

120th
Annual Report
1990

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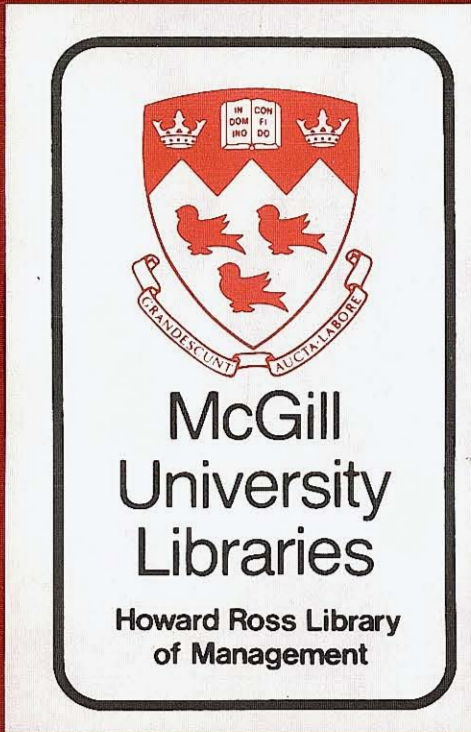
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COVER PHOTO:

Sun Life agents take the extra step when it comes to service. Steve O'Neil, one of our most competent agents, works long hours to devise financial plans that are accurate, sound and appropriate to his clients' needs. Kelly and Mary Lou Shotbolt, with daughter Kathleen, are one of the families who receive this Sun Life service.

SUN 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 \$58.7 BILLION.

OUR 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 SERVICES 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.

IN THE COUNTRIES WHERE IT SERVES, THE COMPANY IS AN ACTIVE PARTICIPANT IN THE CAPITAL MARKETS, THROUGH INVESTMENT IN STOCKS, BONDS, MONEY MARKET INSTRUMENTS, AND REAL ESTATE. THE COMPANY ALSO MEETS THE FINANCING REQUIREMENTS OF CORPORATIONS AND INDIVIDUALS BY PROVIDING FUNDS FOR COMMERCIAL AND RESIDENTIAL MORTGAGE LOANS AND FOR PRIVATE PLACEMENTS OF DEBT SECURITIES.

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 — THE HIGHEST CORPORATE RATINGS GIVEN BY THESE ORGANIZATIONS.

Year ended December 31	1990	1989	Change
(in millions of Canadian dollars)	\$	\$	%
Financial Position			
Total Assets under Management	58,654	54,082	8
Total Company Assets	31,920	25,953	23
Mutual Fund and other Assets under Management	26,734	28,129	(5)
Surplus	2,740	2,495	10
Business Statistics			
Life insurance in force*	254,969	223,158	14
Funds held for Annuities in Force	10,010	8,371	20
Segregated Fund Deposits	1,292	701	84
Operating Results			
Premiums			
Life Insurance	1,593	1,404	13
Health Insurance	583	512	14
Annuities	2,071	1,460	42
Investment Income	2,315	1,939	19
Fee Income	396	372	6
Total Revenue	6,958	5,687	22
Payments to Policyholders and their Beneficiaries	2,827	2,232	27
Operating Income before Dividends	604	591	2
Policyholder Dividends	379	352	8
Net Income	225	239	(6)

*Includes reinsurance assumed

We are pleased to report that Sun Life Assurance Company of Canada had a highly successful year in 1990. While worldwide economic conditions were not favourable to business generally, our Company continued to prosper, achieving new records in sales and payments to policyholders, size and financial strength. The Business Review section of the Annual Report tells about those achievements.

During 1990, a Sun Life of Canada Business Vision for the 1990s was formulated by the Company's senior management and approved by the Board of Directors. The Business Vision is intended to provide an enhanced sense of common purpose throughout our organization.

It describes what we stand for, how we want to conduct our business and where we want to go as a Company. It sets out the goals we want to reach and establishes a track to keep us on course. It covers the points we believe to be of primary importance to the success of our Company through the decade of the 90s and into the 21st Century.

The Business Vision states that we are a leading international life insurance and financial services group, meeting the needs of our customers through a broad range of financial products, including life and health insurance, annuities, pensions, savings products, term deposits, mutual funds, loans and mortgages, investment management and trust services.

In 1990, the changing requirements of customers were reflected in the continuing change in our sales mix. Life and health insurance remain "core" products in our business. Annuities and other savings and accumulation products, however, have been accounting for an increasing share of Sun Life sales.

Our traditional protection products, which accounted for 17% of the parent company sales in 1985, accounted for only 13% in 1990. That

percentage would be 7% if the mutual fund sales of our subsidiaries were added to the sales figures.

The Business Vision states that quality service to customers is best provided in the distribution of products and services through direct personal contact. We believe our Sun Life agency distribution system delivers the best and most appropriate advice and service to our customers and we will continue to emphasize it.

In 1990, our worldwide agency force increased 190 to 4,400. These men and women are dedicated to providing good service and sound financial advice to their clients, and thorough professional training programs are established in all our territories. In addition to the personal service provided by agents, we have appointed customer service representatives in most of our territories to handle and give prompt attention to customers' queries and requests.

The Business Vision states that we will continue our long tradition of treating customers fairly and, as a mutual company, recognize the special responsibility we have to participating policyholders who benefit from the Company's success through policyholder dividends.

Policyholder dividends have been increasing annually and in 1990 they were up 8% over the preceding year. The amount allocated in 1990 was \$379 million, well over twice 1980 dividend payments of \$156 million. In Canada and the United States, the scales of dividends will be reduced in 1991 due primarily to increasing taxes in Canada and rising operational costs in the United States. In those two countries, however, the actual amounts to be allocated in dividends will increase. In the British Isles and the Far East, the 1990 scales are being maintained.

The Business Vision states that while we currently operate in Canada, the United States, Great Britain, Ireland, the Philippines, Hong Kong and Bermuda, we will explore business opportunities in other countries.



(figures are in billions of Canadian dollars)

RIGHT:

JOHN D. McNEIL
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

LEFT:

JOHN R. GARDNER
PRESIDENT



In 1990, plans were formulated to expand operations in the Far East in 1991. These plans are on schedule. We continue to keep a watching brief on developments in Continental Europe where we are already active in the reinsurance market. For the time being we believe we are best advised to continue to concentrate our direct insurance activities on the markets of Great Britain and Ireland.

The Business Vision states that we will achieve our growth objectives primarily through internal growth, supplemented from time to time by acquisitions.

Massachusetts Financial Services in the United States and Sun Life Trust in Canada are two examples of acquisition initiatives which permitted Sun Life to establish significant positions in complementary financial

services businesses. In 1990, our diversification program involved the formation of a residential mortgage subsidiary in Britain, and the acquisition of a trust company, a mortgage loan company and mutual fund management company, Calvin Bullock, in Canada. These important developments are described in the Business Review section.

The Business Vision states that we will maintain our competitive advantage as one of the strongest financial institutions in North America. To do so, we will maintain a strong surplus position and quality asset structure and will set profitability standards for each major business line.

In 1990, the Company's financial strength was enhanced and we continued to be very profitable. Measures of asset quality continued to show highly satisfactory results. Standard & Poor's, an acknowledged leader in the field of rating insurance companies, gave Sun Life its highest rating, AAA. Another leader in the field, A.M. Best Company, gave Sun Life its highest rating — A+ (Superior).

The Business Vision states that we will maintain a strong, well-motivated cadre of staff and agents worldwide because we need capable, skilled and well-trained people to achieve our goals. Our organizational structure will be shaped to facilitate a prompt, focused and flexible response to meet the needs of our customers.

In 1990, comprehensive performance management systems were in place in all major territories and the Company's well-tried staff training programs continued to be improved, with wider accessibility to staff. We continue to put emphasis on our quality training programs for agents, encouraging the exchange of training methods and concepts among our territories.

The Business Vision states that information technology will play a leading role in enabling us to meet the needs of our customers and to attain our business goals.

In 1990, our systems capabilities were substantially enhanced. A new mainframe computer was installed at our central computer site, with the capacity to perform 100 million instructions per second, 50% more than predecessor equipment. We are commencing a multi-year project that involves the replacement of our present individual insurance administrative computer systems. This will enable us to accommodate the rapid growth of our business and provide more comprehensive and rapid customer service in the future. Service at Sun Life Trust has also been made more rapid and efficient with the replacement of its mortgage and deposit record-keeping systems. We have begun the process of replacing our worldwide accounting systems to facilitate the gathering and consolidation of data needed to provide more effective and timely management and financial information.

The Business Vision states that we are committed to fair dealing and integrity in all aspects of our business and to serving every community where we operate as a good corporate citizen.

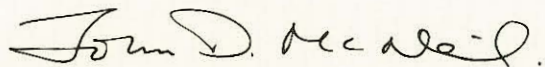
Sun Life recently renewed and updated its "Code of Business Conduct" and continues to provide instruction on ethical business behaviour to its employees.

In 1990, we continued our programs of community involvement through contributions of Company funds and volunteer effort on the part of our staff and agents. These contributions and this effort assist education, health and wellness, medical research, community social work, recreation and the arts. The Company's community relations activities in 1990 included sponsorship of many local and some national events. In Canada, we sponsored the Canadian national tennis championships, the Sun Life Nationals; an annual Canadian figure-skating event, Sun Life Skate Canada International; and a new Canadian opera, "Serinette," of which we were production sponsor. In the United

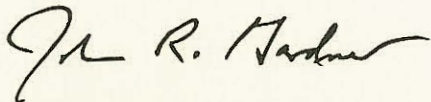
States, we gave significant support to a cancer research program at the Massachusetts General Hospital Cancer Center in Boston. In Britain, we sponsored the National Under 15 Cricket Championship in conjunction with the National Cricket Association.

On the international level, we made a substantial contribution to Outward Bound to fund its 50th anniversary commemorative volume, a photographic panorama of its worldwide activities.

As Sun Life becomes ever larger, more diversified and more decentralized, communicating the Company's values and aspirations becomes a complex and challenging task. In this regard, the Business Vision was well received by our worldwide staff and agency force. In the promotion of the Business Vision we adopted the slogan "To be a great international Company that excels in everything it does." By long tradition the men and women who work for Sun Life are highly professional and the call to excellence appears to have struck a responsive chord. On behalf of the directors and the policyholders, we thank all the employees and field representatives for the outstanding results they produced in 1990.



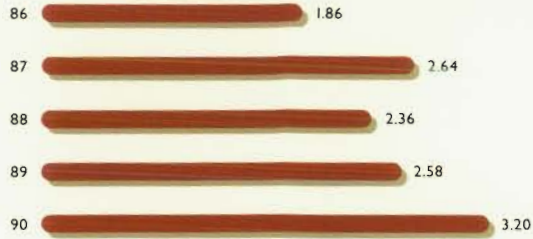
John D. McNeil
Chairman & Chief Executive Officer



John R. Gardner
President

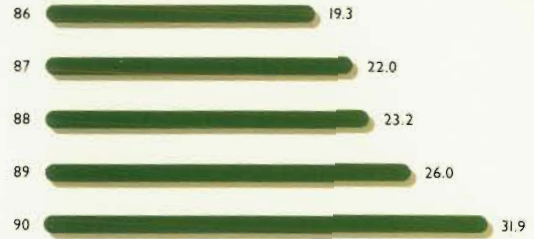
FIVE YEAR SUMMARY

	1990	1989	1988	1987	1986
(in thousands of Canadian dollars)	\$	\$	\$	\$	\$
Operating Results					
Premiums					
Life insurance	1,593,461	1,403,838	1,277,657	1,126,509	1,017,355
Health insurance	583,119	512,220	465,146	383,771	300,894
Annuities	2,070,742	1,460,113	1,158,506	1,322,100	1,086,380
	4,247,322	3,376,171	2,901,309	2,832,380	2,404,629
Investment income	2,314,759	1,938,712	1,696,343	1,544,183	1,419,554
Fee income	396,047	371,907	361,838	274,223	165,939
Total Revenue	6,958,128	5,686,790	4,959,490	4,650,786	3,990,122
Payment to policyholders and their beneficiaries	2,826,749	2,232,022	2,018,039	2,328,393	1,581,299
Increase in actuarial reserves	2,243,225	1,791,691	1,349,069	1,025,453	1,298,904
Commissions, operating expenses and taxes	1,284,326	1,072,251	1,003,220	834,562	646,711
	6,354,300	5,095,964	4,370,328	4,188,408	3,526,914
Operating Income	603,828	590,826	589,162	462,378	463,208
Policyholder dividends	378,871	351,868	341,593	308,575	278,824
Net Income	224,957	238,958	247,569	153,803	184,384
At December 31					
Assets	31,919,947	25,953,357	23,188,813	21,994,408	19,250,205
Total Surplus	2,739,806	2,495,275	2,317,132	2,167,459	1,970,957
Business Statistics					
New life insurance*	38,434,334	45,582,234	56,723,206	31,014,422	31,541,258
Life insurance in force*	254,969,016	223,158,091	202,393,371	174,663,995	144,192,115
Health insurance reserves	1,146,023	993,632	869,165	779,473	604,983
Annuity reserves	10,010,063	8,371,458	7,305,434	6,662,026	5,747,825
*Includes reinsurance assumed	8,099,965	15,101,814	27,044,271	7,061,532	9,082,411
*Includes reinsurance assumed	44,467,499	45,294,567	38,869,390	21,800,148	18,260,878



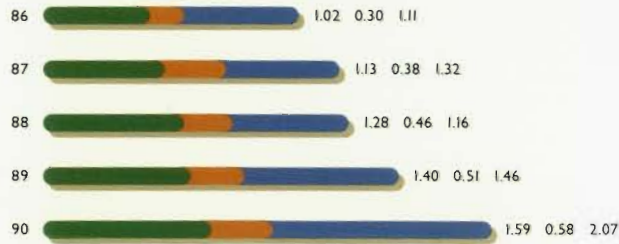
Payments to Policyholders and their Beneficiaries (includes dividend)

(figures are in billions of Canadian dollars)



Assets

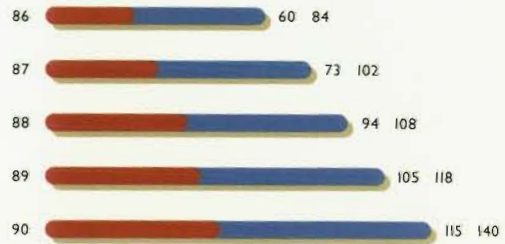
(figures are in billions of Canadian dollars)



Premiums

(figures are in billions of Canadian dollars)

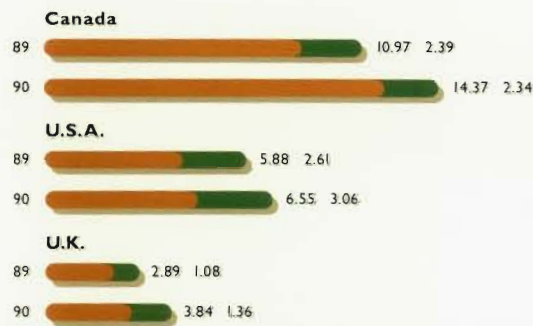
- Life
- Health
- Annuity



Life Insurance in Force

(figures are in billions of Canadian dollars)

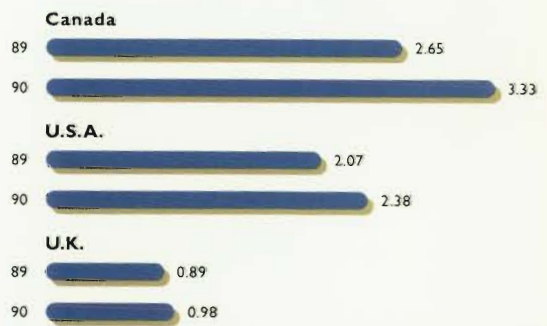
- Individual
- Group



Assets Segmented by Principal Territory

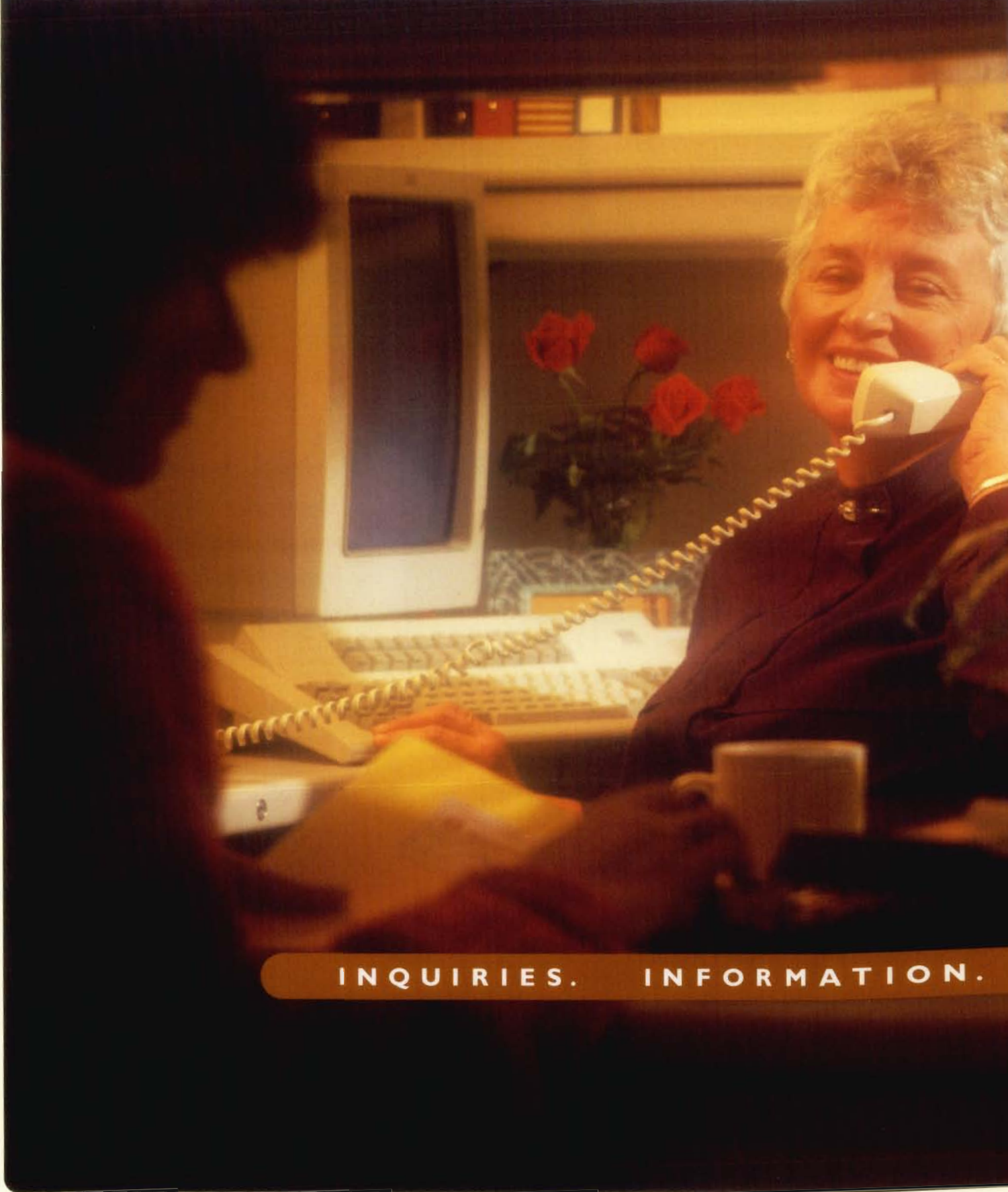
(figures are in billions of Canadian dollars)

- General Fund
- Segregated Funds

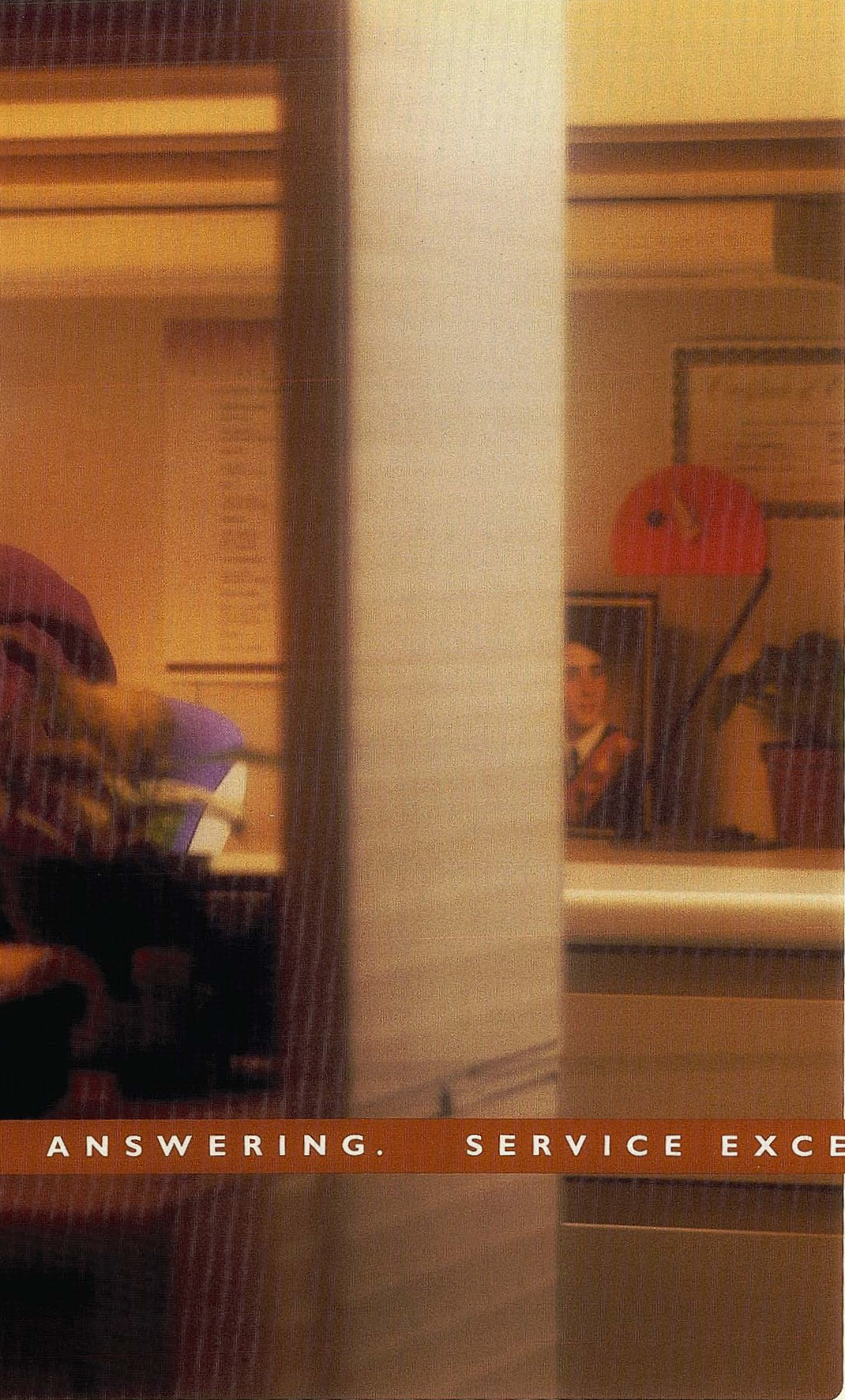


Total Revenue by Principal Territory

(figures are in billions of Canadian dollars)



INQUIRIES. INFORMATION.



ANSWERING. SERVICE EXCELLENCE.

Sun Life administrative people who handle queries from customers do their utmost to be helpful, friendly and efficient. All our national and regional offices have such people and Ruth Penney is one of them. Ruth says: "I enjoy my work. Even trying to satisfy an unhappy customer can be a very rewarding experience if you succeed. It makes the customer happy, the Company happy and me happy."

GROWTH OF BUSINESS: The Company's marketing efforts in 1990 were rewarded with excellent increases in new business. These new business results were complemented by strong growth in renewal premiums, attesting to the quality of our products and the needs-based selling practices of our representatives.

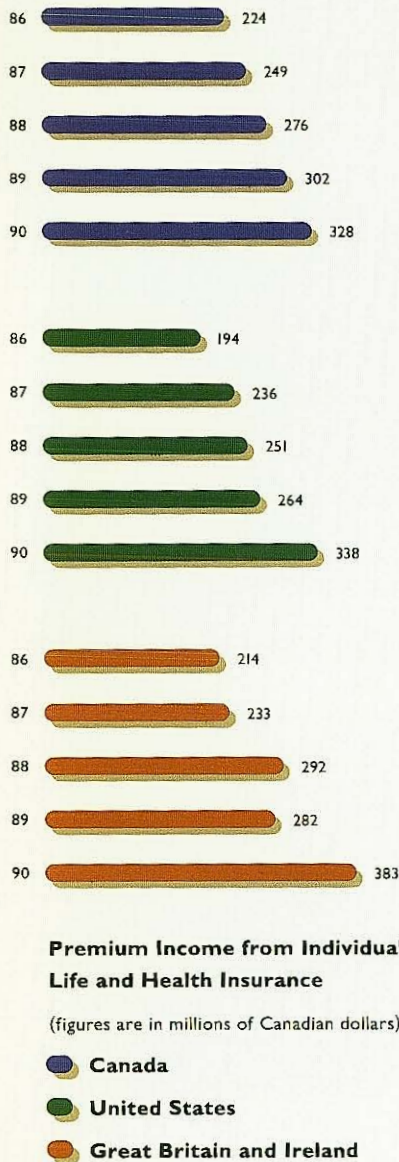
New individual life insurance sales were particularly strong in the United States and the Far East. Pension sales were well up in Canada, Britain and the United States. New group insurance sales were down in 1990 but group insurance in force increased significantly. We are the leading company in group life insurance in Canada and in 1990 we continued to hold second place in Britain. Life insurance sales continued to be strong in Bermuda, where we have a 20% market share, as well as in the Philippines, where we have a 15% market share.

REVENUE, EXPENDITURE AND INCOME: Total premium income was \$4,247 million, up 26%, and investment income was \$2,315 million, up 19%. Adding fee income of \$396 million, total revenues for the year amounted to \$6,958 million, an increase of 22%.

Payments to policyholders and beneficiaries were \$2,827 million, up 27%. Commissions on sales increased 40% to \$346 million. Operating expenses amounted to \$828 million, an increase of 13%, and taxes were up 18%, at \$110 million.

Operating income amounted to \$604 million, an increase of 2%. Policyholder dividends rose 8% to a record \$379 million and, as a result, net income was down 6%, at \$225 million.

The burden of taxes has become a serious concern for life insurance companies, particularly in Canada where the Federal Government levies both a tax on capital and an investment income tax on individual life insurance policies.



In light of the large increases in new business and the substantial decline in that part of investment income that flows from unrealized capital appreciation on common stocks and real estate, our earnings results were remarkably good. Their strength reflects the significant contribution from group life, group health, pensions and reinsurance lines of business, and careful control of general expenses.

A **SSETS:** The Company's total assets increased 23% in 1990 to reach a record \$31,920 million. Substantial new business growth, two acquisitions in the trust and loan business and favourable currency adjustments contributed significantly to this increase. Additional assets under management, which include the assets administered by investment and mutual fund management subsidiaries, amounted to \$26,734 million at year end, bringing total assets under management to \$58,654 million, up 8% from the total the year before.

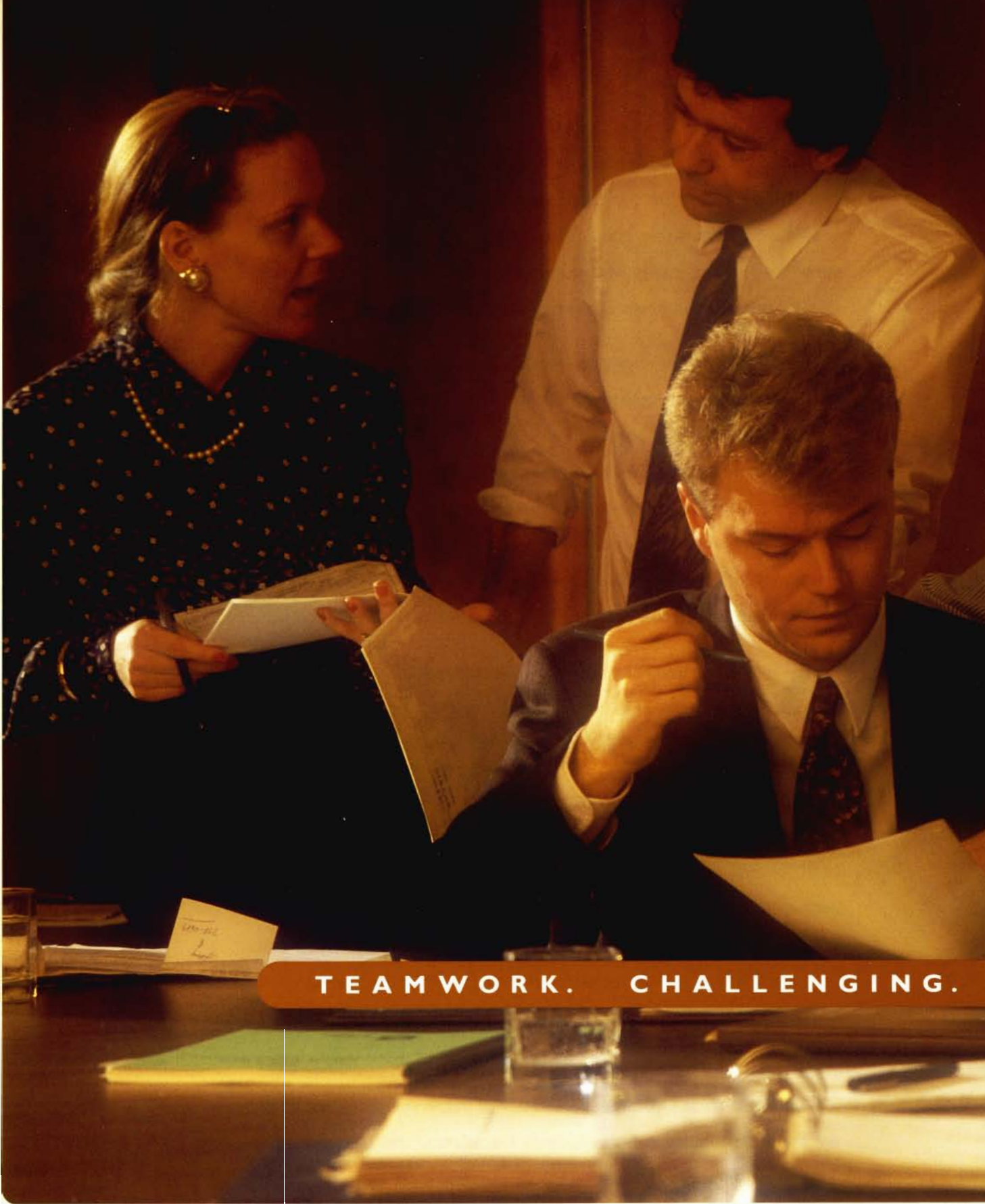
A **SSET QUALITY:** Our assets are invested in fixed income investments (government and corporate bonds, mortgages and preferred stock) and equity investments (common stocks and real estate).

With respect to fixed income investments, our bond acquisitions have been focused over the years on investment-grade issues. We did not participate in the so-called "junk bond" market which was a significant investment outlet for a number of our competitors. Amounts written off on account of bad debts were relatively modest, which speaks well of our lending skills and mortgage loan underwriting.

With respect to mortgages, the arrears ratios in our portfolios were also at low levels at December 31, 1990, well below the published levels for the life insurance industry in both Canada and the United States. The recession currently in progress in our major national territories will inevitably lead to higher arrears levels in 1991, but we expect our investment performance to continue to be a source of competitive strength for Sun Life.



RAYMONDE LAMOTHE, REGIONAL HEALTH AND DISABILITY CLAIMS DIRECTOR FOR TORONTO AND OTTAWA, HEADS A GROUP OF 131 DEDICATED PEOPLE WHOSE JOB IT IS TO ADMINISTER AND PAY DISABILITY INCOME, DENTAL AND MAJOR MEDICAL HEALTH CLAIMS. BESIDES THE DAY-TO-DAY HURLY-BURLY OF REORGANIZATION, RAYMONDE AND HER COLLEAGUES ARE ALWAYS ADDING LITTLE PERSONAL TOUCHES TO THE SERVICE THEY PROVIDE, SUCH AS STOPPING OFF ON THE WAY HOME AFTER WORK TO DELIVER A CHEQUE TO A DISABLED CLAIMANT, OR ACCOMPANYING A CLAIMANT TO THE DOCTOR. FLOWERS AND CARDS OF THANKS ARE NOT RARITIES IN SUN LIFE CLAIMS OFFICES.



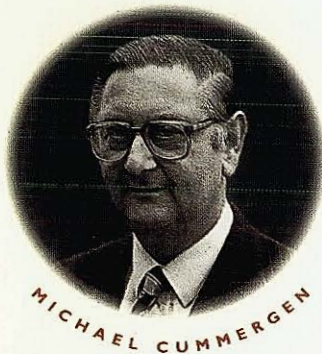
TEAMWORK. CHALLENGING.

SUN LIFE OF CANADA



BRAINSTORMING. SERVICE EXCELLENCE.

Sun Life has an enormous and successful pensions and annuity business worldwide. One of the main reasons why is Sun Life pensions people. They are trained to give painstaking care, skilled advice and first class service to customers. Here, Michelle Klim, Don Speer, John Nolan, David Wells and Evelyn Ross are gathered to brainstorm on what to do about recent legislative changes which will affect a client's pension plan.



SENIOR REPRESENTATIVE MICHAEL CUMMERGEN, OF HORSHAM, ENGLAND, GOT A TIP ON A POTENTIAL CLIENT WITH MONEY TO INVEST. HE CALLED UPON THE ELDERLY LADY, THINKING SHE MIGHT BE INTERESTED IN THE COMPANY'S NEW AND POPULAR MANAGED ASSETS FUND. THE LADY SEEMED VERY INTERESTED AND INDICATED SHE HAD £50 TO INVEST IN IT. BUT THE MINIMUM INVESTMENT FOR MAF IS £1,000. THAT SALE DASHED, MICHAEL DISCOVERED THE LADY HAD SELLING SKILLS OF HER OWN. ON HIS WAY OUT, SHE SAID TO HIM: "WOULD YOU MIND CUTTING MY GRASS? I'M UNABLE TO DO IT MYSELF." MICHAEL ROLLED UP HIS SLEEVES AND WENT TO IT. HE ARRIVED BACK AT THE OFFICE LATER WITHOUT AN APPLICATION BUT WITH THREE BAGS OF GRASS. ANOTHER EXAMPLE OF OUR REPRESENTATIVES PROVIDING A CARING SERVICE TO THE PUBLIC.

With respect to equity investments, stock markets in Canada, the United States and Britain were down at the end of the year. We are pleased to report, however, that the performance of our stock portfolios during the year exceeded the broad market indices in those countries. With respect to real estate, the aggregate market value of our portfolios at the end of 1990 significantly exceeded the book value at which they are carried on our balance sheet.

SURPLUS: Surplus, the difference between our assets and liabilities, increased 10% to \$2,740 million. The ratio of surplus to general account liabilities is a good measure of a life insurance company's financial strength. Our surplus ratio at year end was a very satisfactory 12%.

LEGISLATION: Sun Life welcomed the release in September, 1990, of the Canadian government's proposals for the comprehensive reform of legislation governing federally chartered financial institutions.

The main objectives of these proposals are to create a more competitive marketplace for financial products and services, to enhance protection for policyholders and depositors, and to strengthen the ability of Canadian financial institutions to compete at home and abroad.

While we applaud those objectives, we believe there is a still more important one, namely the need to safeguard the stability and solvency of the financial services industry in Canada. In particular we oppose the proposal that would allow banks to own insurance companies, as we believe that this would lead to a period of disruptive competition in our industry, and this would not serve consumers over the long term.

LIFE AND HEALTH INSURANCE: New premiums on worldwide sales of individual life insurance in 1990 were \$195 million, up 6%. Total individual life insurance in force increased 10% to \$115,443 million.

In the United States, new premiums for individual life insurance increased 45% to \$80 million. Individual insurance in force increased 26% to \$22,879 million. A particularly popular product in 1990 was Spectrum Survivor Life, a leader in the estate planning life insurance market.

New premiums for individual life insurance from our operations in the Philippines and Hong Kong amounted to \$17 million, an increase of 21%. Our life insurance in force in that region climbed 15% to \$2,568 million.

In Great Britain and Ireland, new premiums for individual life insurance rose 22% to \$41 million. Insurance in force increased 30% to \$15,453 million.

In Canada, new premiums for individual life insurance increased 2% — the same rate as for the industry generally. Total individual life insurance premiums in Canada were \$329 million, up 9%, and by this measure, our share of market increased in 1990.

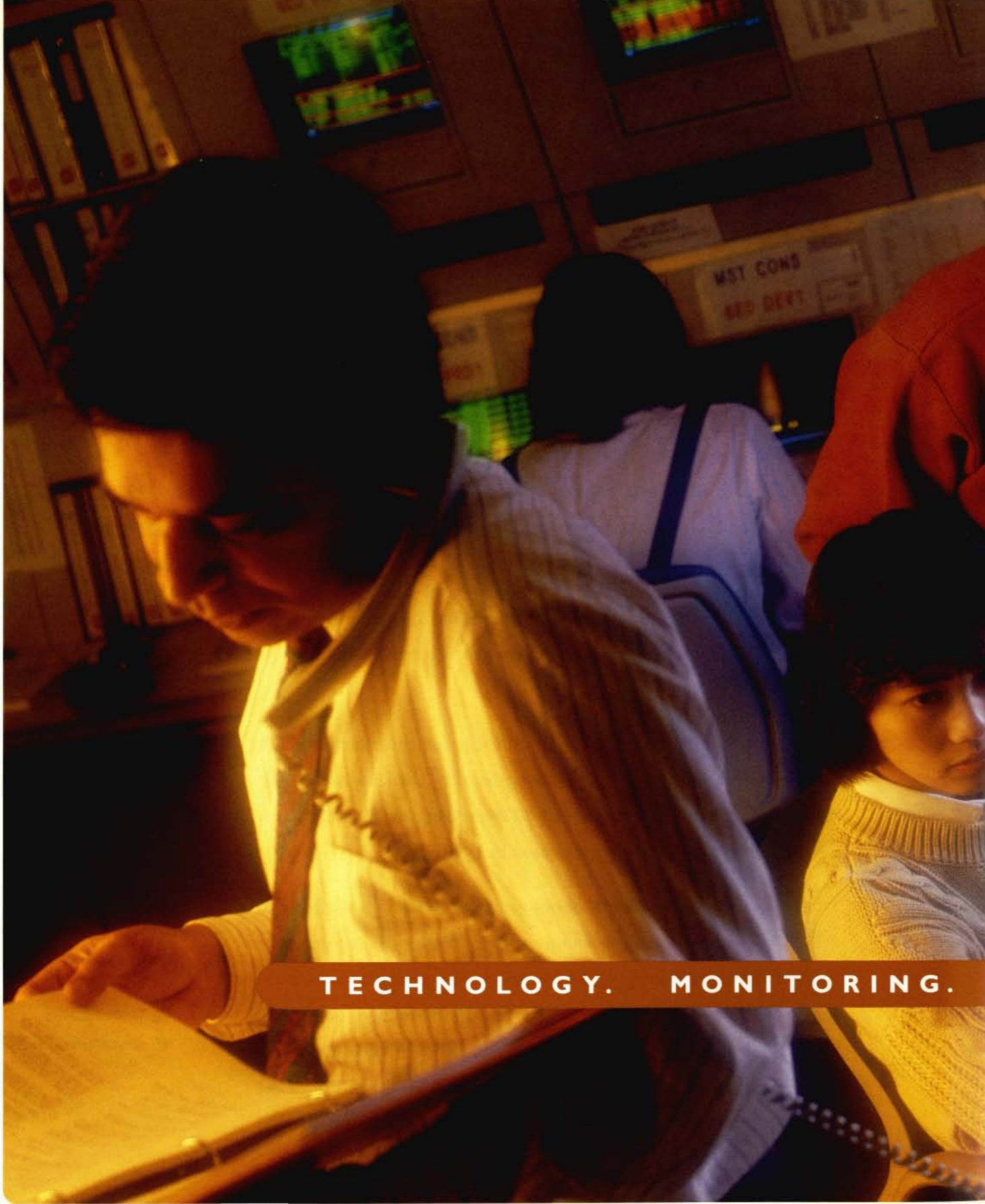
While there was strong growth in our group insurance in force in 1990, reflecting the growth of our business with existing clients, generally weak economies adversely affected group insurance sales in most territories. New group life insurance sales were \$15,100 million, down 16%. Group life insurance in force at year end was \$139,526 million, up 18%. New group health insurance sales were \$65 million, down 19%. Total group health insurance premiums in force reached \$567 million, up 15%.



Premium Income from Group Life and Health Insurance

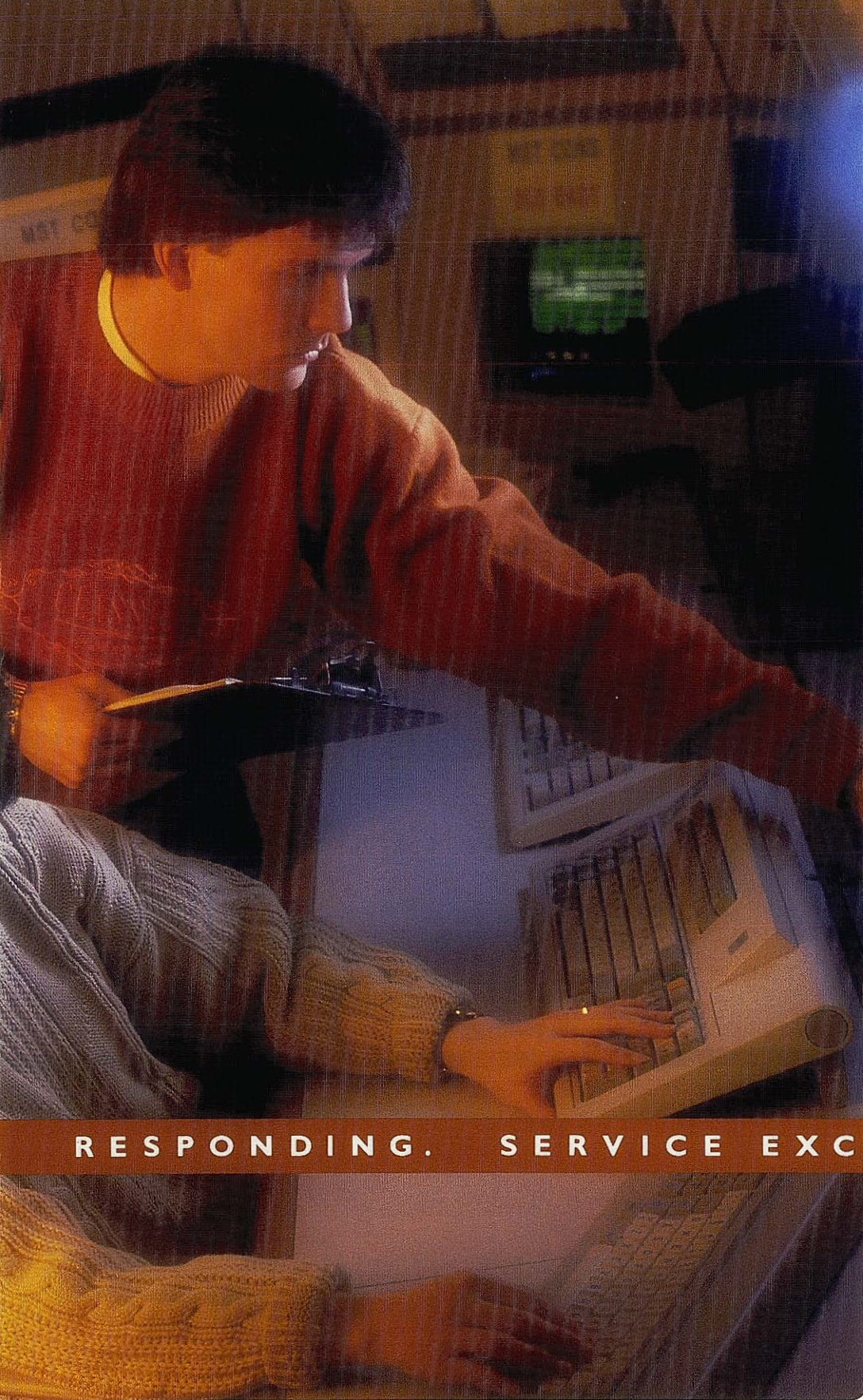
(figures are in millions of Canadian dollars)

- Canada
- United States
- Great Britain and Ireland



TECHNOLOGY. MONITORING.

S U N L I F E O F C A N A D A



RESPONDING. SERVICE EXCELLENCE.

If you asked where the real action at the Sun Life Computer Centre is, the answer would be: "Everywhere, all the time." The Command Centre is one of the busiest places of all, 24 hours a day, seven days a week, handling the management of Sun Life's International Voice and Data network, the running of daily production and online systems. The Centre receives an average of 160 queries a day. In action here are Nazir Kassam, Lana Sam and Ron Fletcher.

A particularly gratifying highlight of 1990 was the strong profitability of group insurance operations in Canada, the United States and Great Britain.

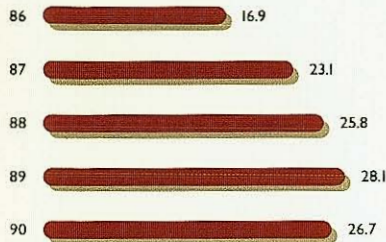
Reinsurance has become a very important and profitable business for Sun Life of Canada. Since commencing life reinsurance operations in 1982, the Company has built a substantial book of business, amounting to \$44,467 million of insurance in force at year end 1990, 2% below the figure at the end of 1989. The small decrease results from our placing more emphasis on sound pricing than on increasing market share, in an environment characterized by increasing competition.

PENSIONS, ANNUITIES AND SAVINGS PLANS: Sales of individual annuity business worldwide increased 3% in 1990 to reach \$485 million in annualized and single new premium income. Total pension premiums increased 153% to \$1,115 million.

Individual and group annuity growth was very strong in the United States. A major factor in this growth was the popularity of a new product, MFS Regatta, an industry first. MFS Regatta is a single premium annuity that combines a market value-adjusted fixed account with a family of variable accounts.

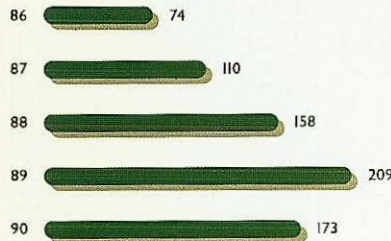
In Canada, new sales of pension business more than doubled. Imaginative new products and excellent sales work account for the extent of this growth. New sales of individual annuity business also grew sharply due partly to very good marketplace acceptance of our new Registered Retirement Income Fund plan.

SUBSIDIARIES — MUTUAL FUNDS: Massachusetts Financial Services, our very successful United States mutual fund management subsidiary, continued to perform well in 1990. MFS is one of the largest mutual fund organizations in the world, managing assets at year end of \$25,737 million. This total was down 7% from the



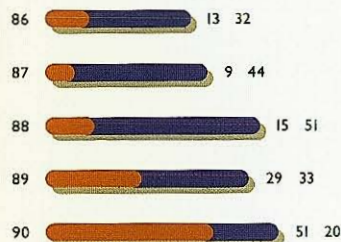
Managed and Mutual Fund Assets

(figures are in billions of Canadian dollars)





Premium Income from Reinsurance

(figures are in millions of Canadian dollars)



Premium Income from Pensions for Great Britain and Ireland

(figures are in millions of Canadian dollars)

-  Individual
-  Group

year before due mainly to lower price levels in the securities markets. MFS is represented coast to coast in the United States by 35,000 brokers.

A highlight of the year was the launching of MFS Worldwide Total Return Trust, the mutual fund industry's first global balanced fund.

Our mutual fund management subsidiary in Canada, Spectrum Mutual Funds, had sales of \$161 million in 1990. Formed only four years ago, Spectrum had assets under management at year end of \$562 million.

During the year, the acquisition of the well-known Montreal-based mutual funds management company, Calvin Bullock, had a significant impact on Spectrum's asset growth. Calvin Bullock, with seven mutual funds having combined assets of \$100 million, is Canada's oldest mutual funds management company. One of its funds, Bullock American, was the top-performing United States dollar equity fund in Canada in 1990.

The Spectrum/Calvin Bullock funds are marketed through dually-licensed Sun Life career agents, stockbrokers and mutual fund dealers.

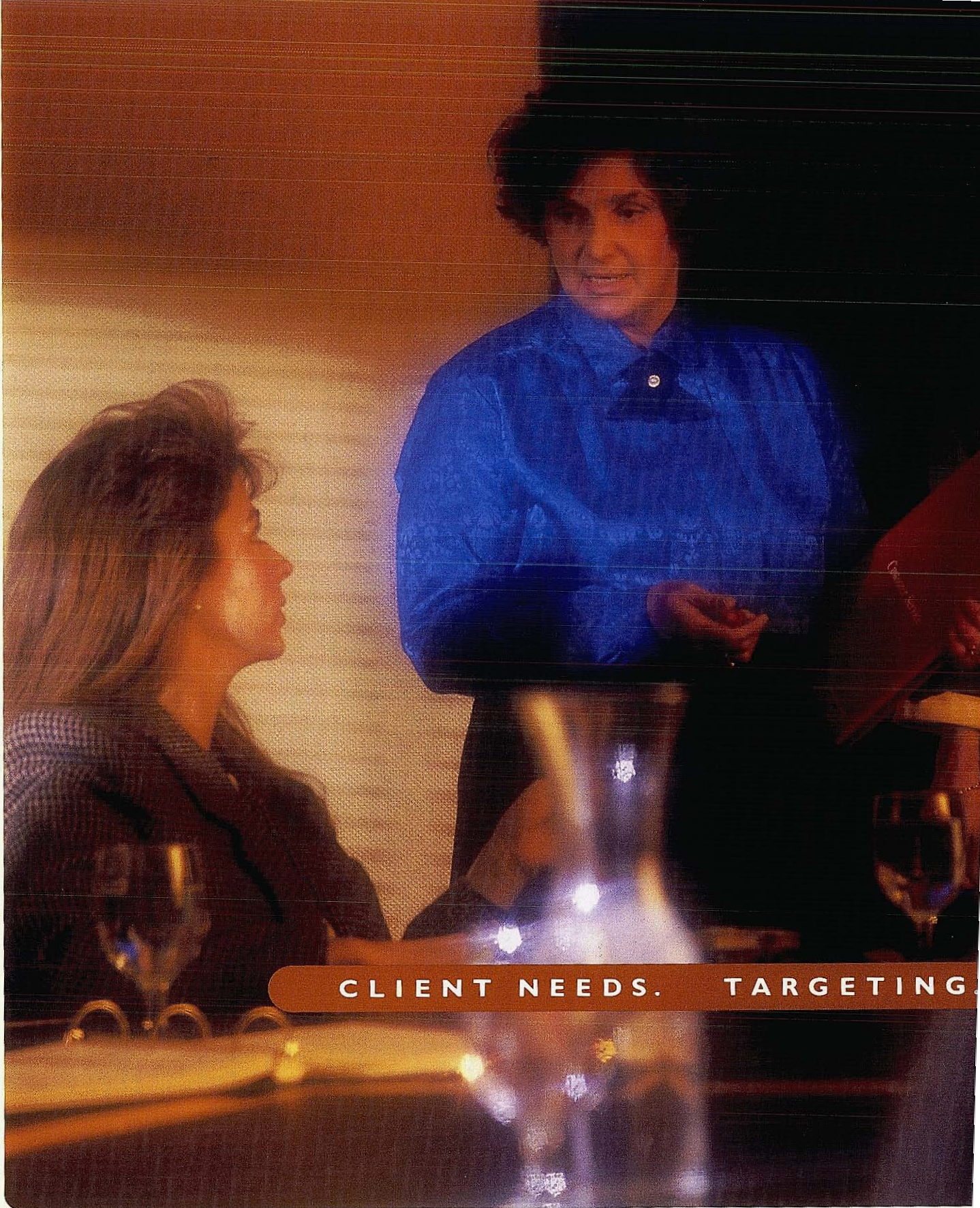
In Britain, Sun Life of Canada Unit Managers, SLOCUM, launched its fifth fund in June — the Managed Assets Fund — in a very competitive market for single premiums and against a background of particularly difficult trading conditions for the unit trust industry. Our clients clearly favour the idea of managed funds, which leaves the choice of asset mix to the investment expertise of our professional fund managers. At year end, SLOCUM held total funds invested of \$63 million, an increase of 22%.

TRUST SERVICES: The Company commenced trust operations in Canada in 1989 through the acquisition of an established company which we renamed Sun Life Trust. In 1990, two other companies, Counsel Trust of Toronto and Pacific Savings and Mortgage Corporation of Vancouver, were acquired. Upon amalgamation on January 1, 1991, Sun Life Trust became Canada's eighth-largest trust company,



TOM FOLEY

TOM FOLEY, A BROKERAGE UNDERWRITING CONSULTANT AT OUR U.S. HEADQUARTERS, IS PART OF A TEAM THAT MAY HAVE HELPED SAVE THE LIFE OF A POTENTIAL SUN LIFE POLICYHOLDER. ON REVIEWING MEDICAL INFORMATION THE COMPANY HAD REQUESTED ON THE APPLICANT, TOM AND THE MEDICAL STAFF NOTICED SERIOUS ABNORMALITIES IN THE EKG. THE APPLICANT HAD NO IDEA HE HAD A HEART PROBLEM AND ALL PREVIOUS EKG'S HAD BEEN NORMAL. HE WAS SURPRISED TO BE TOLD HE SHOULD SEE HIS DOCTOR BUT HE DID SO AT ONCE. SHORTLY THEREAFTER, HE WAS ADMITTED TO HOSPITAL AND UNDERWENT TRIPLE BY-PASS SURGERY WHICH MAY HAVE PREVENTED A SERIOUS HEART ATTACK.



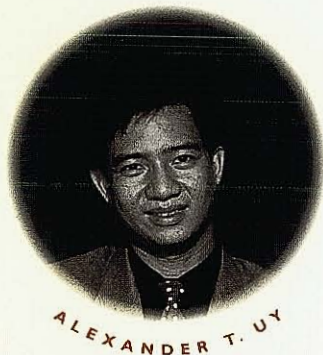
CLIENT NEEDS. TARGETING.



DISCUSSING. SERVICE EXCELLENCE.

Sun Life's U.S. customer service representatives handle hundreds of telephone calls from policyholders each day, and they are always looking for ways to do a better job. Here, members of the customer service team Lynn DeSesa, Susan Bertone, James Prigmore and Susanne Shearer discuss strategies with manager Laura Gillespie-Lee (standing left) that will allow them to meet the needs of policyholders more quickly.

with assets of \$3,355 million, serving 100,000 customers through a network of agents and 17 branch offices coast to coast. Sun Life agents are important distributors of Sun Life Trust products, accounting for 15% of 1990 deposit growth.



THE COMPANY'S BUSINESS VISION FOR THE 1990s EMPHASIZES THE IMPORTANCE OF PROVIDING CUSTOMERS WITH SENSITIVE, TIMELY SERVICE. PHILIPPINES AGENT ALEXANDER T. UY EXEMPLIFIES GOOD SERVICE, PAYING PROMPT ATTENTION TO CLIENTS' REQUESTS, WHETHER PREMIUM COLLECTION, POLICY CHANGES, POLICY LOANS OR GENERAL INQUIRIES. "THE CLIENT ALWAYS COMES FIRST," SAYS ALEX. "SERVICE EXCELLENCE IS NO CATCH PHRASE OR SLOGAN BUT LIVING IT IN DEEDS."

During the year Sun Life Trust introduced a creative mortgage referral program in association with Century 21 Real Estate Canada, called "Homeowner Express." This program enables a client of Century 21, who is purchasing a house, to obtain prompt referral to Sun Life Trust of a request for mortgage financing. Century 21 Real Estate Canada is 30% owned by the Sun Life group of companies.

O **TH**ER **S**UBSIDIARIES: Sun Life of Canada Investment Management Limited, Sun Life of Canada Home Loans Limited, and The New London Trust Company all performed profitably in 1990 under difficult economic conditions. As is well-known, a number of New England banks had very bad loan loss results in 1990. We were therefore particularly pleased that the delinquency and bad debt write-offs in the loan portfolio of New London Trust, while deteriorating somewhat, were kept well within acceptable bounds.

Our disability insurance company in the United States, Massachusetts Casualty Insurance Company, had a disappointing year. Adverse claims experience during the year, and the need to strengthen reserves, contributed to an overall loss by the company of \$15 million. The primary objective for 1991 is a return to profitable operations.

B **O**ARD **O**F **D**IRECTORS: At the Annual General Meeting in May, 1990, Bertin F. Nadeau, a prominent Montreal businessman and community leader, was elected to the Company's Board of Directors. Mr. Nadeau is Chairman of the Board, President and Chief Executive Officer of Unigesco Inc., a large Montreal-based

food conglomerate which operates the well-known Provigo grocery chain in Quebec. Mr. Nadeau brings valuable knowledge, skill and experience to our Board.

MANAGEMENT: There have been several changes at the principal officer level of the Company and in the leadership of our major subsidiaries.

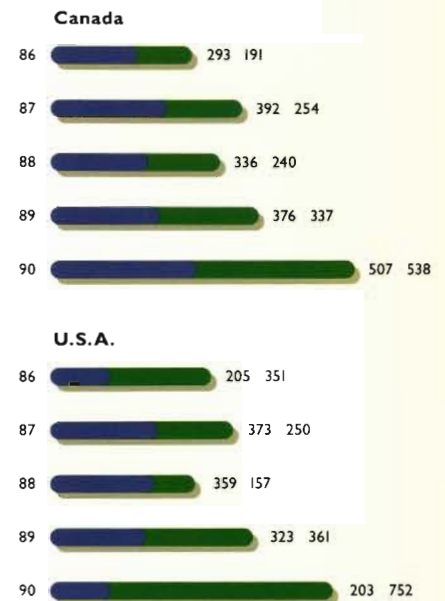
In the Corporate Office, Paul D. J. Cozzi was appointed Vice-President and Associate General Counsel. C. Joseph Dahl was appointed Vice-President, Underwriting.

In the Canadian Organization, C. Lee F. Watchorn was appointed Vice-President and Associate General Manager for Canada.

In the United States Organization, Gerald A. Jeutter, Vice-President and Assistant General Manager, retired under the Company's pension arrangement after 24 years of service. Mr. Jeutter was in charge of the Company's United States individual sales operations. To succeed him, the Company has appointed Caesar (Sy) Raboy, who has had extensive marketing and senior management experience in the life insurance and financial services industry. Robert A. Bonner was appointed Vice-President, Pensions.

Allen C. Marple was appointed President of Spectrum Mutual Funds, located in Toronto. John M. Quinlan was appointed President of Massachusetts Casualty Insurance Company, located in Boston.

SUN LIFE PEOPLE: Our 10,000 strong staff and agency force are to be congratulated for their outstanding work during 1990. The excellent results are a tribute to the skills and dedication they bring to their work. We are proud of our people and thank them for their achievements.



Premium Income from Pensions

(figures are in millions of Canadian dollars)

- Individual
- Group



EXPERIENCE. LEARNING.

SUN LIFE OF CANADA



SUPPORTING. SERVICE EXCELLENCE.

The Company acts as a good corporate citizen in every community and country in which it has operations. Sun Life's Michael Sollom is one of those involved. Through a unique project funded by Sun Life, the children at Fairfield's School learn valuable skills from retired people in the community. Here, Florence Moorby teaches Alex, Rachel, Stephanie and Lewis her skills in sewing.

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. The wholly-owned subsidiaries shown here provide a full range of other financial services.

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 Incorporated: 1913
Chairman Acquired: 1989
Rein W. Crecelius
President

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 Incorporated: 1973
Chairman Acquired: 1989
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 Incorporated: 1975
Chairman
Donald T. Walcot
President

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

John S. Lane Incorporated: 1976
Chairman
William R. Pearo
President

Spectrum Mutual Fund Services Inc. manages and markets the Spectrum Mutual Funds.

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

Sun Life Distribution Services Inc. (Sunetco) distributes the Spectrum Mutual Funds through dually-licensed Sun Life/Sunetco representatives.

John S. Lane Incorporated: 1987
Chairman
C.L.F. (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 Incorporated: 1969
Chairman
Richard W.S. Baker
Managing Director

Sun Life of Canada Unit Managers Limited (Slocum) manages authorized unit trusts.

Richard W.S. Baker Incorporated: 1986
Chairman

Sun Life of Canada Home Loans Company Limited conducts residential mortgage lending business in Britain.

Richard W.S. Baker Incorporated: 1988
Chairman

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
President

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
President Acquired: 1986

Massachusetts Casualty Insurance Company is an insurance company specializing in disability income insurance sold through general agency and distributor systems.

John M. Quinlan 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 Acquired: 1982
A. Keith Brodtkin
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

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

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

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

J. Peter Gordon, O.C.
Company Director
Mississauga, Ontario

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

J. William E. Mingo, Q.C.
Partner,
Stewart McKelvey Stirling Scales
Halifax, Nova Scotia

Bertin F. Nadeau
Chairman of the Board,
President and Chief Executive Officer,
Unigesco Inc.
Montreal, Quebec

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

Alfred Powis, O.C.
Chairman,
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 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
Mississauga, 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.
Saint Laurent, 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

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
- **Donald A. Stewart**
F.I.A., F.C.I.A.
Senior Vice-President,
Information Systems
- **Terrence L. Bedard, C.F.A.**
Vice-President,
Investments

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
- **Edward P. Brndiar**
Vice-President,
Information Services
- **Paul Cozzi**
Vice-President and
Associate General Counsel
- **C. Joe Dahl**
Vice-President,
Underwriting
- **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.**
Vice-President and
General Manager,
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
- **C.L.E. (Lee) Watchorn**
F.S.A., F.C.I.A.
Vice-President and
Associate General
Manager
- **William R. Pearo**
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,
Individual Systems and
Client Services
- **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,
Agency
- **Robert G. Meek**
Vice-President,
Client Service
- **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
- **H. Roy Bentley, F.L.M.I.**
Vice-President and
Controller
- **Robert A. Bonner**
Vice-President,
Pensions
- **Robert E. McGinness**
Vice-President and
Counsel
- **A.R. (Tim) McMurrich**
F.S.A.
Vice-President,
Internal Services
- **James A. McNulty III**
Vice-President,
Group Insurance
- **Caesar (Sy) Raboy**
Vice-President,
Individual Insurance
- **Ronald Standring**
Vice-President,
Information Systems
- **David B. Wray**
Vice-President,
Investments

- Members of the Senior Advisory Council

CONSOLIDATED BALANCE SHEET

December 31	1990	1989
(in thousands of Canadian dollars)	\$	\$
Assets		
General Funds		
Bonds	8,274,733	7,219,162
Mortgages	8,844,804	6,235,836
Stocks	2,564,470	2,134,195
Real estate	1,791,277	1,596,393
Policy loans	707,391	650,902
Cash and short-term securities	1,389,246	685,426
Other invested assets	317,552	150,553
Investment income due and accrued	372,444	291,145
Outstanding premiums	101,624	103,855
Deferred acquisition costs	145,257	167,795
Other assets	656,820	632,654
Total general funds assets	25,165,618	19,867,916
Segregated Funds		
Net assets	6,754,329	6,085,441
	31,919,947	25,953,357
Liabilities and Surplus		
General Funds		
Actuarial liabilities:		
Reserves for unmaturing obligations	16,100,894	13,596,316
Provision for dividends	396,571	354,901
Provision for experience refunds	26,564	27,860
Provision for unreported claims	111,672	95,505
Reserve for Company employee and retiree uninsured benefits	103,650	99,266
	16,739,351	14,173,848
Amounts on deposit	4,247,796	1,734,175
Policy benefits in process of payment	114,991	101,365
Accrued expenses and taxes	134,575	140,333
Deferred net realized gains	710,913	793,886
Encumbrances on real estate	15,196	21,228
Bank indebtedness	374,620	66,600
Other liabilities	492,202	350,923
Total general funds liabilities	22,829,644	17,382,358
Segregated Funds		
Segregated funds contract liabilities	6,350,497	6,075,724
Surplus	2,739,806	2,495,275
	31,919,947	25,953,357

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31	1990	1989
(in thousands of Canadian dollars)	\$	\$
Revenue		
Premiums		
Life insurance	1,593,461	1,403,838
Health insurance	583,119	512,220
Annuities	2,070,742	1,460,113
	4,247,322	3,376,171
Investment income	2,314,759	1,938,712
Fee income	396,047	371,907
	6,958,128	5,686,790
Expenditure		
Payments to policyholders and their beneficiaries:		
Death and disability benefits	541,109	496,133
Maturities and surrenders	1,077,090	770,900
Annuity payments	431,570	399,885
Interest on claims and deposits	305,320	133,306
Experience rating refunds	47,342	41,436
Health benefits	424,318	390,362
	2,826,749	2,232,022
Increase in actuarial reserves	2,243,225	1,791,691
Commissions	346,239	246,859
Operating expenses	828,056	732,270
Taxes	110,031	93,122
	6,354,300	5,095,964
Operating Income	603,828	590,826
Policyholder dividends	378,871	351,868
Net Income	224,957	238,958

CONSOLIDATED STATEMENT OF SURPLUS

Year ended December 31	Mandatory Surplus Appropriations	Voluntary Surplus Appropriations	Unappropriated Surplus	Currency Translation Account	Surplus
(in thousands of Canadian dollars)	\$	\$	\$	\$	\$
1990					
Balance, January 1	510,215	219,785	1,780,123	(14,848)	2,495,275
Net Income	-	-	224,957	-	224,957
Surplus appropriations	42,091	10,215	(52,306)	-	-
Effect of changes in currency rates	-	-	-	19,574	19,574
Balance, December 31	552,306	230,000	1,952,774	4,726	2,739,806
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

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended December 31	1990	1989
(in thousands of Canadian dollars)	\$	\$
Operating Activities		
Receipts		
Insurance and annuity premiums	4,252,075	3,349,652
Net investment income	2,078,837	1,643,319
Fee income	396,182	371,254
Net change in amounts on deposit	383,923	56,041
	<u>7,111,017</u>	<u>5,420,266</u>
Applications		
Policyholder benefits	2,507,187	2,094,144
Policyholder dividends	368,136	318,987
Operating expenses, commissions, and taxes	1,262,466	1,033,926
Net change in long-term investments	2,393,644	1,871,047
Net change in policy loans	36,382	26,004
Net change in miscellaneous assets	(37,851)	67,511
	<u>6,529,964</u>	<u>5,411,619</u>
Net cash from operating activities	<u>581,053</u>	<u>8,647</u>
Financing Activities		
Increase (decrease) in borrowed money	283,820	(5,920)
Investment Activities		
Acquisition of subsidiary companies	(178,167)	(35,799)
Summary		
Cash and short-term securities on January 1	685,426	757,183
Net cash from operations	581,053	8,647
Net cash from financing activities	283,820	(5,920)
Cash applied in investment activities	(178,167)	(35,799)
Changes due to exchange rate fluctuations	17,114	(38,685)
Cash and short-term securities on December 31	<u>1,389,246</u>	<u>685,426</u>

SEGREGATED FUNDS CONSOLIDATED BALANCE SHEET

December 31	1990	1989
(in thousands of Canadian dollars)	\$	\$
Assets		
Bonds	1,599,764	1,377,050
Mortgages	448,782	378,779
Stocks	3,005,767	2,833,339
Real estate	514,153	529,931
Short-term securities	1,136,780	916,972
Cash	23,316	25,693
Investment income due and accrued	57,297	49,933
Other assets	62,990	38,921
Total assets	6,848,849	6,150,618
Liabilities		
Accrued expenses and taxes	629	1,482
Other liabilities	93,891	63,695
	94,520	65,177
Net Assets	6,754,329	6,085,441
Applicable to Segregated Funds policyholders	6,350,497	6,075,724
Applicable to General Funds policyholders	403,832	9,717
	6,754,329	6,085,441

SEGREGATED FUNDS CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31	1990	1989
(in thousands of Canadian dollars)	\$	\$
Net Assets, January 1	6,085,441	5,658,205
Additions		
Deposits:		
Life insurance	109,086	113,244
Annuities	1,183,127	587,591
Investment income	398,898	520,490
Net market value gain (loss) on investments	(373,471)	465,380
Transfers from General Funds	383,430	4,212
Currency adjustment due to changes in exchange rates	183,718	(228,168)
	7,970,229	7,120,954
Deductions		
Payments to policyholders and their beneficiaries:		
Death and disability benefits	23,651	25,856
Maturities and withdrawals	1,053,403	865,548
Annuity payments	54,131	55,169
Transfers to General Funds	23,598	-
Management fees	69,357	63,946
Other expenses	1,618	1,194
Taxes	(9,858)	23,800
Net Assets, December 31	6,754,329	6,085,441

(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 which is 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 and mortgages are valued at amortized cost. 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 and mortgages are valued at amortized cost 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. Market values are established for each property on the basis of 95% of appraised values. The appraisals are conducted by qualified appraisers. Appraisals are obtained annually for larger properties and at least once every three years for other properties. The Company monitors the current values of properties appraised in previous years and ensures that, in aggregate, the market values used are not in excess of current values.

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 Consolidated Statement of Operations, other than income earned by the Company from fund management fees and on capital invested in the funds.

Deferred Acquisition Costs

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

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 Consolidated Statement of Surplus.

Income Taxes

The Company follows the taxes payable method.

Goodwill

Goodwill is being amortized over periods varying up to 20 years.

Pension Costs

Pension and other retiree benefit costs are recognized in the Consolidated 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.

(Amounts in thousands of Canadian dollars)

2. Market Value of Invested Assets

	1990 Carrying Value	1990 Market Value	1989 Carrying Value	1989 Market Value
	\$	\$	\$	\$
Bonds	8,274,733	8,363,494	7,219,162	7,371,575
Mortgages	8,844,804	8,824,631	6,235,836	6,275,451
Stocks	2,564,470	2,712,362	2,134,195	2,626,440
Real estate	1,791,277	2,284,206	1,596,393	2,111,404
Cash and short-term securities	1,389,246	1,388,223	685,426	686,199
Other invested assets	317,552	317,353	150,553	145,391
	23,182,082	23,890,269	18,021,565	19,216,460

3. Goodwill

Included in Other Assets is Goodwill of \$121,076 (\$67,855 in 1989). Goodwill amortized and charged to income during the year amounted to \$6,111 (\$4,203 in 1989).

4. 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:

	1990	1989
	\$	\$
Reserves for unmatured obligations		
Individual life insurance	4,567,484	3,874,645
Group life insurance	377,324	356,581
Individual annuities	4,640,205	4,173,374
Group annuities	5,369,858	4,198,084
Health insurance	1,146,023	993,632
	16,100,894	13,596,316
Mandatory appropriations of surplus		
Canadian statutory investment valuation reserve	173,278	145,738
Canadian statutory valuation reserve for non-admitted assets	178,726	168,233
Canadian statutory deficiency or solvency requirements	109,415	111,081
Foreign statutory deficiency or solvency requirements	90,887	85,163
	552,306	510,215

(Amounts in thousands of Canadian dollars)

5. Bank Indebtedness

The Company has a revolving credit facility, denominated in sterling, for the equivalent of \$440,000. Interest is payable at a floating rate, slightly in excess

of the London Inter Bank Offered Rate (LIBOR). The facility has a term extending to 1995.

6. Investment Income

Investment income has the following components:

December 31	1990	1989
	\$	\$
Interest income	1,954,195	1,483,048
Dividend income	123,648	104,336
Real estate income (net)	140,874	124,215
Amortization of deferred realized gains and losses	114,519	126,273
Amortization of unrealized gains and losses	78,309	144,982
Other items (net)	(14,308)	(2,707)
	2,397,237	1,980,147
Investment expenses and taxes	(42,638)	(35,969)
Interest on bank indebtedness	(39,840)	(5,466)
	2,314,759	1,938,712

7. Deferred Acquisition Costs

Deferred acquisition costs amortized and charged to income during the year amounted to \$48,311 (\$40,005 in 1989).

8. Company Pension Plans and Other Retiree Benefits

The status of the Company's obligations under its defined benefit pension plans and other retiree benefit plans at December 31 is as follows:

	1990	1989
	\$	\$
Obligations for defined benefit plans	414,668	383,724
Obligations for other retiree benefits	269,787	255,784
	684,455	639,508
Assets funding these obligations	803,981	746,643
Excess of assets	119,526	107,135

The Company provides pensions and other retiree benefits for substantially all of its employees and career agents. 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.

(Amounts in thousands of Canadian dollars)

9. Taxes

In the Consolidated Statement of Operations, the provision for taxes of \$110,031 (\$93,122 in 1989) in respect of the Company's worldwide operations includes income taxes of \$70,821 (\$54,503 in 1989)

and other taxes, primarily premium taxes, of \$39,210 (\$38,619 in 1989).

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

	1990	1989
Combined Canadian federal and provincial income tax rate	42.2%	42.1%
Increase (decrease) in rate resulting from:		
Higher (lower) effective rates on income subject to taxation in foreign jurisdictions	1.1%	(15.5%)
Tax-exempt income from Canadian securities and non-taxable portion of capital gains	(15.0%)	(11.5%)
Higher (lower) taxable income than accounting income due to timing differences	(12.5%)	7.0%
Capital taxes	9.6%	0.9%
Utilization of loss carryforward benefits	-	(5.3%)
Other	(1.5%)	0.9%
Company's effective worldwide income tax rate	23.9%	18.6%

10. 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:

	\$
1991	45,586
1992	39,140
1993	39,469
1994	35,971
1995	31,296
thereafter	307,109
	498,571

11. Acquisitions

During the year the Company acquired all of the outstanding shares of Counsel Trust Company and all of the outstanding shares and subordinated debentures of Calvin Bullock, Ltd. Subsequent to its acquisition,

Counsel Trust acquired all of the outstanding shares of the Pacific Savings and Mortgage Corporation. These transactions are summarized below:

	Counsel Trust	Pacific Savings	Calvin Bullock
Date of acquisition	June 30, 1990	August 29, 1990	September 7, 1990
Cost	\$ 165,964	\$ 8,480	\$3,723
Value of assets	\$1,913,769	\$88,365	\$1,845
Value of liabilities	\$1,801,076	\$83,312	\$ 730
Goodwill	\$ 53,271	\$ 3,427	\$2,608

Pacific Savings changed its name to Sun Life Savings and Mortgage Corporation with effect from November 26, 1990.

Counsel Trust was amalgamated with Sun Life Trust Company on January 1, 1991.

12. Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation adopted in 1990.

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, 1990 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;
- (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; and

(iii) the methods used do not differ materially from those used in the prior valuation.

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, 1991



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

AUDITORS' REPORT

The Participating Policyholders,
Sun Life Assurance Company of Canada.

We have audited 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, 1990 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. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have relied on the certificate of the Company's Valuation Actuary as to the valuation of the Actuarial liabilities.

In our opinion, based upon our audit including our reliance on the certificate of the Company's Valuation Actuary, these financial statements present fairly, in all material respects, the financial position of the Company and its Segregated Funds as at December 31, 1990 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.

Toronto, February 7, 1991



Deloitte & Touche
Chartered Accountants

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