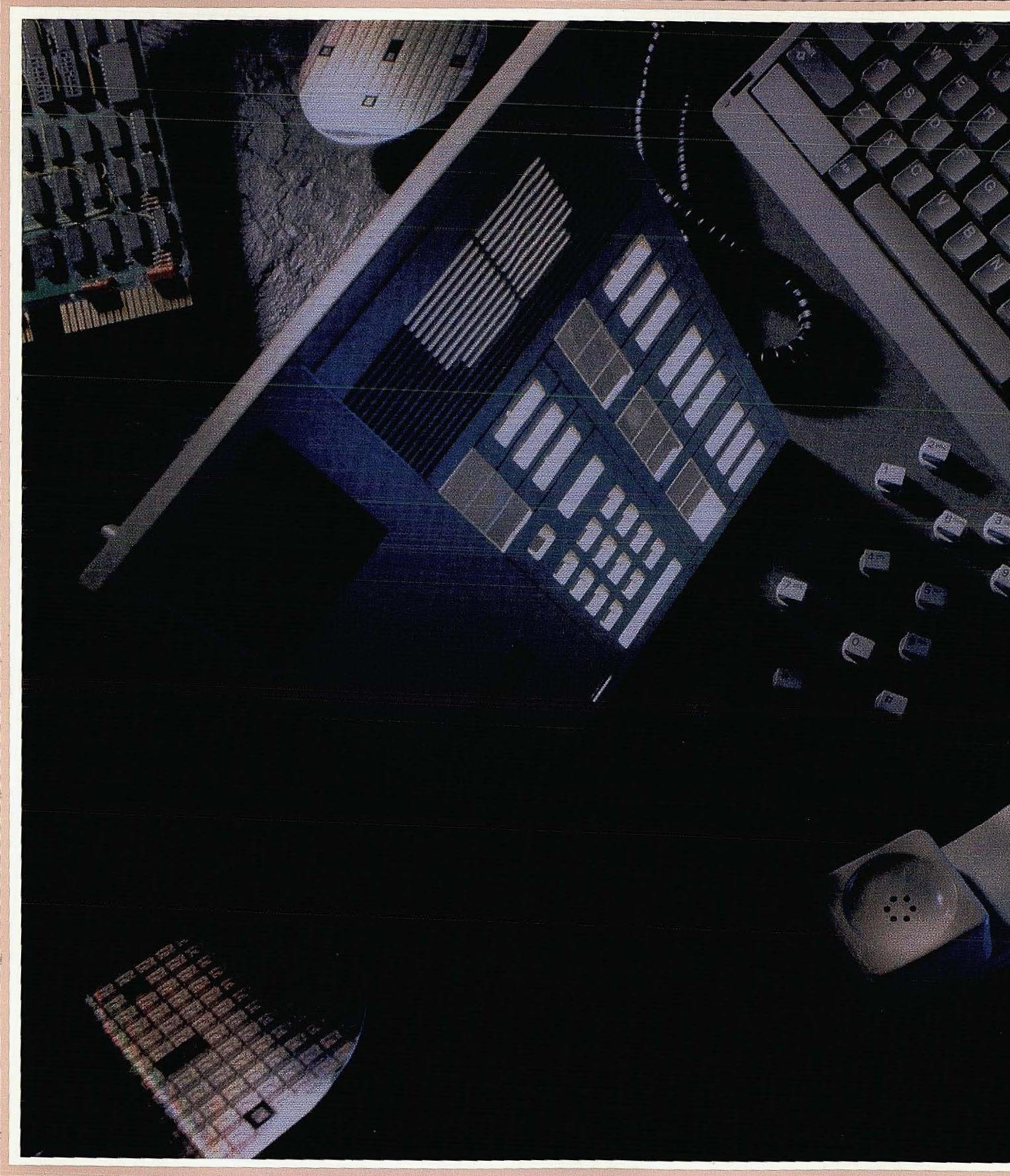


**S**un Life contributes to the economies of the countries where we operate by converting the savings of policyholders into productive investment capital. This capital, invested in stocks and bonds, properties and mortgages, exceeds \$24 billion. The Company has \$8.6 billion invested in government and corporate bonds. The corporate holdings include both public issues and private placements. Another \$5.0 billion is invested in the common and preferred shares of a broadly diversified range of corporations.

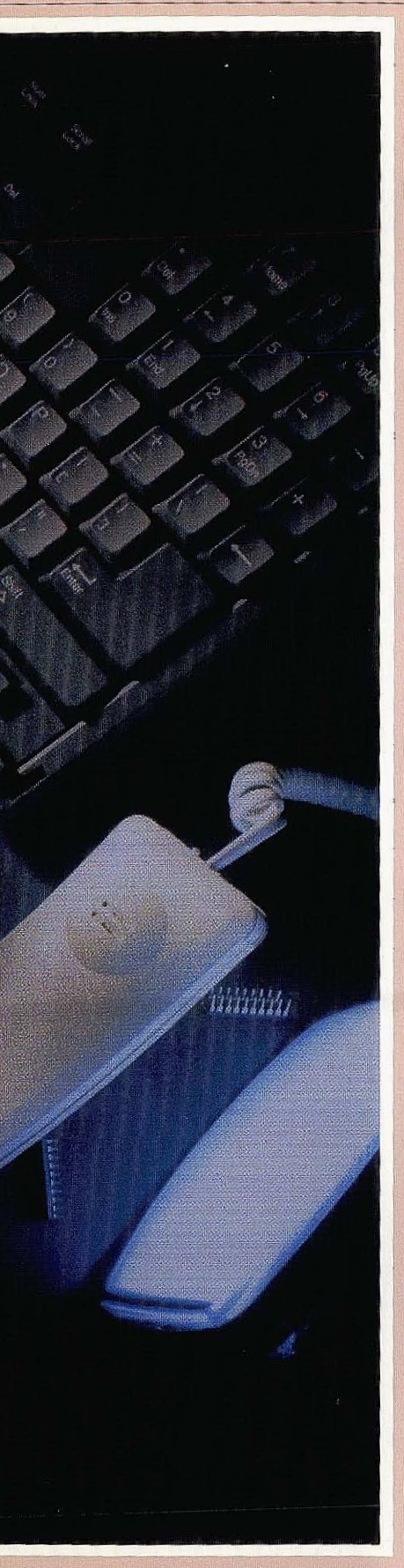
Sun Life funds are hard at work in commerce and industry, in transportation and telecommunications, in research and technology. These funds help finance buildings, plant and equipment and the efficient distribution of goods and services throughout the economy. In this way they help create and maintain jobs and improve living standards.

One of the sectors of the economy in which Sun Life funds are at work is natural resources. Natural resources have been an important contributor to economic growth and prosperity, particularly in Canada. In our investment operations we employ people who are specialists in various aspects of natural resources, some of them having previously worked in these specialized fields. Sun Life's investments in natural resources include mining and smelting, forest products, oil and gas exploration and production, and major hydroelectric developments.

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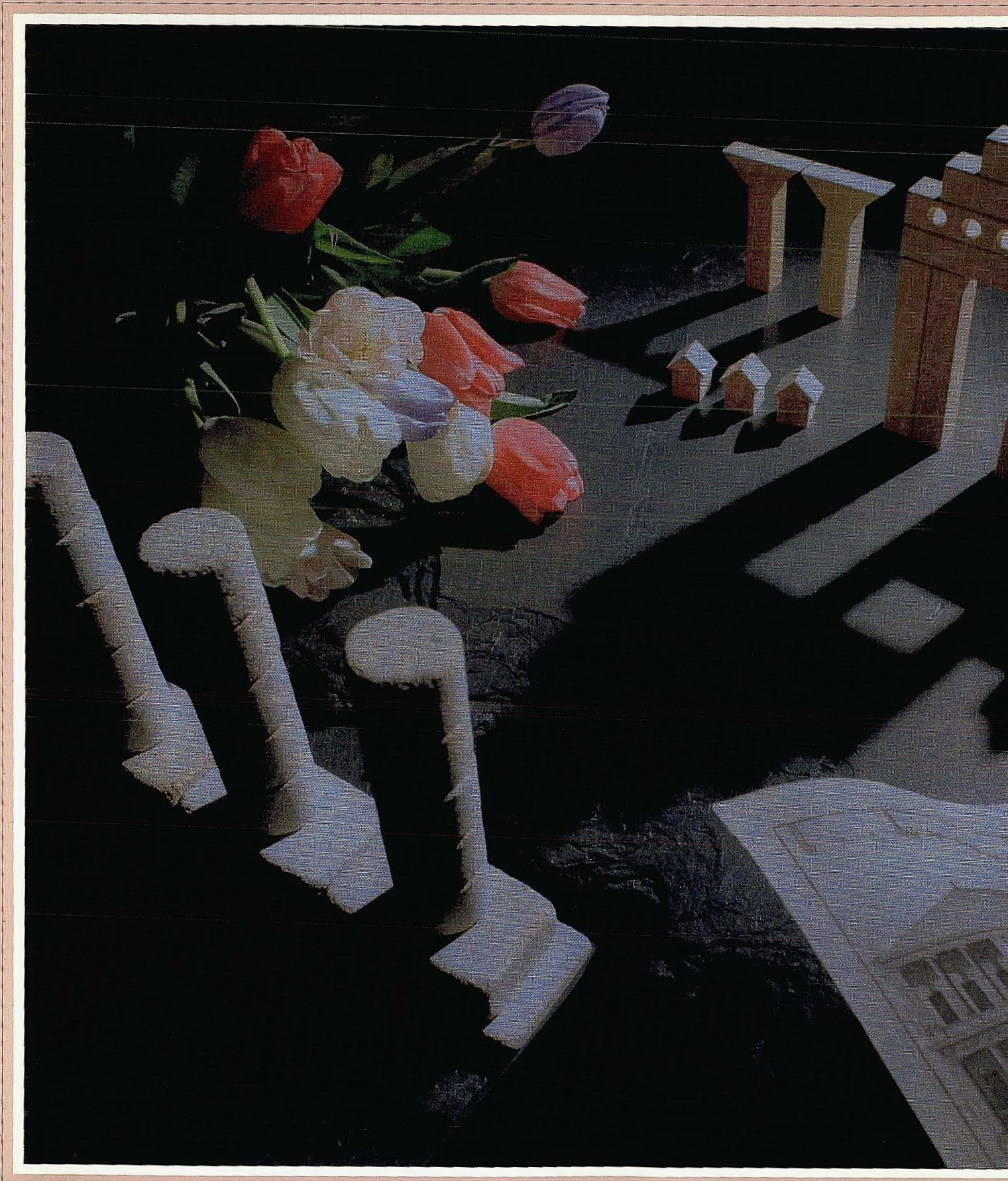




ne of the important, modern industries in which Sun Life funds are hard at work is telecommunications. Not so many years ago telecommunications could be described as communications by cable, telegraph, telephone or radio. Today digital and computer technologies have transformed telecommunications into vast interconnectable networks with a myriad of applications. Telecommunications breakthroughs occur frequently and new, faster, more efficient and accurate means of communicating continually come on the market. Newspapers can be published in many different places simultaneously. Offices thousands of miles apart can communicate with each other instantly in words and graphics.

In addition to being an important investor in the telecommunications industry, Sun Life is, of course, an important user of telecommunications. We were early leaders in the development of mechanized record keeping facilities and we were one of the first insurance companies to instal electronic computers. Modern telecommunications have greatly enhanced the capabilities of our information systems management.

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**P**roperty investments form a significant part of Sun Life funds at work. Total residential and commercial mortgages amount to \$6.6 billion, a four-fold increase in 10 years. The carrying value of the Company's worldwide real estate holdings amounts to \$2.1 billion, also a four-fold increase. In Canada, the Company is one of the country's largest landlords, having a property portfolio amounting to nearly 15 million square feet. We also have very significant real estate holdings in the United States and Great Britain.

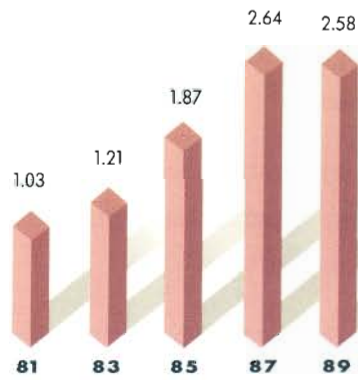
Sun Life mortgage funds finance office buildings, factories and warehouses, commercial and retail facilities. In addition, through bond investments, we finance schools, universities, hospitals and other public buildings. Housing is another important element in Sun Life's investment portfolios. These include funds provided for apartment buildings, retirement homes and government assisted dwellings that provide affordable housing.

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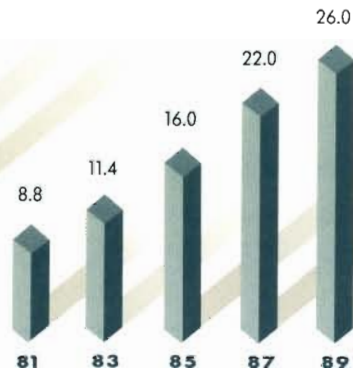
## Five Year Summary

	1989	1988	1987	1986	1985
<i>(in thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$
<b>Operating Results</b>					
Premiums					
Life insurance	1,403,838	1,277,657	1,126,509	1,017,355	906,355
Health insurance	512,220	465,146	383,771	300,894	269,526
Annuities	1,455,273	1,158,506	1,322,100	1,086,380	1,070,199
	3,371,331	2,901,309	2,832,380	2,404,629	2,246,080
Investment income	1,938,810	1,696,343	1,544,183	1,419,554	1,224,787
Fee income	371,907	361,838	274,223	165,939	68,292
Total Revenue	5,682,048	4,959,490	4,650,786	3,990,122	3,539,159
Payments to policyholders and their beneficiaries	2,232,022	2,018,039	2,328,393	1,581,299	1,638,125
Increase in actuarial reserves	1,786,949	1,349,069	1,025,453	1,298,904	1,031,117
Commissions, operating expenses and taxes	1,072,251	1,003,220	834,562	646,711	499,587
	5,091,222	4,370,328	4,188,408	3,526,914	3,168,829
Operating Income	590,826	589,162	462,378	463,208	370,330
Policyholder dividends	351,868	341,593	308,575	278,824	226,173
Net Income	238,958	247,569	153,803	184,384	144,157
<b>At December 31</b>					
Assets	25,952,645	23,188,813	21,994,408	19,250,205	15,959,527
Total Surplus	2,495,275	2,317,132	2,167,459	1,970,957	1,795,500
<b>Business Statistics</b>					
New life insurance ▼	45,582,234	56,723,206	31,014,422	31,541,258	24,593,498
Life insurance in force ●	223,158,091	202,393,371	174,663,995	144,192,115	123,156,638
Health insurance reserves	993,632	869,165	779,473	604,983	538,696
Annuity reserves	8,366,813	7,305,434	6,662,026	5,747,825	4,794,503
▼ Includes reinsurance assumed	15,101,814	27,044,271	7,061,532	9,082,411	6,282,269
● Includes reinsurance assumed	45,294,567	38,869,390	21,800,148	18,260,878	12,778,343

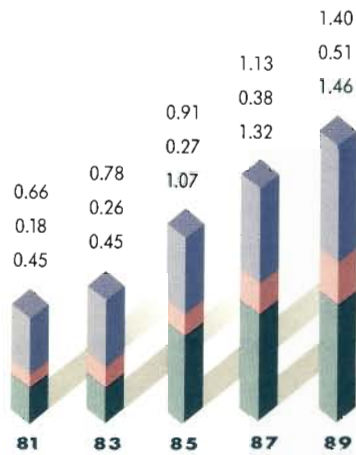
# Company Growth and Size



**Payments to Policyholders and their Beneficiaries (includes dividends)**  
(Figures are in billions of Canadian dollars)

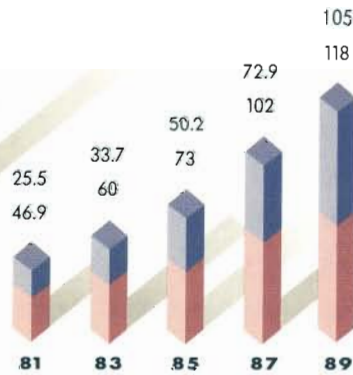


**Assets**  
(Figures are in billions of Canadian dollars)



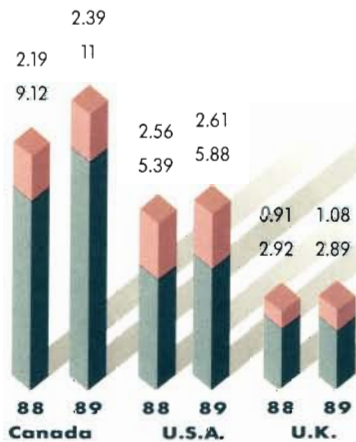
**Premiums**  
(Figures are in billions of Canadian dollars)

■ Life ■ Health ■ Annuity



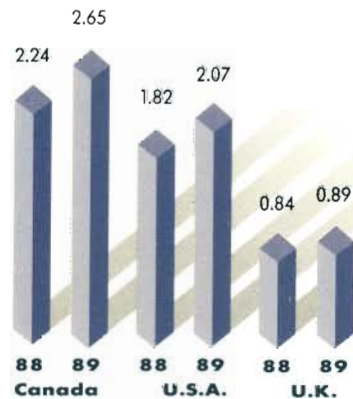
**Life Insurance in Force**  
(Figures are in billions of Canadian dollars)

■ Individual ■ Group



**Assets Segmented by Principal Territory**  
(Figures are in billions of Canadian dollars)

■ General Fund ■ Segregated Funds



**Total Revenue by Principal Territory**  
(Figures are in billions of Canadian dollars)

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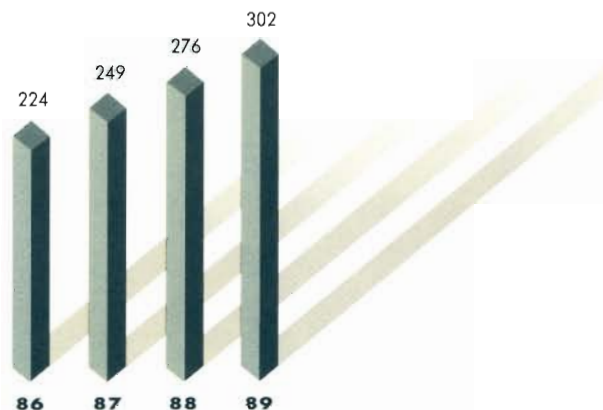
**L**ife and Health Insurance: The Company's life and health insurance business grew substantially in 1989. Particularly gratifying was the growth in renewal premiums for individual life insurance.

New business growth in the United States was especially strong, attributable partly to the development of our brokerage operations and partly to a strong product line, including a Joint Life & Last Survivor plan.

In Britain the upheavals in 1988 in the financial services industry occasioned by the Financial Services Act made it clear that a first class direct sales force would be a major future strength. During 1989 our British sales organization grew 11 per cent to a record 1,253 agents. There was an increase in insurance sales related to house mortgages despite a depressed house-purchase market in the United Kingdom. In Ireland, sales of individual insurance were especially strong, up 80 per cent over 1988.

Group life insurance operations, especially in Canada and Great Britain, were highly successful in 1989. In Canada group life insurance premiums increased 11 per cent to \$183 million, thereby strengthening our position of leadership in this competitive market. In Britain we further enhanced our existing position as the second largest group insurer in the market, increasing our in force premium by 27 per cent.

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**Premium Income from Individual Life and Health Insurance for Canada**

*(Figures are in millions of Canadian dollars)*

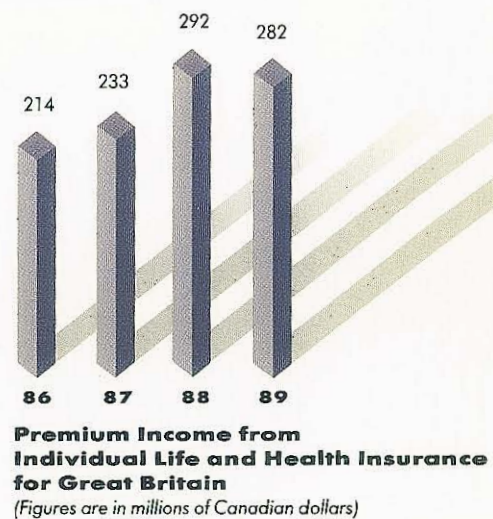
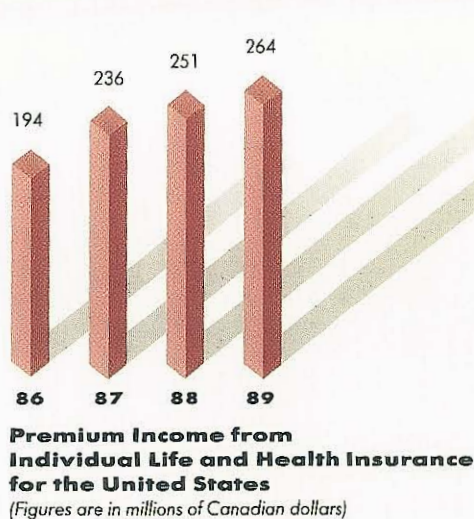
A highlight of 1989 was the improvement in the profitability of the Company's group health insurance business. This turnaround was the combined result of better experience with respect to the incidence of disability and of substantially increased premium rates for most health insurance lines.

Reinsurance has become an important business for Sun Life. We are now one of the major participants in the life and health reinsurance market in North America, with reinsurance accounting for \$45 billion of life insurance in force. In 1989 new reinsurances assumed amounted to \$15 billion, our second best year ever but well below the \$27 billion assumed in 1988.

**P**ensions: In recent years the increase in our individual annuity and pension plan business has been particularly strong, reflecting the growing desire people have for making proper financial provision for themselves as they grow older. This business is very competitive in all our territories and success depends on having advanced systems capabilities, innovative products and excellent investment performance. Sun Life has strong capabilities in all three areas.

In Canada, the Company introduced IncomeMaster, a new Registered Retirement Income Fund policy which we believe offers the best and most flexible range of terms and payment patterns available. For participants in our pensions and savings plans, a phone-in enquiry system, called SUNLINE, was launched. This system enables participants to access fast and accurate information.

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In Great Britain and Ireland, we had a banner year in pensions. Sales were up 58 per cent in this growing market, accounting for almost a third of total new premiums.

Pensions business was very strong in the United States as well. There we introduced a Benefit Responsive Guaranteed Investment Certificate with flexible withdrawal provisions for the 401(k) market. An electronic funds transfer arrangement was established to permit automatic deposits of annuity funds to policyholders' bank accounts.

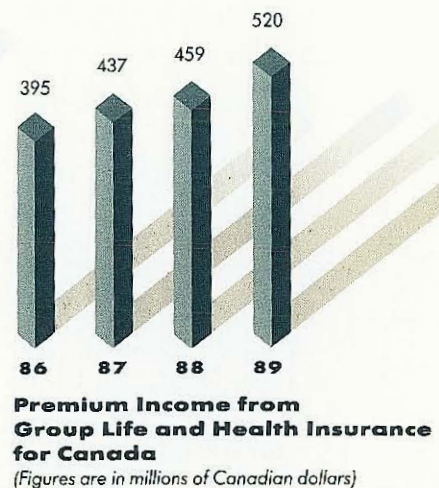
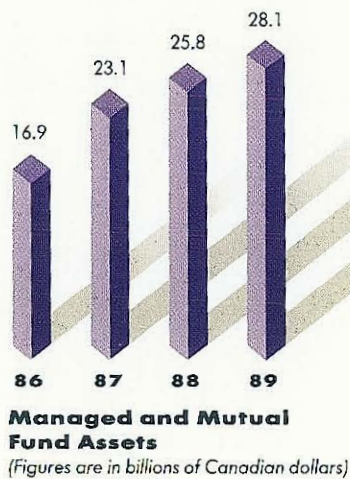
**M** **utual Funds:** The Company's advances in the mutual fund business during the '80s were logical steps in extending the range of our products and services. Our activity has been profitable for the Company and has increased the value of our service to our customers. Since we acquired Massachusetts Financial Services in 1982, that company's mutual fund assets have increased 400 per cent to US\$21 billion.

Sales in 1989 were very satisfactory especially considering the relatively slow growth of this industry in the United States.

During the year MFS expanded its already wide range of mutual funds with the introduction of five open-end mutual funds, called Meridian Funds, for markets outside the United States. MFS also launched two new closed-end mutual funds: MFS Chartered Income Trust and MFS Special Value Trust.

In Canada, Spectrum Mutual Funds enjoyed an excellent year. Sales were 61 per cent ahead of 1988 – an outstanding achievement in an industry that displayed only modest growth. Spectrum's assets under management increased by \$160 million to \$340 million during the year.

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Most Spectrum sales are made by the 750 Sun Life career agents who are dually licensed through our broker/dealer subsidiary company, Sunetco. We were also successful in developing sales through stock brokers and mutual fund dealers. Twenty-one per cent of Spectrum sales in 1989 were made through such dealers and brokers, compared with nine per cent in 1988.

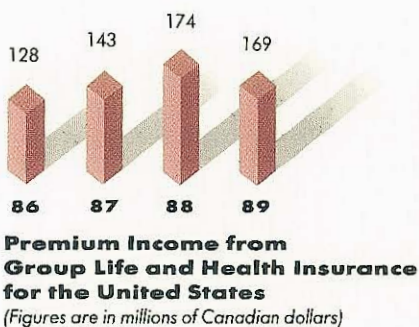
In Britain our unit trust company launched a new fund specializing in North American common stocks, thereby capitalizing on our international reputation for investment expertise.



**Trust Services:** Just as entry into mutual funds was logical for Sun Life, entry into the trust business is a natural step in our evolution. We had been planning our entry for some time. The question was whether to form our own company as we had with Spectrum or to acquire an already established company as we had with MFS. The route to follow became clear when we learned in the spring of 1989 that Coronet Trust Company, a subsidiary of Crownx Inc., was available. Agreement was reached and the acquisition took place later in the year. In January, 1990, the trust company was renamed Sun Life Trust.

Sun Life Trust serves its clients through 1,300 independent deposit agents, mortgage brokers and 10 regional branch offices coast to coast in Canada. This distribution system fits extremely well with Sun Life's personalized delivery system. Sun Life agents will now be supplying clients with Sun Life Trust products and services.

Through Sun Life Trust we are able to offer mortgages, short term deposits and guaranteed investment certificates. The 30 per cent interest we purchased in Century 21 Canada complements the business of Sun Life Trust since it is expected to be an important source of residential mortgage loans.





**Investments:** At a time when many financial institutions are reporting serious losses, we take particular pride in the quality of our assets and in the way in which they are managed.

Because of the longer term nature of insurance liabilities, we invest most of our funds in longer term instruments – government bonds, corporate bonds, mortgages, preferred and common stocks, and real estate. Through this investment activity, Sun Life is a major supplier of the long term capital so essential to the economic growth and development of the countries in which we operate.

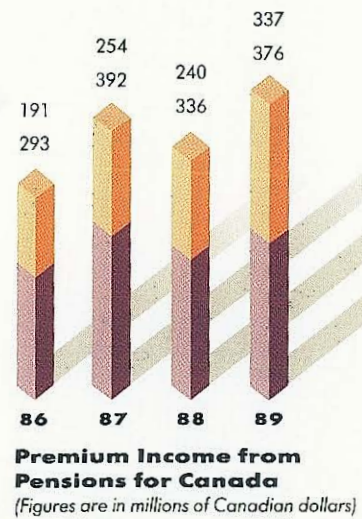
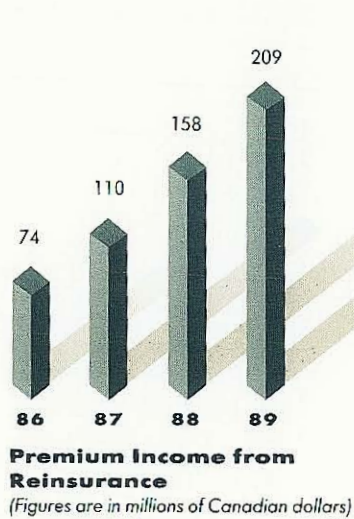
We seek to produce the highest returns consistent with safety of principal for our policyholders. This requires a combination of sound fixed income investments and attractive equity investments such as common stocks and real estate. To achieve our investment objectives, Sun Life maintains strong professional organizations in our national office territories.



**Good Corporate Citizenship:** Sun Life believes that making lives stronger and richer is the very essence of a life insurance company's mission. Our donations program offers support to a wide range of non-profit organizations particularly in the communities in which Sun Life has a major presence.

Many of our agents and staff complement this support by playing an active, useful part in voluntary service in their communities. This extends to all fields where help is needed including youth work and helping the sick and the elderly.

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■ Individual  
■ Group

The Company gives additional support to cultural development through the sponsorship of the performing and visual arts. One of our major arts sponsorships in 1989 was at the Art Gallery of Ontario, entitled: 'Permeable Border: Art of Canada and the United States, 1920/40'.

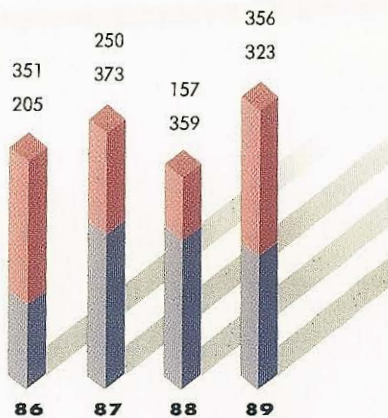
We are proud to sponsor two major sporting activities in Canada – Sun Life Skate Canada International and the national tennis championships, the Sun Life Nationals. As a sponsor of the Canadian Figure Skating Team, we congratulate Kurt Browning on winning the Men's World Figure Skating Championship in Halifax in 1990 for the second consecutive year and Isabelle Brasseur and Lloyd Eisler, 1990 Pairs Silver Medallists.

In Great Britain we continued our sponsorship of the national Under-15 Cricket Championship.

In the United States the Company took significant initiatives in AIDS research and education. These were recognized by our receiving an award from the New England Corporate Consortium for AIDS Education for an outstanding contribution.

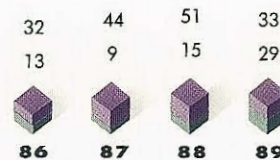
Sun Life is in the forefront of activities that make the Company a good place to work, where all employees are treated fairly and equally. Our national offices continue to take initiatives in the area of employment equity for designated groups including women, racial minorities and people with disabilities. In Britain we won the Working for Women Award, given by New Woman Magazine to the company judged to have the most thoughtful and caring approach to the employment of women.

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**Premium Income from Pensions for the United States**  
(Figures are in millions of Canadian dollars)

■ Individual  
■ Group



**Premium Income from Pensions for Great Britain**  
(Figures are in millions of Canadian dollars)

■ Individual  
■ Group

Sun Life Assurance Company of Canada and its subsidiaries issue a broad range of personal financial products and services. The parent Company provides life insurance policies and retirement savings plans for individuals; group insurance, including life and health insurance, disability income and dental plans; and pension products; in Canada, the United States, Great Britain and Ireland, and the Far East. Wholly-owned subsidiaries shown here provide a full range of other financial services.

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**Canada**

Sun Life Trust Company provides deposit services, including guaranteed investment certificates and registered retirement savings plans, and residential and commercial mortgages.

Michael A. Hasley Chairman	Incorporated:	1913
Rein W. Crecelhus President	Acquired:	1989

Sun Life Financial Holdings Inc. acts as a holding company for investments by Sun Life in the financial services sector and related investments.

John D. McNeil Chairman	Incorporated:	1973
Michael A. Hasley President		

Sun Life of Canada Investment Management Limited (Sunimco) provides investment management services for major pension funds and for investment portfolios established for sickness, accident and other welfare benefit plans.

John S. Lane Chairman	Incorporated:	1975
Donald T. Walcot President		

Sun Life of Canada Benefit Management Limited (Sunbenco) provides administrative claims and actuarial services.

John S. Lane Chairman	Incorporated:	1987
William R. Fearo President		

Spectrum Mutual Fund Services Inc. manages and markets all Spectrum mutual funds.

John S. Lane Chairman	Incorporated:	1987
Allen C. Marple President		

Sun Life Distribution Services Inc. (Sunetco) distributes Spectrum mutual funds and trains dually-licensed Sun Life/Sunetco representatives.

John S. Lane Chairman	Incorporated:	1987
C.L.E. (Lee) Watchorn President		

**Great Britain and Ireland**

Sun Life Assurance Company of Canada (U.K.) Limited sells investment linked life insurance plans and personal pension policies.

John D. McNeil Chairman	Incorporated:	1969
Richard W.S. Baker Managing Director		

Sun Life of Canada Unit Managers Limited (Slocum) manages three authorized unit trusts, known as Sun Life of Canada U.K. Growth Fund, Sun Life of Canada U.K. Income Fund and Sun Life of Canada Worldwide Growth Fund.

Richard W.S. Baker Chairman	Incorporated:	1986
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Sun Life of Canada Home Loans Limited conducts residential mortgage lending business in Britain.

Richard W.S. Baker Chairman	Incorporated:	1988
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United States

Sun Life Assurance Company of Canada (U.S.) issues individual variable and fixed annuity contracts, and single premium variable and fixed life insurance policies and group pension contracts.  
 John D. McNeil Incorporated: 1970  
 Chairman  
 John R. Gardner  
 President  
 David D. Horn  
 Senior Vice-President and General Manager

Sun Life Insurance and Annuity Company of New York (Sun Life N.Y.) distributes individual variable and fixed annuity contracts and issues group life and group long term disability contracts in the State of New York.  
 John D. McNeil Incorporated: 1983  
 Chairman  
 John R. Gardner  
 President  
 David D. Horn  
 Senior Vice-President

Sun Investment Services Company (Sunesco) distributes variable annuity contracts, mutual funds and direct participation programs through its registered representatives. The Company also provides investment management and administrative services.  
 John R. Gardner Incorporated: 1970  
 Chairman  
 David D. Horn  
 President

Sun Benefit Services Company Inc. (Sunbesco) distributes disability income insurance and provides record-keeping claims and actuarial services for welfare and pension benefit plans.  
 John R. Gardner Incorporated: 1977  
 Chairman

The New London Trust Company is a chartered bank making commercial and industrial loans to traditional business borrowers. Under its trust powers, it acts as trustee and custodian of individual and corporate pension plans.  
 William F. Kidder, Jr. Incorporated: 1958  
 Chairman and President Acquired: 1986

Massachusetts Casualty Insurance Company is an insurance company specializing in disability income insurance sold through general agency and distributor systems.  
 Milan A. Heath, Jr. Incorporated: 1926  
 President Acquired: 1987

Massachusetts Financial Services Company (MFS) provides investment management for mutual funds and client funds.  
 Richard B. Bailey Incorporated: 1924  
 Chairman  
 A. Keith Brodtkin Acquired: 1982  
 President

Clarendon Insurance Agency Inc. distributes life insurance and annuity products created by Sun Life (U.S.).  
 Richard B. Bailey Incorporated: 1968  
 Chairman

MFS Service Center Inc. provides transfer agency and related services to the investment company clients of MFS.  
 Richard B. Bailey Incorporated: 1985  
 Chairman

MFS Financial Services Inc. serves as the principal underwriter for all the mutual funds in the MFS complex.  
 Richard B. Bailey Incorporated: 1986  
 Chairman

Lifetime Advisers Inc. provides the investment management for mutual funds in the MFS Lifetime investment program.  
 Richard B. Bailey Incorporated: 1986  
 Chairman

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**John D. McNeil, C.F.A.**  
Chairman and Chief Executive Officer,  
Toronto, Ontario

**John R. Gardner, F.S.A., F.C.I.A.**  
President,  
Toronto, Ontario

**Thomas M. Galt, F.S.A., F.C.I.A.**  
Chairman of the Executive Committee,  
Toronto, Ontario

**Sir Peter Baxendell, C.B.E.**  
Chairman,  
Hawker Siddeley Group PLC,  
London, England

**M. Colyer Crum,**  
Professor of Investment Management,  
Harvard University Graduate School of  
Business Administration,  
Boston, Massachusetts

**Jock K. Finlayson,**  
Chairman,  
Royal Insurance Company of Canada,  
Montreal, Quebec

**J. Peter Gordon, O.C.**  
Company Director,  
Toronto, Ontario

**Angus A. MacNaughton,**  
President,  
Genstar Investment Corporation,  
San Francisco, California

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

**Ronald W. Osborne, F.C.A.**  
President and Chief Executive Officer,  
Maclean Hunter Limited,  
Toronto, Ontario

**Alfred Powis, O.C.**  
Chairman and Chief Executive Officer,  
Noranda Inc.,  
Toronto, Ontario

**Grant L. Reuber, O.C.**  
Company Director,  
Toronto, Ontario

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

**William W. Stinson,**  
Chairman, President and  
Chief Executive Officer,  
Canadian Pacific Limited,  
Montreal, Quebec

**W. Vickery Stoughton,**  
President and Chief Executive Officer,  
The Toronto Hospital,  
Toronto, Ontario

**John A. Tory, Q.C.**  
Deputy Chairman,  
The Thomson Corporation,  
Toronto, Ontario

**David G. Vice,**  
Vice-Chairman,  
Products and Technology,  
Northern Telecom Limited,  
Toronto, Ontario

**Marshall M. Williams,**  
Chairman of the Board,  
TransAlta Utilities Corporation,  
Calgary, Alberta

**Jeannine G. Wood,**  
Chairman of the Board and  
Chief Executive Officer,  
Guillevin International Inc.,  
Montreal, Quebec

**Executive Committee:**

Thomas M. Galt,  
Chairman  
Jock K. Finlayson  
J. Peter Gordon  
Angus A. MacNaughton  
John D. McNeil  
Alfred Powis  
Marshall M. Williams

**Nominating Committee:**

J. Peter Gordon,  
Chairman  
Thomas M. Galt  
John D. McNeil  
Alfred Powis  
Kathleen M.  
Richardson  
William W. Stinson

**Audit Committee:**

Marshall M. Williams,  
Chairman  
M. Colyer Crum  
Jock K. Finlayson  
J. William E. Mingo  
Grant L. Reuber  
W. Vickery Stoughton  
John A. Tory

**Management Resources Committee:**

Alfred Powis, Chairman  
Jock K. Finlayson  
Thomas M. Galt  
J. Peter Gordon  
Angus A. MacNaughton  
John D. McNeil  
David G. Vice  
Jeannine G. Wood

as of February 14, 1990

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**Corporate Office**

**Executive Officers:**

**\*John D. McNeil,**  
C.F.A.  
Chairman and Chief  
Executive Officer

**\*John R. Gardner,**  
F.S.A., F.C.I.A.  
President

**Principal Officers:**

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

**\*John H. Harrison,**  
Senior Vice-President,  
Investments

**\*Michael A. Hasley,**  
Senior Vice-President,  
Finance

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

**\*Donald A. Stewart,**  
F.I.A., F.C.I.A.  
Senior Vice-President,  
Information Systems

**Terrence L. Bedard, C.F.A.**  
Vice-President,  
Investments

**Edward P. Brndiar,**  
Vice-President,  
Information Services

**Julian J.P. Dukacz,**  
F.S.A., F.C.I.A.  
Vice-President,  
Taxation

**Gregory W. Gee,**  
Vice-President,  
General Counsel and  
Secretary

**Michael A. Gunns, C.A.**  
Vice-President and  
Internal Auditor

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

**A. Gordon Jardin,**  
F.S.A., F.C.I.A.  
Vice-President,  
Reinsurance

**Lance W. Kemp, F.L.M.I.**  
Regional Vice-President,  
Far East

**Yves Laneuville,**  
F.S.A., F.C.I.A.  
Vice-President,  
Product Management

**A. Douglas Lang,**  
Vice-President,  
Human Resources

**B. Ross MacKenzie,**  
M.D., F.R.C.P.(c), F.A.C.C.  
Vice-President and  
Chief Medical Director

**Robert J. Mifflin,**  
Vice-President,  
Planning and  
Development

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

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

**Claude M. Root,**  
Vice-President,  
Agency

**National Offices**

**Principal Officers:**

**Canada**

**\*John S. Lane, C.F.A.**  
Senior Vice-President  
and General Manager

**William R. Pearo,**  
Vice-President and  
Assistant General  
Manager

**C.L.F. (Lee) Watchorn,**  
F.S.A., F.C.I.A.  
Vice-President and  
Assistant General  
Manager

**Robert P. Allard,**  
F.L.M.I.  
Vice-President,  
Group Client Services

**Gary M. Comerford,**  
Vice-President,  
Individual Marketing

**Gary Corsi, C.A.**  
Vice-President, Finance  
and Administration

**Wayne H. Faithfull,**  
F.L.M.I.  
Vice-President,  
Information Systems

**Ian R. Fung,**  
Vice-President,  
Investments

**Lucy G. Greene,**  
Vice-President,  
Human Resources

**Raymond G. Hunter,**  
C.L.U.  
Vice-President,  
Group Marketing

**Gérald P. Jean,**  
Vice-President,  
Agencies

**Jeffrey A. Norman,**  
Vice-President,  
Public Relations and  
Communications

**Dikran Ohannessian,**  
F.S.A., F.C.I.A.  
Vice-President,  
Group Insurance

**C. James Prieur, C.F.A.**  
Vice-President,  
Securities Investments

**Angus B. Warren,**  
F.F.A., F.C.I.A.  
Vice-President,  
Pensions

**Great Britain  
and Ireland**

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

**Maurice E. Bates,**  
Vice-President and  
Assistant General Manager

**Quentin de la Bedoyere,**  
Vice-President,  
Product Management

**Barry J. Blackburn,**  
Vice-President and  
Chief Legal Adviser

**H. Anthony Fenn,**  
Vice-President, Investments

**H.A. (Tony) Heath,**  
F.I.A., F.P.M.I.  
Vice-President,  
Planning and Development

**Paul A. Littleton,**  
Vice-President,  
Sales and Service

**Robert G. Meek,**  
Vice-President,  
Information Systems

**Michael C. Sollom,**  
M.I.P.M., M.B.I.M.  
Vice-President, Personnel

**Thompson E. Skinner, C.A.**  
Vice-President, Finance

**United States**

**\*David D. Horn,**  
Senior Vice-President  
and General Manager

**Gerald A. Jutter, C.L.U.**  
Vice-President and  
Assistant General  
Manager

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

**Robert E. McGinness,**  
Vice-President and  
Counsel

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

**James A. McNulty III,**  
Vice-President,  
Group

**Ronald Standring,**  
Vice-President,  
Information Systems

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

*\*Members of the Senior Advisory Council*

**Consolidated Statement of Surplus**

<i>Year ended December 31</i>	<b>Mandatory Surplus Appropriations</b>	<b>Voluntary Surplus Appropriations</b>	<b>Unappro- priated Surplus</b>	<b>Currency Translation Account</b>	<b>Surplus</b>
<i>(in thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$
1989					
Balance, January 1	501,844	210,156	1,559,165	45,967	2,317,132
Net Income	-	-	238,958	-	238,958
Surplus appropriations	8,371	9,629	(18,000)	-	-
Effect of changes in currency rates	-	-	-	(60,815)	(60,815)
Balance, December 31	510,215	219,785	1,780,123	(14,848)	2,495,275
1988					
Balance, January 1	419,503	155,497	1,448,596	143,863	2,167,459
Net Income	-	-	247,569	-	247,569
Surplus appropriations	82,341	54,659	(137,000)	-	-
Effect of changes in currency rates	-	-	-	(97,896)	(97,896)
Balance, December 31	501,844	210,156	1,559,165	45,967	2,317,132

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**C o n s o l i d a t e d   F i n a n c i a l   S t a t e m e n t s**

**Consolidated Statement of Cash Flow**

Year ended December 31	1989	1988
<i>(in thousands of Canadian dollars)</i>	\$	\$
<b>Operating Activities</b>		
Receipts		
Insurance and annuity premiums	3,349,652	2,891,875
Net investment income	1,643,319	1,456,886
Fee income	371,254	361,880
	5,364,225	4,710,641
Applications		
Policyholder benefits	2,094,144	1,946,324
Policyholder dividends	318,987	331,656
Insurance expenses and taxes	1,033,926	1,011,398
Net change in amounts on deposit	(56,041)	6,071
Net change in long-term investments	1,871,047	1,368,811
Net change in policy loans	26,004	6,717
Net change in miscellaneous assets	67,511	31,746
	5,355,578	4,702,723
Net cash from operating activities	8,647	7,918
<b>Financing Activities</b>		
Increase (decrease) in borrowed money	(5,920)	39,000
<b>Investment Activities</b>		
Acquisition of subsidiary company	(35,799)	-
<b>Summary</b>		
Cash and short-term securities on January 1	757,183	756,208
Net cash from operations	8,647	7,918
Net cash from financing activities	(5,920)	39,000
Cash applied in investment activities	(35,799)	-
Changes due to exchange rate fluctuations	(38,685)	(45,943)
Cash and short-term securities on December 31	685,426	757,183

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**Segregated Funds Consolidated Balance Sheet**

December 31	1989	1988
<i>(in thousands of Canadian dollars)</i>	\$	\$
<b>Assets</b>		
Bonds	1,377,050	1,431,726
Mortgages	378,779	317,263
Stocks	2,833,339	2,344,671
Real estate	529,931	413,475
Short-term securities	916,972	1,117,434
Cash	25,693	14,330
Investment income due and accrued	49,933	47,450
Other assets	38,921	138,919
<b>Total assets</b>	<b>6,150,618</b>	<b>5,825,268</b>
<b>Liabilities</b>		
Accrued expenses and taxes	1,482	1,087
Other liabilities	63,695	165,976
<b>Total liabilities</b>	<b>65,177</b>	<b>167,063</b>
<b>Net Assets</b>		
Applicable to policyholders	6,085,441	5,658,205
Applicable to sponsors	5,072	3,906
	<b>6,085,441</b>	<b>5,658,205</b>

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C o n s o l i d a t e d   F i n a n c i a l   S t a t e m e n t s

**Segregated Funds Consolidated Statement of Changes in Net Assets**

Year ended December 31	1989	1988
<i>(in thousands of Canadian dollars)</i>	\$	\$
<b>Net Assets, January 1</b>	5,658,205	5,486,702
<b>Additions</b>		
Deposits		
Life insurance	113,244	126,455
Annuities	592,431	555,842
Investment income	520,490	420,422
Net market value gain (loss) on investments	465,380	214,619
Transfer from sponsors	(628)	353
Currency adjustment due to changes in exchange rates	(228,168)	(296,574)
	7,120,954	6,507,819
<b>Deductions</b>		
Payments to policyholders and their beneficiaries:		
Death and disability benefits	25,856	23,588
Maturities and withdrawals	865,548	686,794
Annuity payments	55,169	54,773
Management fees	63,946	64,054
Other expenses	1,194	1,558
Taxes	23,800	18,847
<b>Net Assets, December 31</b>	6,085,441	5,658,205

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(Amounts in thousands of Canadian dollars)

**1. Accounting Principles**

The Sun Life Assurance Company of Canada is registered under the Canadian and British Insurance Companies Act, administered by the Office of the Superintendent of Financial Institutions Canada. The Act and associated Regulations govern the Company's financial reporting.

The consolidated financial statements have been prepared in accordance with accounting principles prescribed or permitted by the Act or by Regulation. The significant accounting principles followed by the Company are as follows:

*Securities Investments*

Bonds are valued at amortized cost and mortgages at amortized cost less principal repayments. Stocks are valued at cost adjusted for the aggregate amount of unrealized gains and losses reflected in income. Such gains and losses are brought into income annually at the rate of 15% of the excess or deficiency of market over previous adjusted cost.

Realized gains and losses on sales of bonds and mortgages are deferred and brought into income, on a consistent yield basis, over the remaining period to maturity. Realized gains and losses on sales of stocks are deferred and brought into income annually at the rate of 15% of the unamortized balance.

In the Health Insurance Fund, bonds are valued at amortized cost, mortgages at amortized cost less principal repayments and stocks at cost. Gains and losses on sales are included in income when realized.

*Real Estate*

Real estate is valued at cost adjusted for the aggregate amount of unrealized gains and losses reflected in income. Such gains and losses are brought into income annually at the rate of 10% of the excess or deficiency of market over previous adjusted cost. For this purpose, market values are established for each property on the basis of 95% of appraised values. Property appraisals are obtained no less frequently than once every three years, with part of the portfolio appraised annually.

Realized gains and losses on sales are deferred and brought into income annually at the rate of 10% of the unamortized balance.

In the Health Insurance Fund, real estate is valued at depreciated cost and gains and losses on sales are included in income when realized.

*Policy Loans*

Policy loans are carried at their unpaid balance, and are fully secured by the value of policies on which the respective loans are made.

*Subsidiaries*

Subsidiary companies are accounted for on a consolidated basis.

*Segregated Funds*

Segregated fund assets are carried at market values. Separate financial statements are provided for segregated fund transactions and balances. Consequently segregated fund transactions are not included in the Statement of Operations, other than income earned by the Company from fund management fees and on capital invested in the funds.

*Acquisition Costs*

Costs of acquiring new insurance and annuities are charged against income as they are incurred. Costs of acquiring new mutual fund sales having a deferred sales charge are deferred and amortized over the applicable period of such charges.

*Translation of Foreign Currencies*

Revenues and expenditures in foreign currencies, including the amortization of gains and losses on foreign investments, are translated into Canadian dollars at average market rates of exchange in effect during the year. Assets and liabilities are carried at market rates of exchange in effect at the end of the year. As the asset and liability values relate to self-sustaining foreign operations, the net adjustment of asset and liability values resulting from changes in the rates of exchange at the end of the year is reported in the Statement of Surplus.

*Income Taxes*

The Company follows the taxes payable method.

*Pension Costs*

Pension and other retiree benefit costs are recognized in the Statement of Operations on the basis of benefits earned during the year, taking into consideration anticipated future salary increases of employees.

The estimated excess of the market value of plan assets over outstanding retirement obligations, including adjustments arising from pension plan amendments, experience gains and losses and changes in valuation assumptions, are amortized to income over the average remaining service lives of employees.

# Notes to the Consolidated Financial Statements

(Amounts in thousands of Canadian dollars)

## 2. Market Value of Invested Assets

December 31	1989		1988	
	Carrying Value	Market Value	Carrying Value	Market Value
	\$	\$	\$	\$
Bonds	7,219,162	7,371,575	6,727,391	6,970,223
Mortgages	6,235,836	6,275,451	4,863,468	4,775,005
Stocks	2,134,195	2,626,440	1,846,719	2,174,121
Real estate	1,596,393	2,111,404	1,464,874	1,901,025
Cash and short-term securities	685,426	686,199	757,183	758,061
Other invested assets	150,553	145,391	129,297	125,644
	18,021,565	19,216,460	15,788,932	16,704,079

## 3. Actuarial Liabilities

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.

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.

The Reserves for unmatured obligations and the Mandatory appropriations of surplus include the following components:

December 31	1989	1988
	\$	\$
<b>Reserves for unmatured obligations</b>		
Individual life insurance		
Group life insurance	3,874,645	3,737,192
Individual annuities	356,581	305,425
Group annuities	4,173,374	3,666,198
Health insurance	4,193,439	3,639,236
	993,632	869,165
	13,591,671	12,217,216
<b>Mandatory appropriations of surplus</b>		
Canadian statutory investment valuation reserve	145,738	138,192
Canadian statutory valuation reserve for non-admitted assets	168,233	177,014
Canadian statutory deficiency or solvency requirements	111,081	89,209
Foreign statutory deficiency or solvency requirements	85,163	97,429
	510,215	501,844

(Amounts in thousands of Canadian dollars)

**4. Investment Income**

Investment income has the following components:

	1989	1988
	\$	\$
Interest income	1,483,146	1,320,730
Dividend income	104,336	86,603
Real Estate income (net)	124,215	122,925
Amortization of deferred realized gains and losses	126,273	117,000
Amortization of unrealized gains and losses	144,982	109,671
Other items (net)	(2,707)	(15,368)
	1,980,245	1,741,561
Investment expenses, taxes and interest expense	(41,435)	(45,218)
	1,938,810	1,696,343

**5. Deferred Acquisition Costs**

Deferred acquisition costs amortized and charged to income during the year amounted to \$40,005 (\$33,200 in 1988).

**6. Company Pension Plans and**

**Other Retiree Benefits**

Pension benefits for employees and agents of the Company and most subsidiaries are provided primarily under plans insured with the Company. The major obligations of the Company for pensions are under defined benefit plans.

These offer benefits based on years of service and final average earnings.

The status of these and other retirement benefit plans at December 31 is as follows:

December 31	1989	1988
	\$	\$
Obligations for defined benefit plans	403,771	359,205
Obligations for other retiree benefits	235,737	281,291
	639,508	640,496
Assets funding these obligations	746,643	705,112
Excess of assets	107,135	64,616

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# Notes to the Consolidated Financial Statements

(Amounts in thousands of Canadian dollars)

## 7. Taxes

In the Statement of Operations, the provision for taxes of \$93,122 (\$72,450 in 1988) in respect of the Company's worldwide operations, includes income taxes of \$54,503 (\$39,123 in 1988) and other taxes,

primarily premium taxes, of \$38,619 (\$33,327 in 1988).

The effective worldwide rate of the income taxes provided for differs from the combined Canadian income tax rate as follows:

	1989	1988
Combined Canadian federal and provincial income tax rate	42.1%	45.7%
Increase (decrease) in rate resulting from:		
Lower effective rates on income subject to taxation in foreign jurisdictions	(15.5%)	(3.2%)
Tax exempt income from Canadian securities and non-taxable portion of capital gains	(10.2%)	(7.0%)
Higher (lower) taxable income than accounting income due to timing differences	6.0%	(22.5%)
Utilization of loss carryforward benefits	(5.3%)	-
Other	1.5%	0.6%
Effective worldwide income tax rate	18.6%	13.6%

## 8. Lease Commitments

The Company leases offices and certain equipment. These are operating leases with rents charged to operations in the year to which they relate.

Aggregate future rentals payable for the unexpired terms of these leases are:

	\$
1990	38,853
1991	35,792
1992	29,258
1993	24,519
1994	20,070
thereafter	165,983
	314,475

## 9. Acquisition

Effective June 30, 1989 the Company acquired all of the outstanding shares of the Coronet Trust Company for \$35,799. The value attributed to the assets acquired was \$630,418 and the value attributed to the

liabilities was \$599,182. The goodwill arising from the acquisition was \$4,563 which is being amortized over 15 years. The company name was subsequently changed to Sun Life Trust Company.

I have made the valuation of the Actuarial liabilities of the Sun Life Assurance Company of Canada for its Consolidated Balance Sheet at December 31, 1989 and its other consolidated financial statements for the year then ended.

I certify that, in my opinion:

- (i) the valuation conforms to the Recommendations for Insurance Company Financial Reporting of the Canadian Institute of Actuaries; and
- (ii) the Actuarial liabilities make proper provision for future payments under the Company's policies and have been properly reflected in the consolidated financial statements.

Appropriations of surplus have been made to provide against adverse fluctuations in experience significantly greater than those assumed in computing the Actuarial liabilities.

Toronto, January 31, 1990



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

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Auditors' Report

The Participating Policyholders,  
Sun Life Assurance Company of Canada.

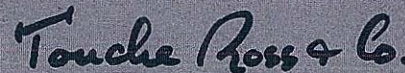
We have examined the Consolidated Balance Sheet of Sun Life Assurance Company of Canada, including the separate Consolidated Balance Sheet of its Segregated Funds, as at December 31, 1989 and the Consolidated Statements of the Company's Operations, Surplus and Cash Flow and of Changes in Net Assets of its Segregated Funds 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, these financial statements present fairly the financial position

of the Company and its Segregated Funds as at December 31, 1989 and the results of the Company's operations and cash flow and the changes in the net assets of its Segregated Funds for the year then ended in accordance with the accounting principles described in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Toronto, February 8, 1990



Touche Ross & Co.  
Chartered Accountants



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