



Sun Life Assurance Company of Canada

1991

— ■ —
121st
Annual
Report



Company Highlights of 1991

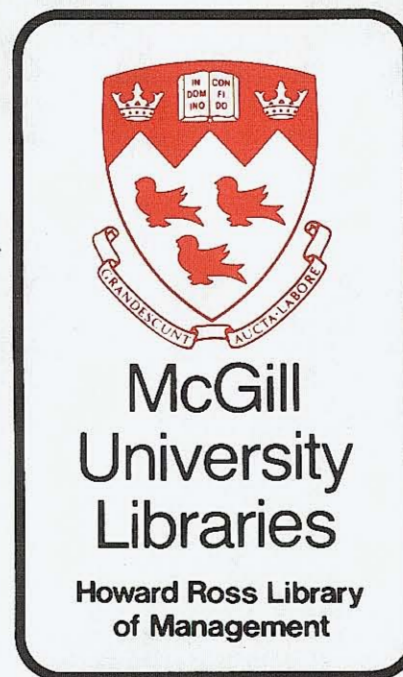
<i>Year-ended December 31</i> <i>(in millions of Canadian dollars)</i>	1991 \$	1990 \$	Change %
Assets			
Total Assets under Management	66,970	59,026	13%
Total Company Assets	35,846	31,909	12%
Mutual Fund and other Assets under Management	31,124	27,117	15%
Surplus	2,967	2,740	8%
Business Statistics			
Life Insurance in Force*	286,932	254,969	13%
Funds held for Annuities in Force	11,770	10,010	18%
Segregated Fund Deposits	1,470	1,292	14%
Operating Results			
Premiums			
Life Insurance	1,833	1,593	15%
Health Insurance	636	583	9%
Annuities	2,355	2,071	14%
Investment Income	2,697	2,355	15%
Fee Income	405	401	1%
Total Revenue	7,926	7,003	13%
Payments to Policyholders, Beneficiaries and Depositors	3,334	2,827	18%
Operating Income before Dividends	652	604	8%
Policyholder Dividends	428	379	13%
Net Income	224	225	0%

*Includes reinsurance assumed

Contents

Corporate Profile	1
Letter from the Executive Officers	2
Five Year Summary	8
Company Growth and Size	9
Sun Life's Business Review	10
Sun Life and its Subsidiary Companies	28
Board of Directors	30
Management	32
Consolidated Financial Statements	33

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Sun Life Assurance Company of Canada and its subsidiary companies provide a broad range of financial products and services to meet the protection, asset accumulation and advice needs of the individuals and groups who are its clients.

These products and services include: life, health and disability insurance; annuities and pensions; mutual funds and savings plans; trust and investment management services.

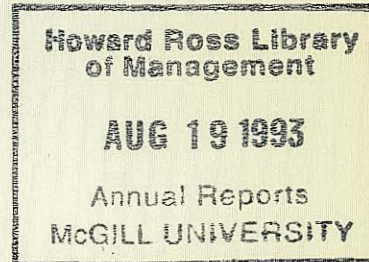
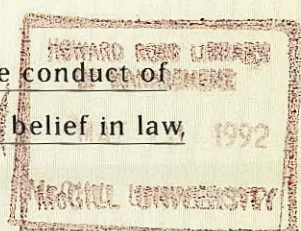
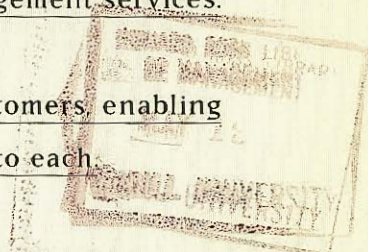
Our method of distribution is by direct, personalized dealing with customers, enabling the Company to provide financial counsel and products appropriate to each.

Sun Life of Canada is a mutual company which commenced business in 1871. Today it operates throughout Canada, the United States, Great Britain, Ireland, the Philippines, Hong Kong and Bermuda.

The Company is an investor in the countries in which it does business, through the acquisition of bonds, mortgage loans, money market instruments, common and preferred stocks and real estate. Such investments are made through the public capital markets and by direct private negotiation with borrowers.

The Company is committed to a policy of fair dealing and integrity in the conduct of all aspects of its business. This commitment is based on a fundamental belief in law, honesty and fairness.

The quality of the Company's asset structure is acknowledged by Standard & Poor's and the A.M. Best Company, which have accorded Sun Life of Canada their highest corporate ratings.



We are pleased to report the Company's results for 1991, our 121st year of operation.

The economic climate in which we operated was far from favourable.

In Canada and the United Kingdom industrial output flagged, joblessness rose and thousands of businesses folded. In the United States the successful conclusion of the Gulf War lifted business and consumer confidence and quickened activity. As the year progressed, however, U.S. growth languished, employment began to slip and consumer confidence declined.

On the positive side, inflation was broadly stemmed in 1991, with Canada doing better than most other industrial nations. While the Canadian budget of February, 1992 reaffirmed a relatively restrictive stance for Canada, U.S. government spending and deficits continue to spiral upwards and in Britain the government has moved from net debt repayment in 1990 to projected very heavy borrowing in 1992.

Domestic economic stresses have fostered increased trade friction in the western industrial block. The process of liberalizing trade under GATT has been protracted and the proposed North American Free Trade grouping, which would include Mexico, has encountered considerable resistance.

Against this difficult backdrop, 1991 was a year of good performance by Sun Life of Canada in most respects. Company assets, assets under management, premium income and investment income — all key indicators of success — rose in the order of 12% to 14%. Operating income was up 8%. Dividends to policyholders continued to rise in aggregate, increasing 13%, with the consequence that net income was down slightly from 1990.

The growth of our business depends upon sales of new business and retention of business in force. We were successful in both respects in 1991 and at year end the number of Sun Life insurance and annuity contracts and certificates in force had increased to 7.9 million, up 13% over the year before. Particularly good marketing results were achieved in the individual life insurance and pension businesses in the United States, in group pensions, individual annuities and mutual funds in Canada and in group life insurance in Britain. There was substantial growth of business in our Far East

All amounts in this Report are shown in Canadian dollars.

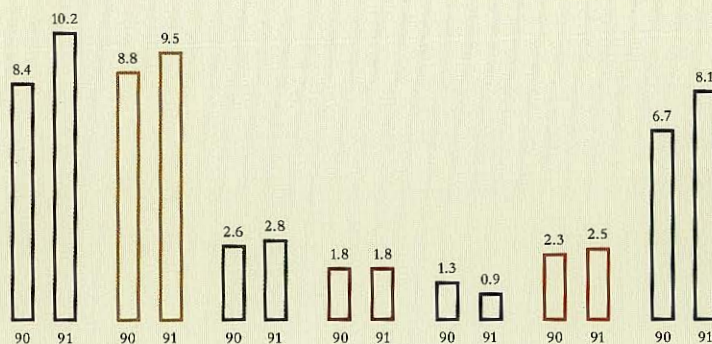
operations: in the Philippines we moved into the number two position in new sales of life insurance.

During the year the strength of the Company's assets was enhanced. At year end our book surplus reached almost \$3.0 billion, up 8% over 1990. The market value of our invested assets exceeded their carrying value by more than \$2.0 billion, compared with \$700 million at the previous year end. These good results were achieved despite an increase in bond defaults and mortgage arrears, caused by a continuation of poor economic conditions.

Legislation: On the legislative front there were some welcome developments in Canada, the United States and the United Kingdom.

In Canada, new legislation covering banks, trust and loan companies, credit unions and insurance companies was finally passed by the federal parliament. After many years of debate and discussion, we welcome the successful conclusion of financial services reform. Under the new regime, exclusivity in their own traditional products is given to each sector of the financial services industry but each is permitted to engage in the activities of the others, through subsidiaries.

Life insurance companies have been given enhanced powers to access external funding through debt and capital issues. Insurance companies may also now make any investments that a "prudent" person might make, subject to certain quantitative limits.



Company Invested Assets
(figures are in billions of Canadian dollars)

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

Finally, and very importantly, the Act under which insurance companies operate will be reviewed on a regular basis, with the first such review occurring in 1997.

Today concern is growing everywhere over the solvency of financial institutions. In Canada, in 1991, one life insurance company failed and COMPCORP, the consumer protection mechanism provided by the Canadian Life and Health Insurance Association, stepped in to protect policyholders. In the United States, where a few large life insurance companies were placed under government supervision, the solvency question dominated the legislative agenda in 1991, and 42 states passed legislation strengthening insurance company solvency requirements. It should be noted, however, that in both Canada and the United States, the life insurance industry continues to be one of the more stable sectors in financial services.

During 1991, in the United States, there was some legislative activity relative to the entry of banks into the insurance business. To date 16 states have passed legislation allowing banks to sell insurance, and legislation is pending in two others.

While there was no new legislation in 1991 bearing directly on our industry in the United Kingdom, our Company continued to participate actively, through appropriate committees, in the evolution of the regulatory regime under the Financial Services Act. Our British operations are also affected by the Second Insurance Directive adopted by the European Commission. That directive enables insurance groups to operate freely throughout the Community according to the rules of their home country — British rules, in the case of Sun Life of Canada, as Britain would be our country of entry into Europe.

Information Systems: In applications development at Sun Life of Canada, an important transition occurred in 1991 which dramatically shifted our emphasis from planning to active implementation of a broad range of new computer-based information systems.

We began a very large undertaking to replace our worldwide individual client service system. A new power supply safeguard was installed for our principal computer centre in Toronto. There was also a complete review of the Company's mainframe security.

We continued to improve our internal electronic mail system, increasing the speed at which we can conduct business. There are now 7,500 people on this mail system, all of whom can be contacted instantly through the touch of a key. This facility has been extended to some suppliers and clients in order to facilitate faster and more effective service.

We replaced communication by satellite with fibre optic facilities, providing direct links between Company offices throughout the world. The benefits of using fibre facilities include enhanced reliability at reasonable cost and the capability of introducing newer technologies and equipment.

Corporate Citizenship: Sun Life of Canada is an important participant in community affairs, supporting education, the arts, health and welfare.

In Canada, we support major funding campaigns of hospitals, universities and colleges, and also finance theatrical performances, art exhibitions and recreational events. We are a sponsor of the National Canadian Figure Skating Team. In 1991 we also continued our popular sponsorship of Sun Life Skate Canada International; the Sun Life Sectionals, which are the provincial skating championships; and the national Canadian tennis championship, Sun Life Nationals.

In Britain, we continued our active approach to sponsorships. One of the most important of these sponsorships is the nationwide Under 15 Cricket Competition, acknowledged to be a leading force in the development of young cricketers. This acknowledgement was endorsed by the Prime Minister, John Major, who wrote the foreword to our published 1991 Sponsorship Report.

In the United States, in addition to our regular program of community involvement and financial giving, we embarked on an innovative new project. Thousands of parents benefited from a public service campaign through which the Company, in conjunction with the National Child Safety Council, offered free child fingerprinting kits to parents to help complete their children's personal identification records.

Board of Directors: During 1991, the Hon. Donald S. Macdonald, P.C. was elected to our Board of Directors. Mr. Macdonald, a member of the Bar of Ontario, is a distinguished Canadian who has devoted much of his career to public service. He was a member of the House of Commons from 1963 to 1977, during which time he held several cabinet posts including that of Minister of Finance (1975-77). From 1988 to 1991 he was High Commissioner for Canada to the United Kingdom of Great Britain and Northern Ireland. He is now in private practice with the law firm of McCarthy Tétrault in Toronto. Mr. Macdonald's wide experience, skill and knowledge will be of great benefit to our Board.

Management: There have been several important changes in the management of the Company since the 1990 Annual Report was issued.

John H. Harrison, Senior Vice-President, Investments, retired after 42 years of service in Sun Life investment operations. He was succeeded by John S. Lane, formerly Senior Vice-President & General Manager for Canada. C. Lee F. Watchorn was appointed Senior Vice-President & General Manager for Canada.

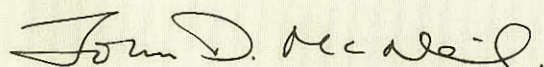
Principal Officer changes in the Corporate Office were: Robert J. Miffin retired as Vice-President, Planning and Development, and was succeeded by David A. Caldwell; Wayne H. Faithfull was seconded as a technical adviser to Modern Sun Life in Indonesia; Luc Plamondon was appointed Vice-President and Associate General Counsel, located in Montreal; C. James Prieur was appointed Vice-President, Investments; Thompson E. Skinner was appointed Vice-President, Financial Management Information.

Principal Officer appointments in the Canadian organization were: Robert Allard, Vice-President, Individual Insurance; Gary M. Comerford, Vice-President, Agencies, Ontario and Western Canada; William E. Hewitt, Vice-President, Investments; Gérald Jean, Vice-President, Agency Sales and Marketing; Catherine E. Marchitto, Vice-President, Group Client Services; Dikran Ohannessian, Vice-President, Group Insurance; Robert J. Sharkey, Vice-President, Asset Management.

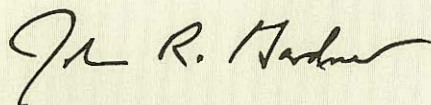
Principal Officer appointments in the United States were: Elson M. Hung, Vice-President, Agencies; Robert J. Smardon, Vice-President, Individual Products.

A very important management change was made in the leadership of Massachusetts Financial Services, the Company's U.S. mutual funds subsidiary. Richard B. Bailey retired as Chairman after nine years in that office. He was succeeded by A. Keith Brodtkin, who serves as Chairman and President.

Sun Life People: At Sun Life of Canada great emphasis is placed on recruiting capable people and training them to give top flight service. The quality of our 13,000 staff and agents worldwide bears witness to that policy. These men and women are our most important resource and the achievements recorded in this Report are a tribute to their work. We thank them on behalf of all our policyholders and other clients.



John D. McNeil
Chairman and Chief Executive Officer

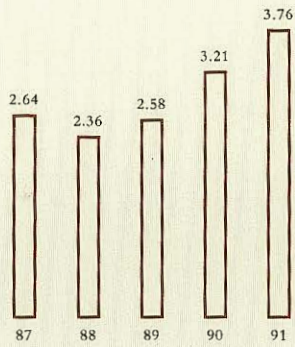


John R. Gardner
President

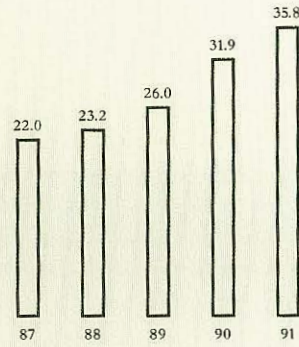
Five Year Summary

<i>(in thousands of Canadian dollars)</i>	1991 \$	1990 \$	1989 \$	1988 \$	1987 \$
Operating Results					
Premiums					
Life insurance	1,833,322	1,593,461	1,403,838	1,277,657	1,126,509
Health insurance	635,964	583,119	512,220	465,146	383,771
Annuities	2,354,641	2,070,742	1,460,113	1,158,506	1,322,100
	4,823,927	4,247,322	3,376,171	2,901,309	2,832,380
Investment income	2,697,189	2,355,321	1,944,179	1,700,890	1,548,184
Fee income	405,087	400,528	371,907	361,838	274,223
Total Revenue	7,926,203	7,003,171	5,692,257	4,964,037	4,654,787
Payments to policyholders, beneficiaries and depositors	3,333,597	2,826,749	2,232,022	2,018,039	2,328,393
Increase in actuarial reserves	2,453,691	2,243,225	1,791,691	1,349,069	1,025,453
Commissions, operating expenses, interest on borrowed funds and taxes	1,487,190	1,329,369	1,077,718	1,007,767	838,563
	7,274,478	6,399,343	5,101,431	4,374,875	4,192,409
Operating Income	651,725	603,828	590,826	589,162	462,378
Policyholder dividends	427,582	378,871	351,868	341,593	308,575
Net Income	224,143	224,957	238,958	247,569	153,803
At December 31					
Assets	35,846,329	31,908,748	25,953,357	23,188,813	21,994,408
Total Surplus	2,966,622	2,739,806	2,495,275	2,317,132	2,167,459
Business Statistics					
New life insurance [▼]	51,451,991	38,434,334	45,582,234	56,723,206	31,014,422
Life insurance in force [◦]	286,932,412	254,969,016	223,158,091	202,393,371	174,663,995
Health insurance reserves	1,300,874	1,146,023	993,632	869,165	779,473
Annuity reserves	11,769,912	10,010,063	8,371,458	7,305,434	6,662,026
[▼] Includes reinsurance assumed	9,788,930	8,099,965	15,101,814	27,044,271	7,061,532
[◦] Includes reinsurance assumed	44,198,633	44,467,499	45,294,567	38,869,390	21,800,148

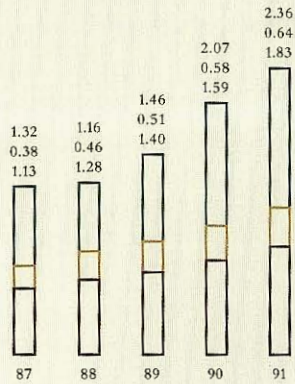
Company Growth and Size



Payments to Policyholders, Beneficiaries and Depositors (includes dividends)
(figures are in billions of Canadian dollars)

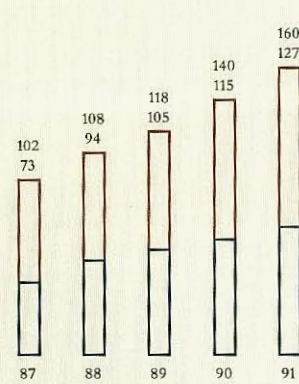


Assets
(figures are in billions of Canadian dollars)



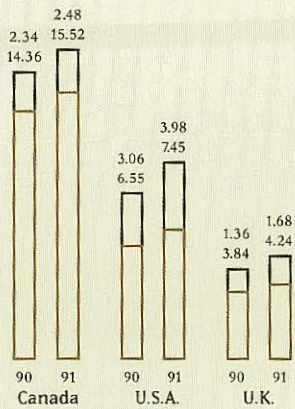
Premiums
(figures are in billions of Canadian dollars)

- Annuity
- Health
- Life



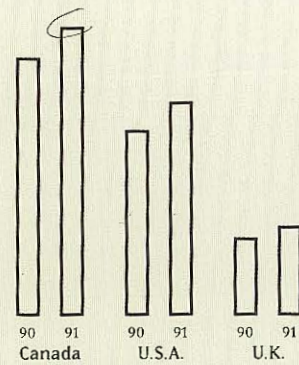
Life Insurance in Force
(figures are in billions of Canadian dollars)

- Group
- Individual



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

- Segregated Funds
- General Funds



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



l e a d e r s h i p



Leadership is the ability to motivate a group to action and focus effort on attaining an objective. Effective leadership is key to the success of any venture.

Business Review
Financial Operations

Revue, Expenditure and Income: Total premium income amounted to \$4,824 million, an increase of 14%, and investment income was \$2,697 million, up 15%. Income from management fees totalled \$405 million, bringing total revenues for the year to \$7,926 million, up 13%.

Payments to policyholders, beneficiaries and depositors, before dividends to policyholders, were \$3,334 million, an increase of 18%. Commissions on sales increased 10% to \$429 million; operating expenses increased 12% to \$890 million; and taxes increased 11% to \$113 million.

Operating income (revenues less expenditures) was \$652 million, an increase of 8%. Policyholder dividends rose by \$49 million or 13% to a record \$428 million. Net income, at \$224 million, was just below net income in 1990, a satisfactory achievement in a difficult recessionary year.

Investments and Assets: The Company's general funds assets are invested in government and corporate bonds (37%), mortgages (34%), common and preferred stock (10%) and real estate (7%), the balance being other assets including policy loans, cash and short term securities.

Our very strong asset base was maintained and, by year end, the Company's world-wide assets had increased 12% to reach a record \$35.8 billion.

Overall our investment performance remains a source of great competitive strength for the Company. In 1991, we enjoyed good performance from our bond and stock portfolios. There were increased arrears in the mortgage portfolios of our life insurance business and our trust company subsidiary, Sun Life Trust. Non-performing mortgage loans and bonds, while comprising less than 2% of relevant assets, increased during the year to \$408 million from \$107 million at the end of 1990. For the most part, these loans are secured by real property and any eventual losses are expected to be relatively modest.

International rating agencies continued to recognize the strength of Sun Life of Canada by according the Company their highest classifications.

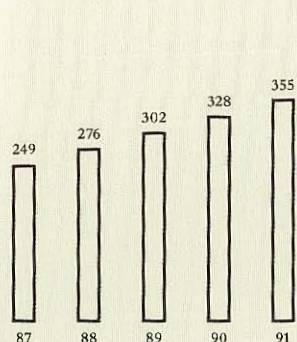
Total assets under management, which include mutual and pension funds, increased 13% during the year to \$67.0 billion.

Surplus: Surplus, the difference between assets and liabilities, increased 8% to \$2,967 million. The surplus ratio, which is total surplus divided by general funds liabilities, was 11.6% at the end of the year, indicative of the continuing very strong financial condition of the Company.

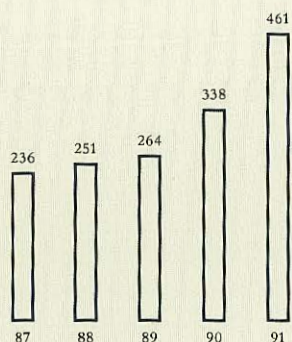
Business Operations

Insurance, Annuities and Pensions: Life and health insurance and annuities and pensions are the traditional products of the Company. While there has been broad diversification over recent years, insurance and annuities remain our core business.

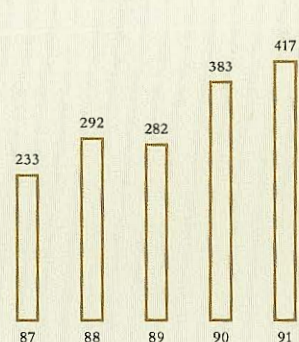
Individual Life Insurance: Worldwide, excluding reinsurance, total premiums for individual life insurance in 1991 were \$1,260 million, up 18%. Individual life insurance in force at year end totalled \$82.4 billion, up 16%.



Premium Income from Individual Life and Health Insurance for Canada
(figures are in millions of Canadian dollars)

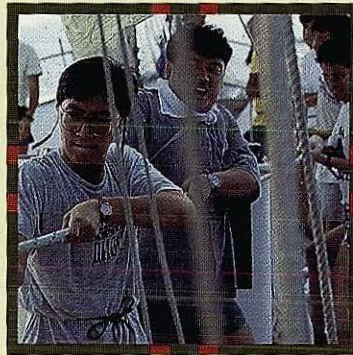


Premium Income from Individual Life and Health Insurance for the United States
(figures are in millions of Canadian dollars)



Premium Income from Individual Life and Health Insurance for Great Britain and Ireland
(figures are in millions of Canadian dollars)

t e a m w o r k



The Outward Bound experience teaches the importance of teamwork and co-operation in tackling challenges. Teamwork also ensures that our efforts are integrated and co-ordinated to provide the very best service to our customers.



The United States operation was largely responsible for this excellent growth. New annualized premiums on sales of individual life insurance increased 45% to \$116 million and renewal premiums increased 37% to \$204 million. Sales of Spectrum Survivor Life, a leader in the estate planning life insurance market, were particularly strong.

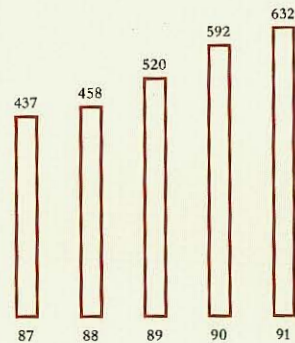
In Canada, total premiums for individual life insurance increased 8% to \$354 million, slightly better than the industry average of 7%.

In the Far East, total premiums for individual life insurance increased 14% to \$68 million. Sales of new individual business and an excellent retention rate contributed to this very good growth.

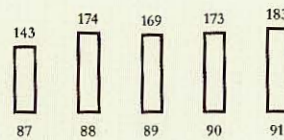
In Great Britain and Ireland, total premiums for individual life insurance increased 9% to \$417 million. Economic conditions depressed individual life insurance sales during the year.

Group Life and Health Insurance: Worldwide, total annualized premiums for group life and health insurance in 1991 were \$1,118 million, up 14%. Group life insurance in force at year end totalled \$160 billion, up 15%.

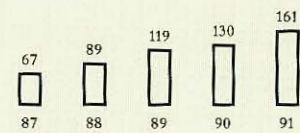
The Company's group life insurance sales in Britain were exceptionally good in 1991. Group life insurance in force in Britain grew 16% to \$58 billion and produced satisfactory earnings.



Premium Income from Group Life and Health Insurance for Canada
(figures are in millions of Canadian dollars)



Premium Income from Group Life and Health Insurance for the United States
(figures are in millions of Canadian dollars)



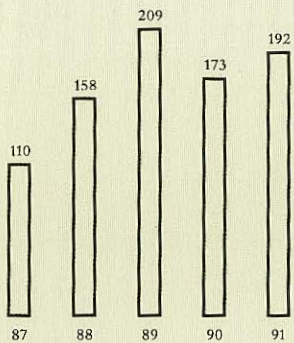
Premium Income from Group Life and Health Insurance for Great Britain and Ireland
(figures are in millions of Canadian dollars)

Market intelligence indicates that we became the leading group life insurance carrier in the British market in 1991. As recently as 10 years ago we were a relatively minor factor in this market.

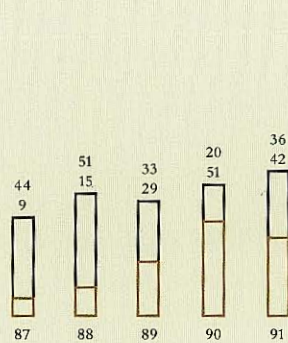
Sales of group life and health insurance showed strong growth in the United States. Annualized premiums for our total U.S. group business amounted to \$214 million, up 16%. Group life insurance in force in the United States grew 18% to \$34 billion.

Group insurance growth in Canada in 1991 was gratifying given the economic conditions and can be attributed to the committed efforts of our sales and service personnel. Life and health insurance premiums both grew 7% to a total of \$632 million. Group life insurance in force in Canada grew 12% to \$68 billion.

Reinsurance: Since entering the reinsurance business in 1982, the Company has become a significant retrocessionaire, or reinsurer of reinsurers, in this important worldwide market. At year end, we had over \$44 billion of life reinsurance in force, virtually unchanged from the previous year. In addition to life reinsurance, accident and health reinsurance has become an important part of the Company's reinsurance portfolio, accounting for one quarter of reinsurance premiums. In 1991, both our life and accident and health reinsurance were profitable, particularly life reinsurance due to lower-than-expected mortality. A large portion of the Company's retrocession business originates in North America, the vast majority of which is from the United States,



Premium Income from Reinsurance
(figures are in millions of Canadian dollars)

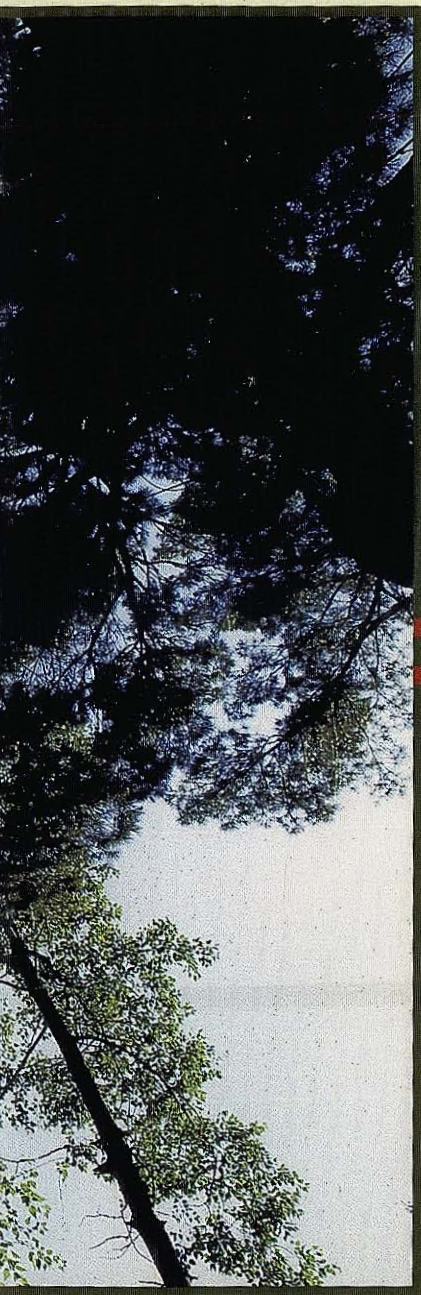


Premium Income from Pensions for Great Britain and Ireland
(figures are in millions of Canadian dollars)

- Group
- Individual



p r u d e n c e



*nly the foolhardy explore
new terrain without
planning and preparation.
New challenges become
opportunities for success
when they are approached
with care and foresight.*

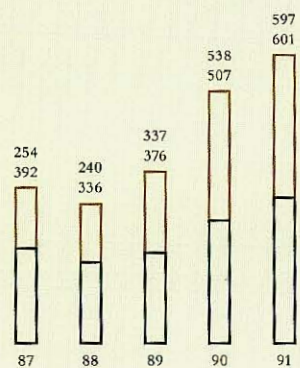
the world's largest insurance market. Significant reinsurance activities in Great Britain have made a satisfactory contribution to the Company's net income. Our reinsurance in other countries, especially in Europe and the Far East, has been increasing.

Individual Annuities and Group Pensions: Worldwide, sales of individual and group annuities produced annualized and single premiums of \$1,972 million, up 23%. Funds and reserves held for annuities in force amounted to \$11.8 billion, up 18%.

Sales were very good in both Canada and the United States. Total annualized premiums and deposits on new annuity sales in Canada were \$914 million, up 19%, and in the United States were \$1,040 million, up 26%.

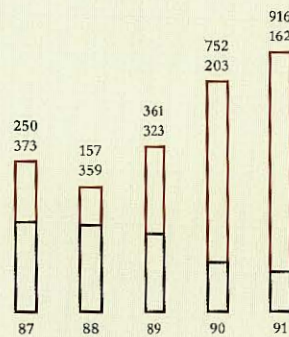
Efficient administration, excellent service and above-average investment returns account for the Company's success in the group annuity and savings plan business in Canada. In the United States the Regatta product, which offers a wide choice of fixed and variable annuity options, continued to be very popular in the wealth accumulation market. A new version, Regatta Gold, which accommodates flexible premiums, was introduced at year end 1991. The new Benefit Responsive Guaranteed Investment Contract, for the 401(k) market, was well received in the market.

In Great Britain and Ireland, marketing emphasis switched from life sales to pension sales to individuals and small businesses. Deposits and annualized premiums on new pensions sales in Britain more than doubled to \$17 million.



Premium Income from Pensions for Canada
(figures are in millions of Canadian dollars)

□ Group
□ Individual



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

□ Group
□ Individual

Expansion

For the past 10 years we have been expanding the range of our financial products and services in response to the changing financial needs and wants of our customers. During this period we have become a highly diversified financial services group, providing financial protection, asset accumulation and financial advice to clients — individual and group — through the parent Company and our 22 subsidiaries listed on pages 28 and 29. Today, besides life, health and disability insurance, pensions and annuity contracts, our products include savings plans, mutual funds, trust services and investment management services.

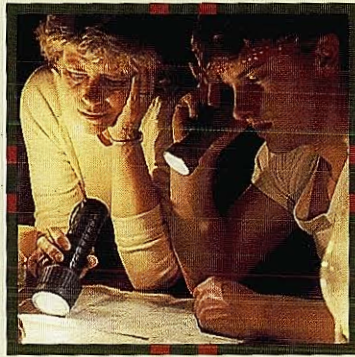
With respect to the individual market, each new business has been undertaken after making a conscious decision that it would be compatible with our personalized system of distribution by Sun Life of Canada agents, general agents, and insurance or investment brokers, rather than by over-the-counter distribution.

New initiatives included the formation of a new subsidiary in the United States, Sun Capital Advisers. This company will assist institutional investors in the selection and management of real estate investments. We also entered into an agreement which will lead to our re-entry into the life insurance business in Indonesia. With a large population and a rapidly growing economy, this new venture has considerable long-term potential and complements our Far East operations in the Philippines and Hong Kong.

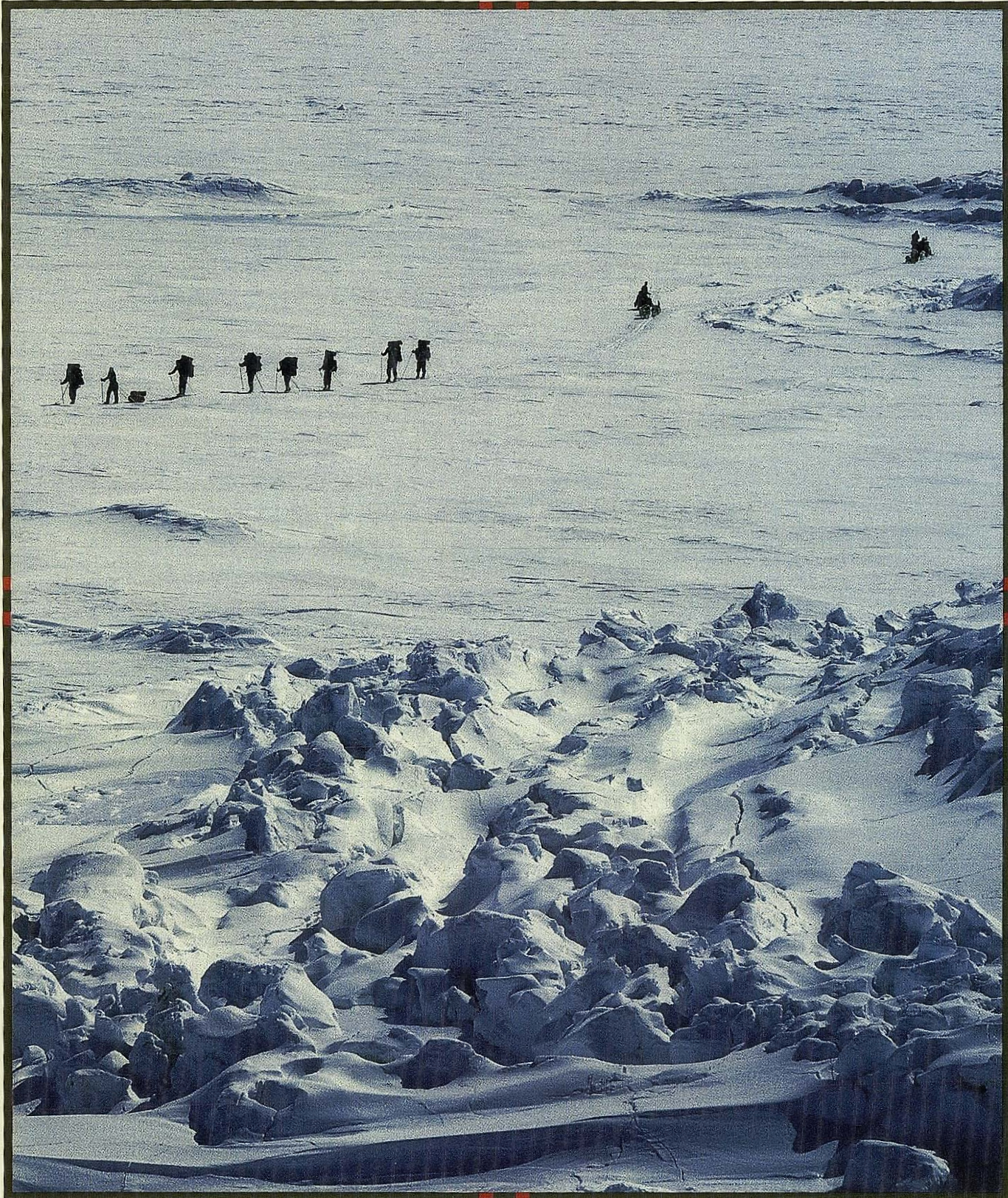
The following commentary summarizes the 1991 results of our principal subsidiary companies:

Massachusetts Financial Services, our very successful mutual fund management subsidiary in the United States, enjoyed favourable growth in assets under management during the year, increasing from \$26.1 billion to \$29.3 billion, up 12% to a new all-time high.

p e r s e v e r a n c e



P*erseverance is a key element in any survival experience. Steadiness of purpose and the will to continue allow us to overcome difficulties and take pride in our achievements.*



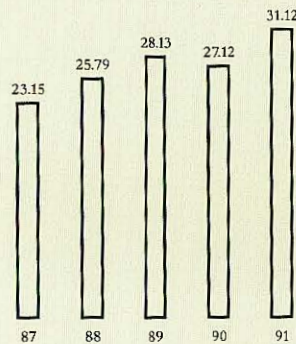
MFS, which is represented by 35,000 brokers across the United States, is one of the largest mutual fund organizations in the world.

Spectrum Mutual Funds, the Company's mutual funds management subsidiary in Canada, enjoyed excellent results in 1991. Assets under management passed one billion dollars, a notable achievement for an enterprise which has been in business for just four and a half years. In particular, the investment performance of Spectrum's Bullock American Fund was outstanding, ranking ahead of all other mutual funds in Canada over one, three, five and ten years.

Sun Life of Canada Unit Managers, our mutual funds management subsidiary in Britain, had a good year with funds under management increasing to \$96 million. A big factor in this growth was the introduction of the Personal Equity Plan, a tax-sheltered plan holding mainly British ordinary shares.

Sun Life Trust Company, our Canadian trust company, continued the work of integrating the three elements of the company — the former Counsel and Coronet trust companies and Pacific Savings and Loan Company — into a single group. The company continued to build its management capabilities through recruiting experienced personnel and training staff at all levels.

It was a year of challenge for Sun Life Trust due to its heavy exposure in commercial and residential mortgages in Southern Ontario. Economic conditions were more depressed in this region than in other parts of the country and, as a result, mortgage payment delinquencies rose sharply against a backdrop of falling real estate values.



Managed and
Mutual Fund Assets
(figures are in billions of Canadian dollars)

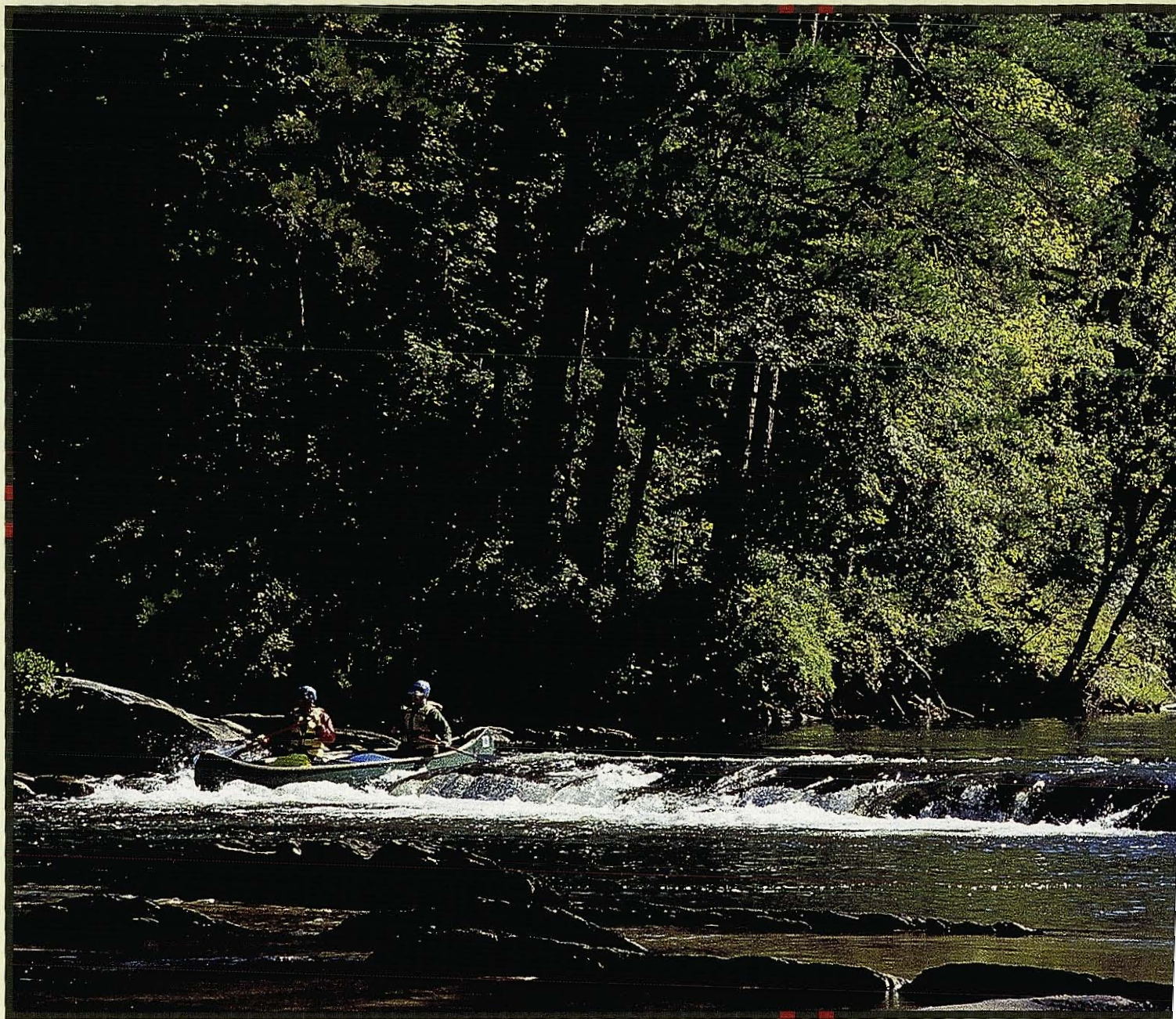
The loss of interest income, combined with conservative provisions for possible losses, caused the company to suffer a net loss of \$24 million in 1991, compared to a profit of \$4 million in 1990. The company continued to tighten its standards for new lending and is diversifying its loan portfolio geographically. At year end, the company's assets were \$3.3 billion, unchanged from the previous year end.

Sun Life Investment Management, our Canadian investment management company, is responsible for managing the investment portfolios of pension and other clients, the Variable Accumulation Funds of Sun Life of Canada and the assets of the Spectrum family of mutual funds. During the year, the company's assets under management increased from \$3.2 billion to \$4.1 billion.

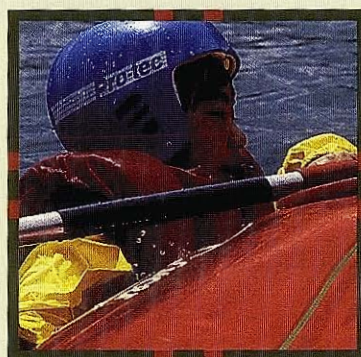
Sun Life of Canada Home Loans, our British subsidiary formed to provide mortgage loans for residential housing, completed its first full year of operation. Careful selection of mortgages, against a most unfavourable economic background, meant the company fell short of its lending objectives. The company kept mortgage arrears under control in difficult market conditions and showed satisfactory profits. Assets grew 80% to \$297 million.

The New London Trust Company, our United States bank headquartered in New Hampshire, had a satisfactory year, particularly in its recently formed trust department where assets under administration reached \$224 million in 1991. The assets of the banking operation increased 8% to \$167 million.

Massachusetts Casualty Insurance Company, our United States disability insurer, recorded a loss of \$3.9 million in 1991 against a 1990 loss — primarily due to adverse claims experience — of \$14.8 million. The company continued work on strengthening its products, pricing and information systems, and expects results to continue to improve in 1992.



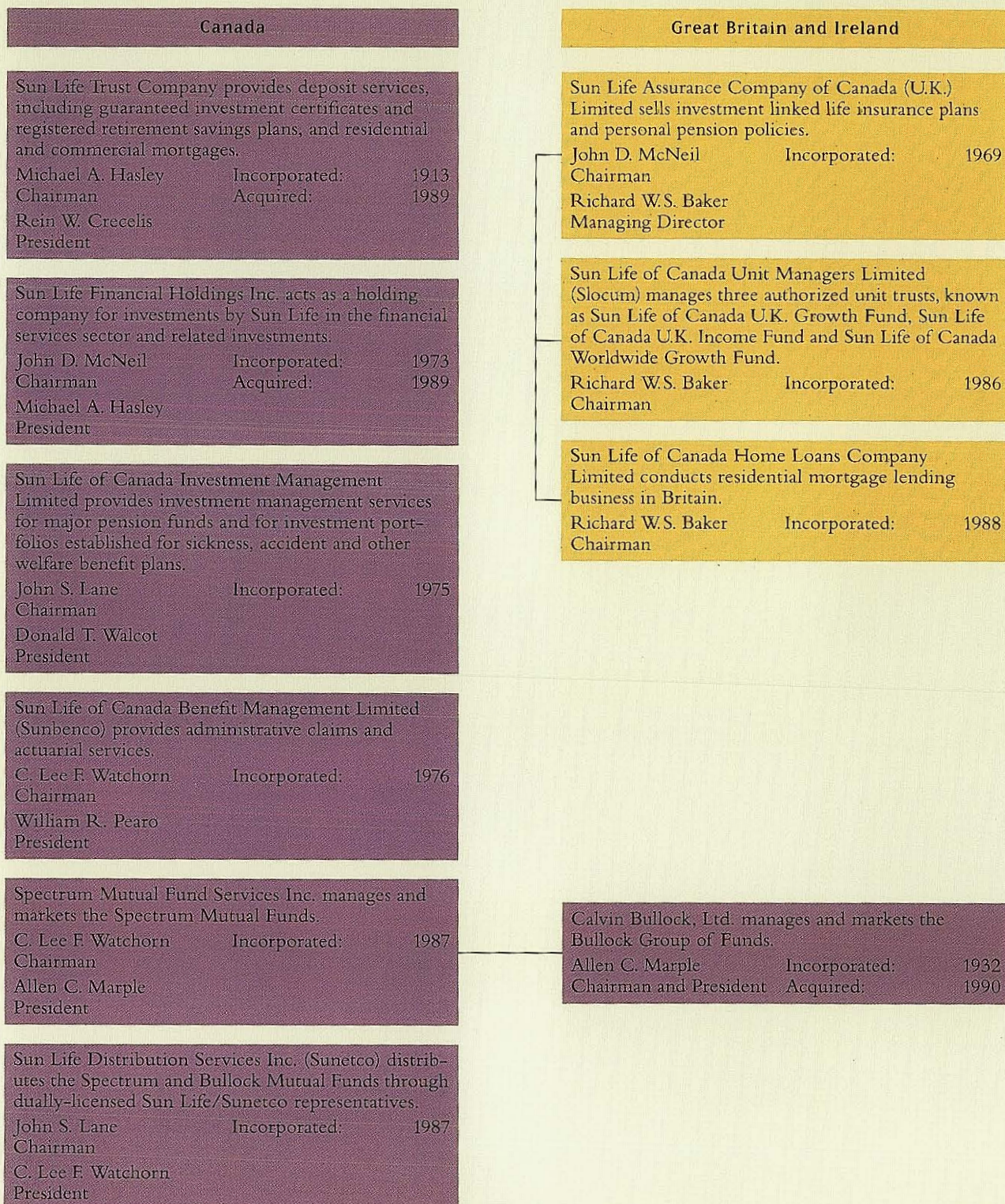
d e t e r m i n a t i o n



Determination is a requirement in doing a job and getting it done properly. It means having the force of will to overcome challenges as they present themselves.

Sun Life Subsidiary Companies

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.



Sun Life Subsidiary Companies

SUN LIFE OF CANADA

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 Chairman	Incorporated:	1970
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 Chairman	Incorporated:	1983
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 Chairman	Incorporated:	1970
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 President	Incorporated:	1977
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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. Chairman	Incorporated:	1958
	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 President	Incorporated:	1926
	Acquired:	1987

Sun Capital Advisers, Inc. manages the real estate portfolios of institutional investors such as corporate pension, labour union and state retirement plans.

David B. Wray Chairman	Incorporated:	1991
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Massachusetts Financial Services Company (MFS) provides investment management for mutual funds and client funds.

A. Keith Brodtkin Chairman and President	Incorporated:	1924
	Acquired:	1982

Clarendon Insurance Agency Inc. distributes life insurance and annuity products created by Sun Life (U.S.).

A. Keith Brodtkin Chairman	Incorporated:	1968
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MFS Service Center Inc. provides transfer agency and related services to the investment company clients of MFS.

Bruce C. Avery Chairman	Incorporated:	1985
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MFS Financial Services Inc. serves as the principal underwriter for all the mutual funds in the MFS complex.

Bruce C. Avery Chairman	Incorporated:	1986
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Lifetime Advisers Inc. provides the investment management for mutual funds in the MFS Lifetime investment program.

A. Keith Brodtkin Chairman and President	Incorporated:	1986
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Board of Directors

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.
Company Director
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

The Hon. Donald S. Macdonald, P.C.
Counsel,
McCarthy Tétrault
Toronto, 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,
Unigesco Inc. and Provigo Inc.
Montreal, Quebec

Ronald W. Osborne, F.C.A.
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Toronto, Ontario

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Noranda Inc.
Toronto, Ontario

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Company Director
Toronto, Ontario

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Director,
James Richardson & Sons, Limited
Winnipeg, Manitoba

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Chairman and Chief Executive Officer,
Canadian Pacific Limited
Montreal, Quebec

W. Vickery Stoughton
Vice-Chancellor for Health Affairs
and Chief Executive Officer,
Duke University Medical Center
Durham, North Carolina

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Deputy Chairman,
The Thomson Corporation
Toronto, Ontario

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Vice-Chairman,
Products and Technology,
Northern Telecom Limited
Mississauga, Ontario

Marshall M. Williams
Corporate Director,
TransAlta Utilities Corporation
Calgary, Alberta

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

Board of Directors



From left to right: John D. McNeil, John R. Gardner, Thomas M. Galt, Marshall M. Williams, J. Peter Gordon, Jeannine G. Wood, Grant L. Reuber, M. Colyer Crum, Sir Peter Baxendell, Ronald W. Osborne, David G. Vice



From left to right: The Hon. Donald S. Macdonald, Angus A. MacNaughton, Jock K. Finlayson, Alfred Powis, John A. Tory, Kathleen M. Richardson, W. Vickery Stoughton, William W. Stinson, Bertin F. Nadeau, J. William E. Mingo

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

Nominating

Committee

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Chairman
Thomas M. Galt
John D. McNeil
Bertin F. Nadeau
Alfred Powis
Kathleen M. Richardson
William W. Stinson

Audit

Committee

Marshall M. Williams,
Chairman
M. Colyer Crum
Jock K. Finlayson
J. William E. Mingo
Ronald W. Osborne
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

Management

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
- **Michael A. Hasley**
Senior Vice-President,
Finance
- **John S. Lane**, C.F.A.
Senior Vice-President,
Investments
- **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
- **David A. Caldwell**
Vice-President, Planning
and Development
- **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
- **Wayne H. Faithfull**, F.L.M.I.
Vice-President

- **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
- **Frank G. Morewood**
F.S.A., F.C.I.A.
Vice-President, Group
- **Luc Plamondon**
Vice-President and
Associate General Counsel
- **C. James Prieur**, C.F.A.
Vice-President,
Investments
- **Owen A. Reed**
F.S.A., F.C.I.A.
Vice-President
and Actuary
- **Claude M. Root**
Vice-President, Agency
- **Thompson E. Skinner**, C.A.
Vice-President,
Financial Management
Information

National Offices

Principal Officers

Canada

- **C.L.F. (Lee) Watchorn**
F.S.A., F.C.I.A.
Senior Vice-President
and General Manager
- **William R. Pearo**
Vice-President
and Assistant
General Manager
- **Robert P. Allard**, F.L.M.I.
Vice-President,
Individual Operations
- **Gary M. Comerford**
Vice-President,
Agencies, Ontario and
Western Canada
- **Gary Corsi**, C.A.
Vice-President, Finance
and Administration
- **Ian R. Fung**
Vice-President,
Investments
- **Lucy G. Greene**
Vice-President,
Human Resources
- **William E. Hewitt**, C.F.A.
Vice-President,
Securities Investments

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C.L.U.
Vice-President,
Group Marketing
- **Gérald P. Jean**
Vice-President, Agency
Sales and Marketing
- **Catherine E. Marchitto**
Vice-President,
Group Client Services
- **Jeffrey A. Norman**
Vice-President,
Public Relations and
Communications
- **Dikran Ohannessian**
F.S.A., F.C.I.A.
Vice-President,
Group Insurance
- **Robert J. Sharkey**
F.S.A., F.C.I.A.
Vice-President,
Asset Management
- **Angus B. Warren**
F.F.A., F.C.I.A.
Vice-President,
Pensions

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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
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Vice-President,
Investments
- **H.A. Tony Heath**
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Vice-President, Agency
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Vice-President,
Client Service
- **Michael C. Sollom**
M.I.P.M., M.B.I.M.
Vice-President,
Personnel

United States

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Senior Vice-President
and General Manager
- **H. Roy Bentley**, F.L.M.I.
Vice-President and Controller
- **Robert A. Bonner**, C.L.U.
Vice-President, Pensions
- **Elson M. Hung**
Vice-President, Agencies
- **Robert E. McGinness**
Vice-President and Counsel
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Internal Services
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Group Insurance
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Vice-President,
Individual Insurance
- **Robert J. Smardon**, F.S.A.
Vice-President,
Individual Products
- **Ronald Standing**
Vice-President,
Information Systems
- **David B. Wray**
Vice-President,
Investments

• Members of the Senior Advisory Council

Consolidated Financial Statements

Contents

Notes to Financial Statements	40
Valuation Actuary's Certificate	44
Auditors' Report	44

Consolidated Balance Sheet

December 31 (in thousands of Canadian dollars)	1991 \$	1990 \$
Assets		
General Funds		
Bonds	10,182,517	8,354,005
Mortgages	9,506,493	8,833,605
Stocks	2,804,671	2,564,470
Real estate	1,824,542	1,791,277
Policy loans	737,703	707,391
Cash and short-term securities	902,675	1,318,742
Other invested assets	452,266	330,633
Investment income due and accrued	412,032	363,676
Outstanding premiums	108,332	101,624
Deferred acquisition costs	115,400	145,257
Other assets	659,165	643,739
Total general funds assets	27,705,796	25,154,419
Segregated Funds		
Net assets	8,140,533	6,754,329
	<u>35,846,329</u>	<u>31,908,748</u>
Liabilities and Surplus		
General Funds		
Actuarial liabilities:		
Reserves for unmaturing obligations	18,540,906	16,100,894
Provision for dividends	430,605	396,571
Provision for experience refunds	27,584	26,564
Provision for unreported claims	126,723	111,672
Reserve for Company employee and retiree uninsured benefits	105,769	103,650
	<u>19,231,587</u>	<u>16,739,351</u>
Amounts on deposit	4,279,485	4,247,796
Policy benefits in process of payment	128,281	114,991
Accrued expenses and taxes	159,927	134,575
Deferred net realized gains	755,338	710,913
Encumbrances on real estate	13,570	15,196
Borrowed funds	490,727	384,668
Other liabilities	464,694	470,955
Total general funds liabilities	25,523,609	22,818,445
Segregated Funds		
Segregated funds contract liabilities	7,356,098	6,350,497
Surplus	<u>2,966,622</u>	<u>2,739,806</u>
	<u>35,846,329</u>	<u>31,908,748</u>

Consolidated Statement of Operations

Year ended December 31 (in thousands of Canadian dollars)	1991 \$	1990 \$
Revenue		
Premiums		
Life insurance	1,833,322	1,593,461
Health insurance	635,964	583,119
Annuities	2,354,641	2,070,742
	<u>4,823,927</u>	<u>4,247,322</u>
Investment income	2,697,189	2,355,321
Fee income	405,087	400,528
	<u>7,926,203</u>	<u>7,003,171</u>
Expenditure		
Payments to policyholders, beneficiaries and depositors:		
Death and disability benefits	582,428	541,109
Maturities and surrenders	1,314,641	1,077,090
Annuity payments	479,624	431,570
Interest on claims and deposits	430,645	305,320
Experience rating refunds	74,382	47,342
Health benefits	451,877	424,318
	<u>3,333,597</u>	<u>2,826,749</u>
Increase in actuarial reserves	2,453,691	2,243,225
Commissions	428,656	389,929
Operating expenses	890,111	795,466
Interest on borrowed funds	55,636	42,463
Taxes	112,787	101,511
	<u>7,274,478</u>	<u>6,399,343</u>
Operating Income	651,725	603,828
Policyholder dividends	427,582	378,871
Net Income	224,143	224,957

Consolidated Statement of Surplus

<i>Year ended December 31</i> <i>(in thousands of Canadian dollars)</i>	Appropriated Surplus	Unappropriated Surplus	Currency Translation Account	Surplus
	\$	\$	\$	\$
1991				
Balance, January 1	782,306	1,952,774	4,726	2,739,806
Net Income	—	224,143	—	224,143
Surplus appropriations	127,916	(127,916)	—	—
Effect of changes in currency rates	—	—	2,673	2,673
Balance, December 31	910,222	2,049,001	7,399	2,966,622
1990				
Balance, January 1	730,000	1,780,123	(14,848)	2,495,275
Net Income	—	224,957	—	224,957
Surplus appropriations	52,306	(52,306)	—	—
Effect of changes in currency rates	—	—	19,574	19,574
Balance, December 31	782,306	1,952,774	4,726	2,739,806

Consolidated Statement of Cash Flow

Year ended December 31 (in thousands of Canadian dollars)	1991 \$	1990 \$
Operating Activities		
Receipts		
Net income	224,143	224,957
Items not affecting cash:		
Increase in actuarial reserves	2,453,691	2,243,225
Amortization of deferred realized and unrealized gains and losses on investments	(214,818)	(192,828)
Interest credited to amounts on deposit	102,794	138,194
Other, net	24,955	(6,530)
	<u>2,590,765</u>	<u>2,407,018</u>
Net increase (decrease) in amounts on deposit	(71,886)	524,786
Net change in other assets	(58,148)	416,331
	<u>2,460,731</u>	<u>3,348,135</u>
Applications		
Net transfers to Segregated Funds	(262,680)	(359,832)
Net increase in policy loans	(22,312)	(36,381)
Net (increase) decrease in long-term investments:		
Bonds	(1,725,585)	(1,078,118)
Mortgages	(723,467)	(1,177,694)
Stocks	(120,352)	(123,310)
Real estate	10,241	(87,568)
Other invested assets	(121,273)	(4,365)
Net cash generated from operating activities	(504,697)	480,867
Financing Activities		
Increase in borrowed money	101,350	313,050
Investment Activities		
Acquisition of subsidiary companies	-	(183,062)
Increase (decrease) in Cash and short-term securities	(403,347)	610,855
Cash and short-term securities, January 1	1,318,742	685,426
Changes due to fluctuations in exchange rates	(12,720)	22,461
Cash and short-term securities, December 31	902,675	1,318,742

Segregated Funds Consolidated Balance Sheet

December 31 (in thousands of Canadian dollars)	1991 \$	1990 \$
Assets		
Bonds	2,149,726	1,599,764
Mortgages	496,633	448,782
Stocks	4,034,698	3,005,767
Real estate	503,071	514,153
Short-term securities	926,888	1,136,780
Cash	36,488	23,316
Investment income due and accrued	61,480	57,297
Other assets	111,442	62,990
	8,320,426	6,848,849
Liabilities		
Accrued expenses and taxes	781	629
Other liabilities	179,112	93,891
	179,893	94,520
Net Assets	8,140,533	6,754,329
Applicable to Segregated Funds policyholders	7,356,098	6,350,497
Applicable to General Funds policyholders	784,435	403,832
	8,140,533	6,754,329

Segregated Funds Consolidated Statement of Changes in Net Assets

<i>Year ended December 31</i> <i>(in thousands of Canadian dollars)</i>	1991 \$	1990 \$
Net Assets, January 1	6,754,329	6,085,441
Additions		
Deposits:		
Life insurance	83,715	109,086
Annuities	1,147,791	1,183,127
Investment income	576,465	398,898
Net market value gain (loss) on investments	654,454	(373,471)
Transfers from General Funds	314,405	383,430
Currency adjustment due to changes in exchange rates	15,631	183,718
	9,546,790	7,970,229
Deductions		
Payments to policyholders and their beneficiaries:		
Death and disability benefits	23,524	23,651
Maturities and withdrawals	1,173,527	1,053,403
Annuity payments	65,342	54,131
Transfers to General Funds	51,726	23,598
Management fees	75,839	69,357
Other expenses	1,805	1,618
Taxes	14,494	(9,858)
Net Assets, December 31	8,140,533	6,754,329

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. Provisions are established where, in the opinion of management, there is reasonable doubt concerning the repayment of principal amounts. Further, where there is reasonable doubt concerning the receipt of interest and, in all cases where interest is 90 days past due, interest ceases to be accrued and interest previously accrued is reversed.

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 determined for each property 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.

Notes to Consolidated Financial Statements

(Amounts in thousands of Canadian dollars)

9 Market Value of Invested Assets

	1991 Carrying Value \$	1991 Market Value \$	1990 Carrying Value \$	1990 Market Value \$
Bonds	10,182,517	11,139,657	8,354,005	8,442,766
Mortgages	9,506,493	9,837,883	8,833,605	8,813,432
Stocks	2,804,671	3,161,219	2,564,470	2,712,362
Real estate	1,824,542	2,256,575	1,791,277	2,284,206
Cash and short-term securities	902,675	903,306	1,318,742	1,317,719
Other invested assets	452,266	456,164	330,633	330,434
	<u>25,673,164</u>	<u>27,754,804</u>	<u>23,192,732</u>	<u>23,900,919</u>

7 Goodwill

Included in Other assets is goodwill of \$113,496 (\$121,076 in 1990). Goodwill amortized and charged

to income during the year amounted to \$7,533 (\$6,111 in 1990).

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 reserves makes provision for annual dividends payable in future years and for modest adverse fluctuations in future experience. The reserves also make provision for a portion of future terminal dividends. Additional reserves for future terminal dividends are held as appropriations of surplus, as are provisions for more severe adverse

fluctuations in future experience. The Provision for dividends shown separately under Actuarial liabilities represents the amount of such annual and terminal dividends expected to be paid in 1992.

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 reserves are held as appropriations of surplus, as are certain other Canadian statutory solvency reserves.

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

	1991 \$	1990 \$
Reserves for unmatured obligations		
Individual life insurance	5,052,367	4,567,484
Group life insurance	417,753	377,324
Individual annuities	5,794,998	4,640,205
Group annuities	5,974,914	5,369,858
Health insurance	1,300,874	1,146,023
	<u>18,540,906</u>	<u>16,100,894</u>
Appropriations of surplus		
Canadian statutory investment valuation reserve	187,650	173,278
Canadian statutory valuation reserve for non-admitted assets	192,590	178,726
Canadian statutory deficiency reserves	97,220	109,415
Foreign statutory deficiency reserves	83,133	90,887
Additional reserves	349,629	230,000
	<u>910,222</u>	<u>782,306</u>

Notes to Consolidated Financial Statements

(Amounts in thousands of Canadian dollars)

5 Borrowed Funds

Included in Borrowed funds is an amount of \$437,468 (\$330,620 in 1990) drawn under a sterling denominated revolving credit facility. 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	1991 \$	1990 \$
Interest income	2,322,472	1,955,702
Dividend income	120,430	123,648
Real estate income (net)	129,118	140,874
Amortization of deferred realized gains and losses	110,208	116,110
Amortization of unrealized gains and losses	105,746	78,309
Other items (net)	22,681	(3,350)
	2,810,655	2,411,293
Provisions for losses on investments	(74,458)	(17,066)
Investment expenses and taxes	(39,008)	(38,906)
	2,697,189	2,355,321

7 Deferred Acquisition Costs

Deferred acquisition costs amortized and charged to income during the year amounted to \$49,680 (\$48,311 in 1990).

8 Taxes

In the Consolidated Statement of Operations, the provision for taxes of \$112,787 (\$101,511 in 1990) in respect of the Company's worldwide operations includes income taxes of \$79,944 (\$70,821 in 1990)

and premium taxes of \$32,843 (\$30,690 in 1990).

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

	1991	1990
Combined Canadian federal and provincial income tax rate	42.5%	42.2%
Increase (decrease) in rate resulting from:		
Lower effective rates on income subject to taxation in foreign jurisdictions	(18.3%)	(3.6%)
Tax-exempt income from Canadian securities and non-taxable portion of capital gains	(20.0%)	(15.0%)
Higher (lower) taxable income than accounting income due to timing differences	5.4%	(12.5%)
Capital taxes	8.8%	9.6%
Other	7.9%	3.2%
Company's effective worldwide income tax rate	26.3%	23.9%

Notes to Consolidated Financial Statements

(Amounts in thousands of Canadian dollars)

9 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:

December 31	1991 \$	1990 \$
Obligations for defined benefit plans	479,259	414,668
Obligations for other retiree benefits	315,458	269,787
	<u>794,717</u>	<u>684,455</u>
Assets funding these obligations	893,981	803,981
Excess of assets	<u>99,264</u>	<u>119,526</u>

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.

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:

	\$
1992	52,382
1993	52,879
1994	51,559
1995	46,296
1996	44,073
thereafter	417,858
	<u>665,047</u>

11 Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation adopted in 1991.

Valuation Actuary's Certificate

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, 1991 and its other consolidated financial statements for the year then ended.

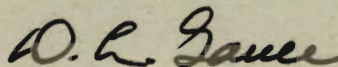
I certify that, in my opinion:

- (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 are held to provide against adverse fluctuations in experience significantly greater than those assumed in computing the Actuarial liabilities.

Toronto, January 31, 1992



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.

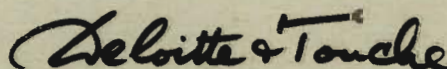
We have audited the Consolidated Balance Sheet of Sun Life Assurance Company of Canada, including the separate Consolidated Balance Sheet of its Segregated Funds, as at December 31, 1991 and the Consolidated Statements of the Company's Operations, Surplus and Cash Flow and of Changes in Net Assets of 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, 1991 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 6, 1992



Deloitte & Touche
Chartered Accountants

Corporate Address

Enquiries may be addressed to:
Corporate Secretary,
Sun Life Assurance
Company of Canada,
Sun Life Centre,
150 King Street West,
Toronto, Ontario
Canada M5H 1J9
Tel. (416) 979-9966

National Offices

Canada
Sun Life of Canada,
200 University Avenue,
Toronto, Ontario
Canada M5H 3C7
Tel. (416) 595-7500

Sun Life of Canada,
1155 Metcalfe Street,
Montreal, Quebec
Canada H3B 2V9
Tel. (514) 866-6411

United States
Sun Life of Canada,
One Sun Life
Executive Park,
Wellesley Hills, MA
U.S.A. 02181
Tel. (617) 237-6030

Great Britain and Ireland
Sun Life of Canada
Group of Companies,
Basing View,
Basingstoke,
Hants, England
RG21 2DZ
Tel. (0256) 841414

Far East
Sun Life of Canada,
Interbank Building, 6th Floor,
111 Paseo de Roxas, Makati,
Metro Manila, Philippines
Tel. 818-6916 to 27

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