122ND ANNUAL REPORT 1992

SUN LIFE ASSURANCE COMPANY OF CANADA

COMPANY HIGHLIGHTS OF 1992

Year ended December 31 (in millions of Canadian dollars)	1992 $	1991 $	CHANGE %
FINANCIAL POSITION			
Total Assets under Management	76,862	66,939	15
Total Company Assets	39,784	35,815	11
Mutual Fund and other Assets under Management	37,078	31,124	19
Surplus	3,652	3,350	9
BUSINESS STATISTICS			
Life Insurance in Force*	300,831	276,127	9
Funds held for Annuities in Force	13,373	11,724	14
Segregated Funds Net Assets	8,428	7,356	15
OPERATING RESULTS			
Premiums:			
Life Insurance	2,045	1,785	15
Health Insurance	781	636	23
Annuities	2,055	2,353	(13)
Investment Income	2,667	2,647	1
Fee Income	478	407	17
Total Revenue	8,026	7,828	3
Payments to Policyholders, Beneficiaries and Depositors	3,678	3,285	12
Operating Income before Dividends	707	695	2
Policyholder Dividends	455	427	7
Write-down of goodwill	50	–	–
Net Income	202	268	(25)

*Includes reinsurance assumed

CONTENTS

Corporate Profile 1
Letter from the Executive Officers 2
Five Year Summary 7
Sun Life's Business Review 10
Sun Life and its Subsidiary Companies 26
Board of Directors 28
Management 29
Financial Reporting Responsibilities 30
Dividend Policy 31
Consolidated Financial Statements 32
Notes to Financial Statements 38
Appointed Actuary's Report 46
Auditors' Report 46

CORPORATE PROFILE

SUN LIFE ASSURANCE COMPANY OF CANADA, which commenced business in 1871, is the largest Canadian life insurance company and one of the world's great financial enterprises. Parent company and subsidiaries now serve over 4,000,000 clients in Canada, the United States, Britain, Ireland, the Philippines, Hong Kong and Bermuda. Total assets under management at December 31, 1992, exceeded $77 billion.

We provide a broad range of financial products and services designed to meet the protection, asset accumulation and advice needs of our clients. Products and services include life, health and disability insurance; annuities and pensions; mutual funds and savings plans; and trust, banking and investment management services.

We deliver products and financial counsel tailored to our clients – be they individuals, families or organizations – by means that are personal and direct.

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

We are investors in the countries in which we do business, through the acquisition of bonds, mortgage loans, money market instruments, common and preferred stock, and real estate. Such investments are made through the public capital markets and by direct private negotiation with borrowers. The quality of this asset structure is acknowledged by Standard & Poor's and the A.M. Best Company, which have accorded Sun Life of Canada their highest claims-paying ratings.

Letter from the EXECUTIVE OFFICERS

WE ARE PLEASED TO REPORT THE COMPANY'S RESULTS FOR 1992, OUR 122ND YEAR OF OPERATION.

INDIVIDUALS AND CORPORATIONS AROUND THE WORLD CONTINUED TO LOOK TO SUN LIFE OF CANADA AS A SHELTER AGAINST RISKS AND A SAFE HAVEN IN WHICH TO ACCUMULATE ASSETS.

The Company enjoyed a good year, particularly in our basic life insurance and mutual fund businesses, in an environment burdened by economic and financial difficulties.

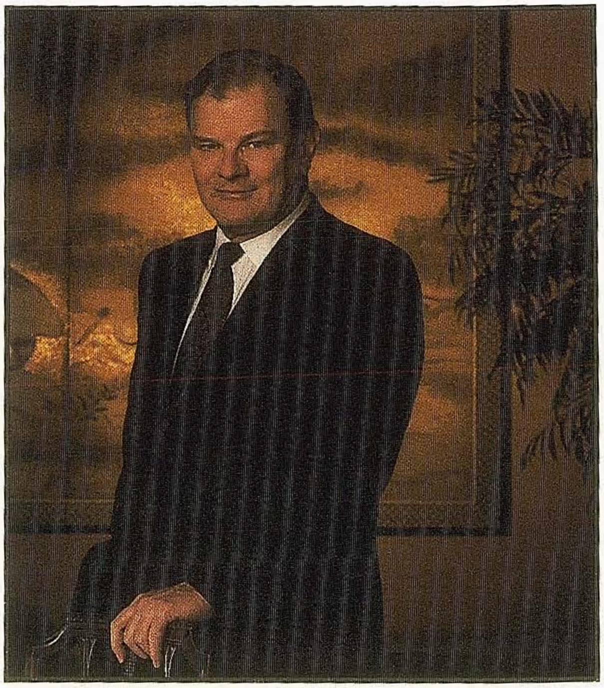
Business activity in general expanded only modestly in Canada and the United States, while the British economy remained weak. Large and growing government deficits coupled with high unemployment remained a serious problem in all three countries. Slow economic growth led to generally lower rates of inflation and interest rates.

Against this background, the Company's life insurance premium income rose 15% while health insurance premiums rose 23%. A shift in customer preference from fixed to variable contracts was reflected in a 13% decline in premium income from annuities with guaranteed rates, which was more than offset by a 29% increase in segregated fund deposits. The latter increase was largely as a result of strong demand for our variable annuity products in the United States.

Our operating income, before payment of policyholder dividends, reached a record $707 million, an increase of 2% over 1991. This outcome was gratifying in light of the recession-induced increase in asset write-downs and loan loss provisions. These write-downs and provisions amounted to $154 million in 1992 compared to $75 million in 1991.

As a result of the continuing decline in interest rates, dividend scales were reduced in Canada, the United States, Britain, Bermuda and Hong Kong.

JOHN D. McNEIL
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER



However, the increases in business in force and in policy values caused the amount of policyholder dividends payable to increase by $27 million to $455 million. These amounts brought net income before an unusual item to $252 million.

The financial results of Sun Life Trust continued to be unsatisfactory in 1992. We therefore decided to write off the goodwill associated with the purchase of the predecessor companies in the amount of $50 million. As a result, net income of Sun Life of Canada for 1992 was $202 million compared to a restated $268 million for 1991.

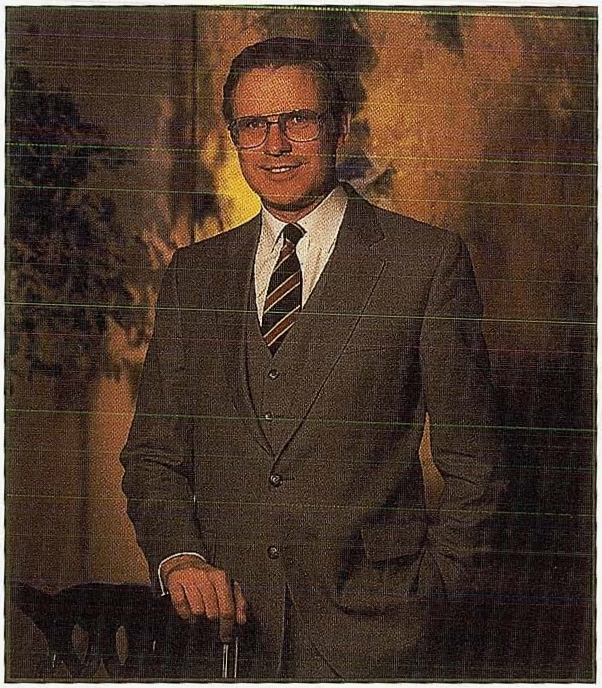
Retained net income and foreign exchange gains, which are not recorded as income, caused our surplus to increase $302 million to reach $3.7 billion at year-end.

The Company's total assets stood at $40 billion at the end of 1992, an increase of 11% over the 1991 year-end total. The market value of these assets exceeded the value at which they are carried on the books of the Company by $1.6 billion.

Strong sales and rising equity values combined to raise the amount of other assets under management, principally mutual funds, to $37 billion, a 19% increase. Total assets under management rose 15% reaching $77 billion, an increase of $10 billion.

Leading international rating agencies, Standard & Poor's and the A.M. Best Company, continued to accord their highest classifications to Sun Life of Canada, reflecting the continuing high quality of our assets, our earnings performance and our strong surplus position.

JOHN R. GARDNER
PRESIDENT



LEGISLATION We welcomed the proclamation in 1992 of the new Insurance Companies Act in Canada, as well as new legislation for deposit-taking institutions. 1992 activity focused upon the many regulations and guidelines required by the new legislation. The most important of these for life insurance companies are:

- a formula to determine the adequacy of a company's capital (Minimum Continuing Capital and Surplus Requirements);
- guidelines for the "prudent person" approach to investment, representing a major change from the "quantitative" investment rules under which the life insurance industry previously operated; and
- the introduction of generally accepted accounting principles (GAAP) for financial reporting purposes.

An important development for the life insurance industry in Canada was the introduction of "Insurance Business Regulations" into the regulatory framework under which banks and trust companies operate. These regulations govern the degree to which deposit-taking institutions will be permitted to engage directly in the business of insurance. The Company is pleased that the government recognized the unfair advantage which deposit-taking institutions would gain from their access to private customer information. These regulations limit deposit-taking institutions to selling only certain types of insurance. They also implement a general ban on the transfer of customer information between these institutions and insurers.

INFORMATION SYSTEMS During 1992, important improvements were made in information systems in most of our business lines and support functions. We also continued to take advantage of the capabilities and economies of minicomputers and PC-based desktop computing, shifting the focus from the mainframe computer. The heavy emphasis and large expenditures being devoted to information systems developments are a necessary investment for the future in order to improve customer service, to meet competition and ultimately to realize significant cost savings.

DIRECTORS In January 1993, Grant Reuber resigned from our Board of Directors as a consequence of his appointment as Chairman of the Canada Deposit Insurance Corporation. His broad knowledge and wise counsel will be greatly missed.

MANAGEMENT There have been important changes in the management of the Company since the 1991 Annual Report was issued.

Donald A. Stewart, formerly Senior Vice-President, Information Systems, was appointed Senior Vice-President, Financial Services. Mr. Stewart was also named Chairman and Chief Executive Officer of Sun Life Trust.

Two other Sun Life Trust senior appointments were Gary Corsi, President, and Michael A. Gunns, Senior Vice-President, Finance.

Other Principal Officer appointments were:

Corporate Office: James M. Anderson, Vice-President, Investments; Edward P. Brndiar, Vice-President, Information Systems; A. Gordon Jardin, Vice-President and General Manager, Reinsurance; David W. McCrady, Vice-President, Information Systems Planning; and James H. Van Harmelen, Vice-President and Internal Auditor.

Canada: Angus B. Warren, Vice-President, Finance and Administration.

United States: Mark W. DeTora, Vice-President, Brokerage; Scott W. Houser, Vice-President, Group Sales; Ian B. Kennedy, Vice-President, Individual Customer Services; C. James Prieur, Vice-President, Investments; Maurice L. Stewart, Vice-President, Marketing; and Robert P. Vrolyk, Vice-President, Finance.

Great Britain and Ireland: Robert W. Adams, Vice-President, Group Insurance; and David W. Hammond, Vice-President and Actuary.

Asia Pacific: Esther Tan, Vice-President, Marketing.

SUN LIFE OF CANADA PEOPLE The business of Sun Life of Canada is to deliver products and services tailored to the individual needs of our clients. This personal delivery system requires a staff and agency force trained to deal with clients in a knowledgeable, caring and committed way. Sun Life of Canada agents and staff are such people; they want to give good service and they do. We thank all of them worldwide for their effort, vision and enthusiasm, and for producing such good results in a difficult year.

John D. McNeil

John D. McNeil
Chairman and Chief Executive Officer

John R. Gardner

John R. Gardner
President

FIVE YEAR SUMMARY

(in thousands of Canadian dollars)	1992 $	1991• $	1990 $	1989 $	1988 $
OPERATING RESULTS					
Premiums:					
Life insurance	2,044,696	1,784,854	1,593,461	1,403,838	1,277,657
Health insurance	780,834	635,964	583,119	512,220	465,146
Annuities	2,055,198	2,352,823	2,070,742	1,460,113	1,158,506
	4,880,728	4,773,641	4,247,322	3,376,171	2,901,309
Net investment income	2,667,570	2,647,533	2,355,321	1,944,179	1,700,890
Fee income	477,672	406,777	400,528	371,907	361,838
Total Revenue	8,025,970	7,827,951	7,003,171	5,692,257	4,964,037
Payments to policyholders, beneficiaries and depositors	3,677,727	3,285,086	2,826,749	2,232,022	2,018,039
Increase in actuarial liabilities	1,964,463	2,390,758	2,243,225	1,791,691	1,349,069
Commissions, operating expenses, interest on borrowed funds and taxes	1,676,378	1,456,762	1,329,369	1,077,718	1,007,767
	7,318,568	7,132,606	6,399,343	5,101,431	4,374,875
Operating Income	707,402	695,345	603,828	590,826	589,162
Policyholder dividends	455,054	427,582	378,871	351,868	341,593
Income before unusual item	252,348	267,763	224,957	238,958	247,569
Write-down of goodwill	(50,110)	–	–	–	–
Net Income	202,238	267,763	224,957	238,958	247,569
AT DECEMBER 31					
Assets	39,783,838	35,814,607	31,908,748	25,953,357	23,188,813
Total Surplus	3,652,288	3,350,020	2,739,806	2,495,275	2,317,132
BUSINESS STATISTICS					
New life insurance▲	51,481,728	51,451,991	38,434,334	45,582,234	56,723,206
Life insurance in force◆	300,831,382	276,126,790	254,969,016	223,158,091	202,393,371
Health insurance reserves	1,479,349	1,325,872	1,146,023	993,632	869,165
Annuity reserves	13,373,299	11,724,263	10,010,063	8,371,458	7,305,434
▲Includes reinsurance assumed	11,784,761	9,788,930	8,099,965	15,101,814	27,044,271
◆Includes reinsurance assumed	40,526,950	33,393,011	44,467,499	45,294,567	38,869,390

•Restated – see Note 2 to the Consolidated Financial Statements.
Figures for 1990 and prior years have not been restated.

For centuries
have explored new

Charting
their continuing
look to beacons to guide
their journey

men and women
horizons.

unknown waters in
quest, they
them on
of discovery.

REVENUE, EXPENDITURE AND INCOME Total revenues for 1992 were $8,026 million, an increase of 2.5% over 1991 revenues. Income from premiums and deposits was $4,881 million, up 2.2%, and investment and fee income was $3,145 million, up 3%.

Payments to policyholders, beneficiaries and depositors, before dividends to policyholders, were $3,678 million, an increase of 12%. Commissions on sales increased 20% over the year due largely to very strong sales results in the United States. Operating expenses were $992 million, up 11%. Income taxes and premium taxes were $120 million, up a very substantial 47%, reflecting the appetite of governments around the world for more revenue.

Operating income was $707 million, up 2%. Policyholder dividends rose by $27 million to a record $455 million. Net income, after an unusual item of $50 million write-down of goodwill, was $202 million, against $268 million in 1991.

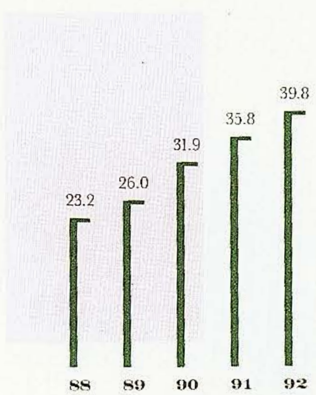
INVESTMENTS AND ASSETS The Company's high quality asset base was maintained and, at year-end, Sun Life of Canada worldwide general funds assets reached $31,355 million, up 10% over 1991. These assets are invested in a diversified portfolio of: government and corporate bonds (41%), mortgages (32%), common and preferred stock (9%), real estate (6%) and cash and short-term securities (4%). The remaining 8% consists of other assets including policy loans.

We enjoyed satisfactory performance from our bond and stock portfolios. There were increased arrears in Canada from the mortgage portfolios of our life insurance business and our trust company subsidiary, Sun Life Trust.

In the general funds of the Company, worldwide, non-performing mortgage loans and bonds, net of loss provisions, were $461 million at December 31, 1992 which constituted 1.87% of the related assets, up from 1.71% at December 31, 1991.

Segregated fund net assets amounted to $8,428 million at December 31, 1992, an increase of 15% in the year. These funds are invested for clients who generally determine the asset mix.

Total assets under management, which include mutual funds and pension funds, increased 15% during the year to reach $77 billion.



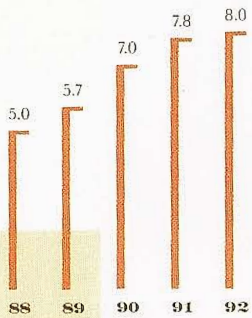
ASSETS
(billions of Canadian dollars)

SURPLUS Surplus, the difference between assets and liabilities, rose 9% to $3,652 million. These funds are held to provide additional security for our policyholders and are a bulwark against unforeseen adversity. The surplus ratio, total surplus divided by total general funds liabilities, is a good measure of the financial strength of a life insurance company. Sun Life of Canada's surplus ratio at year-end was in excess of 13%, well above the industry average.

BUSINESS OPERATIONS

INSURANCE, ANNUITIES AND PENSIONS The traditional products of the Company are life, health and disability insurance, annuities and pension plans.

INDIVIDUAL LIFE INSURANCE Sun Life of Canada sales of individual life insurance in the United States have been phenomenal in recent years. In 1992 premiums on new business amounted to $248 million, 21% higher than in 1991, while renewal premiums increased 47% to $315 million.



TOTAL REVENUE
(billions of Canadian dollars)

The Company introduced a revised universal life product in the United States in 1992. At the same time, customer service was improved through staff training and development programmes.

Our distribution system for individual products in the United States was strengthened during 1992, adding career and general agents as well as strock brokers with special talents and training.

1992 was also a very good sales year for our Asia Pacific division. Premiums on new life insurance amounted to $27 million, an increase of 39% over the previous year. The increase in life insurance in force was 26% in the Philippines and 37% in Hong Kong.

The agency force in our Asia Pacific region increased a satisfying 175 during 1992 to reach 1,080 at year-end.

In Canada, premiums on new sales of individual life insurance were on target. The increase in our sales was considerably better than the industry averages. Premiums on new sales amounted to $44 million, up 10%. Total premiums for individual life insurance were $384 million, up 8%.

During the year the Company revised the Canadian individual life insurance portfolio, in order to provide greater depth and flexibility in our line of individual products.

The freedom to soar,
opportunities

established boundaries
to growth.
gain flight they
the

to explore
and to go beyond

is vital
When fresh ideas
become
catalyst for action.

At year-end we had 1,667 agents in Canada, 54 more than the year before.

In Britain, premiums for new sales of individual life insurance were $163 million, up 4%. During the year we introduced a new set of very competitive rates for term insurance; at the same time we maintained our high level of permanent insurance sales.

During the year we prepared for the introduction in February 1993 of a new range of unit-linked products, to be known as the Centennial Life range. This product line includes the Critical Illness Benefit, which provides for the sum assured to be paid on the diagnosis of specified serious illnesses.

The sales force in Britain increased by 48 to 1,153.

GROUP LIFE AND HEALTH INSURANCE The Company's group life and health insurance business has achieved a gratifying record of growth in the past four years. In addition this business worldwide has achieved good levels of profitability, despite continuing intense competition.

In the United States, premiums on new sales of group life insurance were $18 million, up 16%, while total group life premiums increased 17% to $106 million. In that country we strengthened our distribution system with the implementation of a new regional sales structure, the opening of a new sales office in Dallas, and the increased recruiting and training of sales personnel.

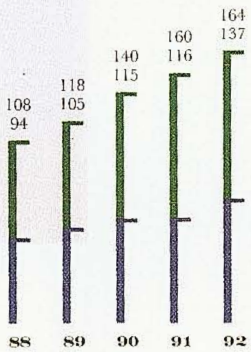
The Company forged stronger relationships with both its broker network and its customers by expanding service capabilities, revising product offerings, and providing professional risk management expertise.

A new living benefits feature was added to group life contracts enabling payment of a portion of contract benefits to the terminally ill.

In Canada, the Company's total premiums for group life insurance increased 4% in 1992 to $216 million. Sales of this business were lower than in 1991 due to poor economic conditions. The Company is the largest provider of group life insurance in Canada.

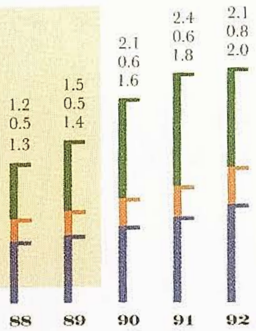
Health insurance sales in Canada were good. Total premiums for health insurance during the year amounted to $451 million, up 6% over the 1991 figure.

New systems technology (SUNWARE) was introduced in Canada during the year facilitating improved benefits administration to group clients through faster calculations and better record-keeping.



LIFE INSURANCE IN FORCE
(billions of Canadian dollars)

Group
Individual



PREMIUMS
(billions of Canadian dollars)

- Annuities
- Health
- Life

In Britain, 1992 proved to be a year when competition for all types of group insurance business intensified and, against this background, we were very pleased to achieve our forecast sales objectives.

We retained our position as the largest provider of group life business in Britain. The profitability of group life and health lines in that country continued at very satisfactory levels, which, given the intense competitive conditions, was a tribute to the underwriting skills of our professional management teams.

REINSURANCE 1992 marked the 10th anniversary of Sun Life's entry into the retrocession insurance business – the reinsuring of reinsurers. Claims experience was again better than expected, making a positive contribution to the Company. New business assumed amounted to $11.8 billion, up 20% from 1991. Total reinsurance business in force at year-end amounted to $40.5 billion.

INDIVIDUAL AND GROUP ANNUITIES The Company's Canadian pension business grew most satisfactorily in 1992, due in part to increased sales of savings plans and to our acquisition of the money purchase registered pension plan business of the Canadian branch of the Prudential Assurance Company Limited. The assets for Canadian pension business amounted to $5,664 million at the end of 1992, an increase of 7% over assets at the end of 1991.

Lower sales of individual annuities in Canada in 1992 were offset by the very large increase in mutual fund sales. The Company's major activities in the Canadian individual annuity business were to adapt our RRIF product to meet the new tax regulations and to develop a Life Income Fund (LIF) product. We introduced LIFs during the year in Quebec, the first province to permit them. LIF investments may be made from the proceeds of a pension plan and are similar to RRIFs for proceeds from RRSPs.

1992 was a landmark year for our individual annuities operation in the United States. Annuity premiums for products sold to individuals increased 11% to $850 million.

On the group side, U.S. pension reserves reached nearly $3 billion, up significantly from $2.5 billion in 1991. Sales of benefit responsive guaranteed investment contracts accounted for 70% of all group pension sales in that country.

In a barren and
landscape

for hardy species to
Finding
they challenge the
grow

forbidding
lies the opportunity

prosper,
their place in the sun,
elements and
ever stronger.

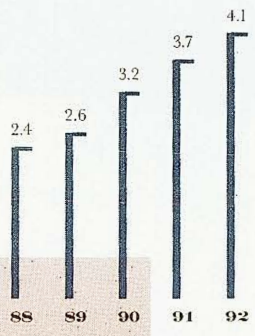
Through Sun Life of Canada (U.S.), the pensions division introduced new products including a product offering fixed and variable accounts for the funding of corporate qualified retirement plans, and the 401(k) EZ, a full-service product offered jointly with Massachusetts Financial Services. These new products target the small business market.

In Britain, new individual pension premiums during the year increased by 41% to reach $25 million. Single premium pensions made a major contribution to this total.

NON-LIFE SUBSIDIARY OPERATIONS

OVER THE PAST DECADE, SUN LIFE OF CANADA HAS BECOME A DIVERSIFIED FINANCIAL SERVICES COMPANY OFFERING PRODUCTS AND SERVICES THAT EXTEND WELL BEYOND OUR CORE INSURANCE AND ANNUITY BUSINESS. WHAT FOLLOWS IS A SYNOPSIS OF THE 1992 RESULTS OF OUR MAJOR NON-LIFE OPERATING SUBSIDIARY COMPANIES.

MUTUAL FUNDS Sun Life of Canada conducts mutual fund operations in North America and Great Britain and Ireland.



PAYMENTS TO POLICYHOLDERS, BENEFICIARIES & DEPOSITORS (INCLUDES DIVIDENDS)
(billions of Canadian dollars)

MASSACHUSETTS FINANCIAL SERVICES COMPANY (MFS) is one of the largest mutual fund management companies in the world and is represented by 35,000 brokers across the United States. 1992 was another successful year for MFS. Assets under management climbed to U.S. $30 billion at year-end, up 18%. Sales of our flexible premium annuity product were particularly good. That product combines both fixed and variable accounts and was introduced in late 1991 with Sun Life of Canada (U.S.).

SPECTRUM MUTUAL FUND SERVICES INC./ CALVIN BULLOCK, LTD. is the Company's Canadian mutual fund management operation. In 1992 it had an extremely successful year, with gross sales amounting to $534 million. Assets under management increased a very gratifying 43%, to $1.4 billion.

A new fund, Spectrum International Bond Fund, was developed in 1992 for introduction in January of this year.

Spectrum/Bullock mutual funds are marketed through the Company's agents as well as through brokers, independent distributors and Sun Life Trust.

SUN LIFE OF CANADA UNIT MANAGERS LIMITED (SLOCUM) is the Company's British mutual fund management company. While still a relatively small company in the field, SLOCUM is growing at a very satisfactory rate and, in 1992, showed a good profit. Funds under management rose by 27% to over $122 million. Gross sales were up by 1% in a market where many of our competitors were struggling hard to approach their 1991 sales levels.

TRUST, MORTGAGE AND BANKING OPERATIONS

SUN LIFE TRUST COMPANY is our Canadian trust company. Continuing difficulties with mortgage investments in 1992, particularly in Southern Ontario, resulted in significant losses. The net loss for the year was $73 million, compared with a 1991 loss of $24 million.

New senior management, appointed during the year, has as its priority a return to profitability. Measures being taken include greater integration of internal functions with those of the parent company and very close attention to cost management. 1993 will see Sun Life Trust focus on its core business activities of deposit gathering and residential mortgage lending while it begins to lay the technology foundation for offering a broader range of financial services.

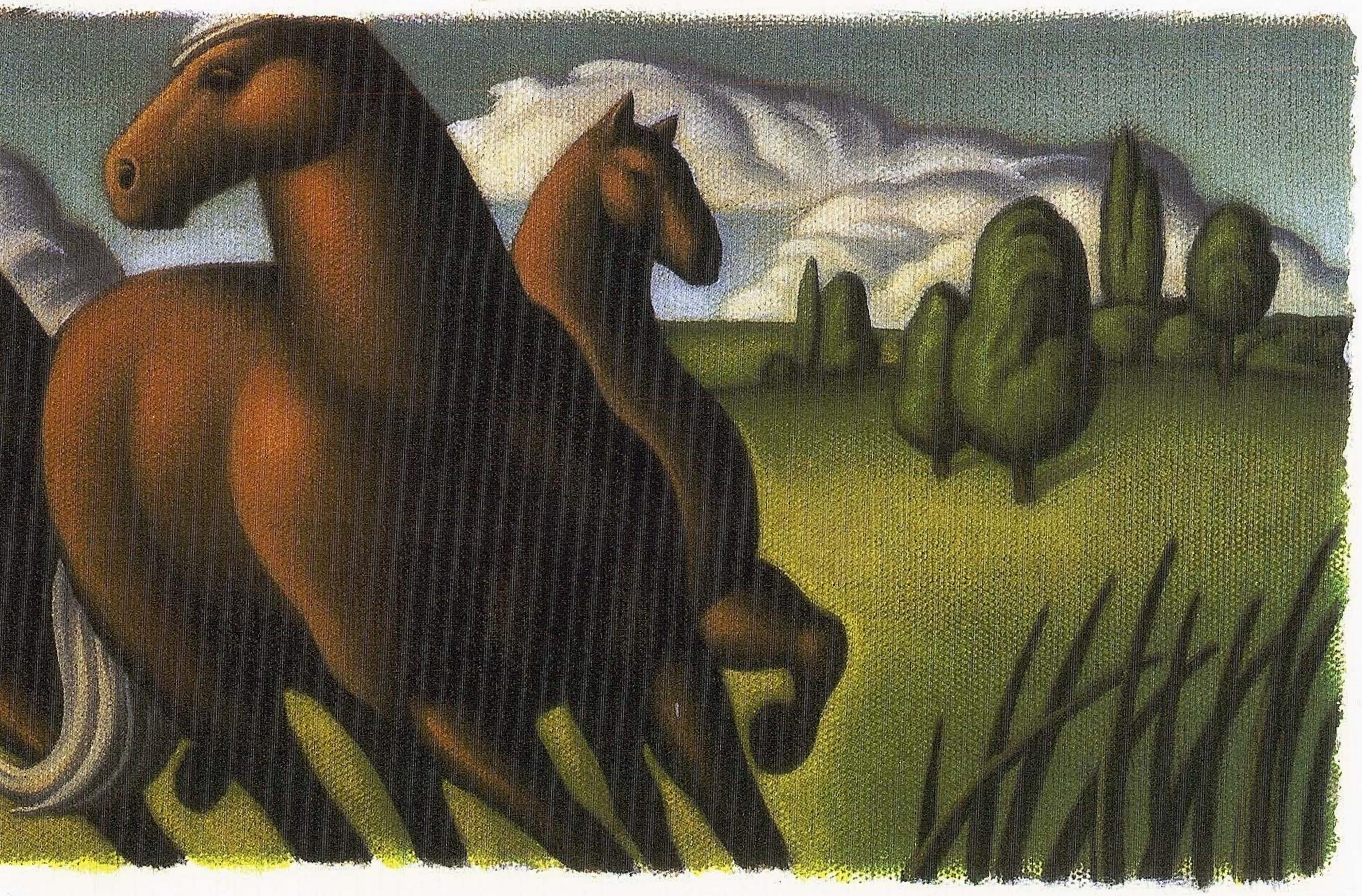
Total Sun Life Trust assets at year-end amounted to $3.3 billion, up 1% over the year before.

SUN LIFE OF CANADA HOME LOANS LIMITED is our British subsidiary formed to provide mortgage loans for residential housing. In 1992, recognizing that conditions in the residential mortgage market would deteriorate, we raised our underwriting standards significantly. This action resulted in a sharp decline in the volume of new advances made, but enabled us to maintain profits at a satisfactory level.

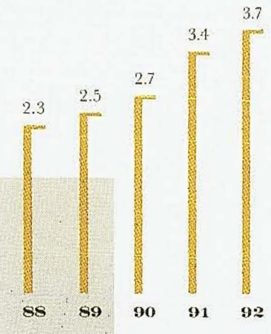
Strength and stamina
fundamental

Working in
the team generates a
that
meet the challenges

are
to staying the course.



harmony,
special energy
drives it forward to
of tomorrow.



SURPLUS
(billions of Canadian dollars)

Arrears have risen significantly; however, our revised selection procedures give promise of reducing arrears to more satisfactory levels in the future.

THE NEW LONDON TRUST COMPANY is our United States bank headquartered in New Hampshire. This company had a good year in 1992 with assets of $187 million at year-end. The bank's trust department assets under management and in custody increased 81% to $406 million, which includes trust assets acquired from another New Hampshire bank during the year.

OTHER OPERATIONS

SUN LIFE INVESTMENT MANAGEMENT manages the investment portfolios of our Canadian pension and other clients, the Variable Accumulation Funds of Sun Life of Canada and the assets of the Spectrum family of mutual funds. Assets under management increased 7% in 1992, reaching a record $4.4 billion.

MASSACHUSETTS CASUALTY INSURANCE COMPANY, the United States disability insurer in our family of companies, experienced improved financial performance in 1992. The return to profitability remains a priority issue for 1993. MCIC introduced a new disability buy-out product in 1992 designed to protect a business if one of the owners becomes disabled.

CORPORATE CITIZENSHIP

THE COMPANY AND ITS PEOPLE ARE IMPORTANT CONTRIBUTORS TO THE COMMUNITY, ASSISTING CULTURAL, CHARITABLE, EDUCATIONAL, MEDICAL, ATHLETIC AND RECREATIONAL ENDEAVOURS.

In Canada, the Company won the 1992 Corporate Sponsor of the Year Award, presented by the Sports Federation of Canada, for our support of skating and tennis events. We are now lead sponsor of three highly acclaimed events – Skate Canada, Stars on Ice and the Canadian Tennis Championships. We are a sponsor

BOARD OF DIRECTORS

SENIOR MANAGEMENT

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

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

Richard W.S. Baker
Senior Vice-President
and General Manager for
Great Britain and Ireland

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

Michael A. Hasley
Senior Vice-President,
Finance

David D. Horn
Senior Vice-President
and General Manager
for the United States

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,
Financial Services

C.L.F. (Lee) Watchorn, F.S.A., F.C.I.A.
Senior Vice-President
and General Manager
for Canada

PROFILE

Since beginning operations in 1871, Sun Life has been a leader in the life insurance industry, pioneering a number of developments including the first unconditional life insurance policy. The Company was the first in Canada to provide group life insurance, indexed and cashable annuities, Registered Retirement Income Fund annuities, and also the first to extend a non-smokers' rate to existing policyholders.

PRODUCTS AND POLICIES: Today, Sun Life's products—for groups and individuals—include life, health and disability insurance, pension and annuity contracts, savings and investment plans. Sun Life has more than five-million life and health insurance policies and annuity contracts in force worldwide. Sun Life's subsidiaries offer mutual funds, trust and deposit services, and residential and commercial mortgages.

PEOPLE: Sun Life, including subsidiaries, employs 8,229 staff and 4,992 field representatives worldwide. Canadians are directly serviced by 3,134 Company and subsidiary staff and by 1,735 field members from a network of 68 agency branches from coast to coast.

PLACES: Sun Life is recognized internationally as a diverse financial services provider with operations throughout Canada, the United States, Great Britain, Ireland, Bermuda, the Philippines, and Hong Kong.

SunLife

SUN LIFE ASSURANCE COMPANY OF CANADA

April 1993

Head Office - 150 King St. West
Toronto, Ontario
M5H 1J9

Rick Winston
Media Relations Director
Tel.: (416) 408-7529
(416) 223-2881
FAX: (416) 595-0345

1992 CONSOLIDATED FINANCIAL RESULTS

(in millions of Canadian dollars)

Company Highlights	**1992**	**1991**	**Increase (Decrease)**
	$	$	%
Company assets at December 31	39,784	35,815	11
Additional assets under management	37,078	31,124	19
Total assets under management	76,862	66,939	15
Life insurance in force	300,831	276,127	9
Funds held for annuities in force	13,373	11,724	14
Premium income	4,881	4,774	2
Net income from investments	2,667	2,647	1
Total revenue	8,026	7,828	3
Payments to policyholders, beneficiaries and depositors	3,678	3,285	12
Operating income before dividends and unusual item	707	695	2
Policyholder dividends	455	427	6
Write-Down of Goodwill	50	--	
Net income	202	268	(25)
Surplus	3,652	3,350	9

SUMMARY STATEMENT

Sun Life's total assets under management expanded 15 per cent in 1992 to almost $77 billion. Of the $39.7 billion in Company assets -- $31.4 billion comprise general fund assets and $8.4 billion, segregated fund assets; the additional assets of $37 billion are primarily mutual funds managed by Sun Life subsidiaries. Sun Life's surplus (excess of assets over liabilities), amounted to $3.7 billion at December 31, 1992 — representing a 9 per cent increase over 1991. The Company's surplus ratio (total surplus divided by general funds liabilities) was 13.2 per cent at year end.

COMPANY ACTIVITIES

Sun Life maintained its solid financial position in 1992. The Company's fundamental financial strength was further recognized in 1992 when the Company received the highest claims paying ratings from Standard & Poor's and A.M.Best — these being AAA (Superior) and A++ (Superior), respectively.

Total revenue from the Company's operations in Canada amounted to $3.5 billion; general fund assets and segregated fund assets totalled $18.8 billion. Among the year's highlights: Spectrum mutual fund sales exceeded $500 million; Sun Life assumed pension plan business from Prudential Assurance worth approximately $120 million.

Under the Company's U.S. operations, total revenue was $3.3 billion; general fund assets and segregated fund assets, $15.5 billion. Pension assets exceeded $3.8 billion. Total annuity premiums rose to $900 million; annualized individual life insurance premiums resulting from new sales amounted to $133 million; and renewal premiums increased 37 per cent to $370 million.

In Sun Life's United Kingdom business, total revenue amounted to $1.2 billion; general fund assets and segregated fund assets totalled $5.3 billion. Sun Life remained the leading group life insurance carrier in the U.K. market. Mutual funds under management by Sun Life of Canada Unit Managers Limited increased 27 per cent to exceed $122 million.

WHOLLY-OWNED SUBSIDIARIES IN CANADA: Spectrum Mutual Fund Services Inc., Calvin Bullock,Ltd., Sun Life Trust Company, Sun Life of Canada Investment Management Limited, Sun Life of Canada Benefit Management Limited, Sun Life Distribution Services Inc., Sun Life Financial Holdings Inc., and Sun Life Savings and Mortgage Corporation.

WHOLLY-OWNED SUBSIDIARIES IN THE UNITED STATES: Sun Life Assurance Company of Canada (U.S.), Sun Life Insurance and Annuity Company of New York, Sun Investment Services Company, Sun Benefit Services Company Inc., Sun Capital Advisers, The New London Trust Company, Massachusetts Casualty Insurance Company, Massachusetts Financial Services Company, Clarendon Insurance Agency Inc., MFS Service Center Inc., MFS Financial Services Inc., and Lifetime Advisers Inc.

WHOLLY-OWNED SUBSIDIARIES IN GREAT BRITAIN AND IRELAND: Sun Life Assurance Company of Canada (U.K.) Limited, Sun Life of Canada Unit Managers Limited, and Sun Life of Canada Home Loans Company Limited.

SunLife

of the Canadian Figure Skating Association and the Canadian Skating Team as well as sponsor of the provincial skating championships. Hundreds of local events, in various other recreations, also receive Sun Life support across the country.

Our staff participate in many charitable community projects in Canada, one being Meals on Wheels for which 75 staff members in Toronto volunteer their time delivering meals to recipients. The Company itself has donated a vehicle to this programme.

In the United States, the Company continued to reach out to the community in innovative ways in 1992. Through employee volunteer projects, Company employees helped clean a state park, read to elementary school children and donated clothes to a shelter for battered women.

The Company also continued its association with the National Child Safety Council, supporting a project which offers parents free child fingerprinting kits to help complete their children's personal identification records.

In Britain, special emphasis was put on community involvement as a step toward the celebrations planned there for 1993 to commemorate the 100th anniversary of our entering the British Isles in 1893.

Of particular note was the local sponsorship programme undertaken throughout Britain by our sales branches in support of local charitable activities. Our support for junior cricket also continued, and over 11,000 young people, girls as well as boys, took part in the National Under 15 Cricket Championship, which we sponsor.

Sun Life of Canada people have a long-standing spirit of involvement in community affairs. They undertake this work with energy, enthusiasm and generosity and we are very proud of them.

Skillful cultivation
can produce

exceeds the initial
Patience,
daring are essential
to a

of resources
a bounty that far

investment.
commitment and
ingredients
prosperous future.

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.

CANADA

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

John D. McNeil, Chairman — Incorporated: 1973; Acquired: 1989
Michael A. Hasley, President

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

C. Lee F. Watchorn, Chairman — Incorporated: 1975
Mark Yamada, President

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

C. Lee F. Watchorn, Chairman — Incorporated: 1976
William R. Pearo, President

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

C. Lee F. Watchorn, Chairman — Incorporated: 1987
Allen C. Marple, President

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

John S. Lane, Chairman — Incorporated: 1987
C. Lee F. Watchorn, President

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

Donald A. Stewart, Chairman — Incorporated: 1913; Acquired: 1989
Gary Corsi, President

GREAT BRITAIN AND IRELAND

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

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

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

Richard W.S. Baker, Chairman — Incorporated: 1986

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

Richard W.S. Baker, Chairman — Incorporated: 1988

Calvin Bullock, Ltd. manages and markets the Bullock Group of Funds.

Allen C. Marple, Chairman and President — Incorporated: 1932; Acquired: 1990

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) provides record-keeping claims and actuarial services for welfare and pension benefit plans.
John R. Gardner, President — Incorporated: 1977

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, Sr., Chairman — Incorporated: 1958; Acquired: 1986
William F. Kidder, Jr., President

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

Massachusetts Financial Services Company (MFS) provides investment management for mutual funds and client funds.
A. Keith Brodkin, Chairman — Established: 1924; Acquired: 1982
Jeffrey L. Shames, President

Clarendon Insurance Agency, Inc. distributes life insurance and annuity products created by Sun Life of Canada (U.S.).
A. Keith Brodkin, Chairman — Incorporated: 1968
Cynthia Orcutt, President

MFS Service Center, Inc. provides transfer agency and related services to the investment company clients of MFS.
A. Keith Brodkin, Chairman — Incorporated: 1985
Joseph A. Recomendes, President

MFS Financial Services, Inc. serves as the distributor for all the mutual funds in the MFS complex.
A. Keith Brodkin, Chairman — Incorporated: 1986
William W. Scott, Jr., President

Lifetime Advisers, Inc. provides investment management for mutual funds in the MFS Lifetime investment program.
A. Keith Brodkin, Chairman and President — Incorporated: 1986

MFS International, Ltd. serves as investment manager and distributor for the MFS Meridian Funds and the MFS International Funds.
A. Keith Brodkin, Chairman and President — Incorporated: 1991

MFS Investor Services, Inc. acts as a retail dealer, primarily for sales of MFS products to retirement plans.
A. Keith Brodkin, Chairman — Incorporated: 1992
William W. Scott, Jr., President

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,
Sun Life of Canada
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
Foster City, California

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

Bertin F. Nadeau
Chairman,
Unigesco Inc. and Univa 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

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,
SmithKline Beecham
Clinical Laboratories
King of Prussia, Pennsylvania

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

David G. Vice
Company Director
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

EXECUTIVE COMMITTEE

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

NOMINATING COMMITTEE

J. Peter Gordon, 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
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
Ronald W. Osborne
David G. Vice
Jeannine G. Wood

CONDUCT REVIEW COMMITTEE

Donald S. Macdonald, Chairman
M. Colyer Crum
Kathleen M. Richardson
David G. Vice

MANAGEMENT

EXECUTIVE OFFICERS

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

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

CORPORATE OFFICE

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, Financial Services

James M. Anderson
C.F.A., C.L.U., C.R.A.
Vice-President, Investments

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

Edward P. Bendiar
Vice-President, Information Systems

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

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

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 and General Manager, Reinsurance

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

David W. McCrady, F.L.M.I.
Vice-President, Information Systems Planning

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

Luc Plamondon
Vice-President and Associate General Counsel

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

James H. Van Harmelen, C.A.
Vice-President and Internal Auditor

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

Ian R. Fung
Vice-President, Investments

Lucy G. Greene
Vice-President, Human Resources

William E. Hewitt, C.F.A.
Vice-President, Securities Investments

Raymond G. Hunter, 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, Finance and Administration

Barry J. Blackburn
Vice-President and Chief Legal Adviser

H. Anthony Fenn
Vice-President, Investments

David W. Hammond
F.I.A., A.S.A.
Vice-President and Actuary

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

Paul A. Littleton
Vice-President, Agency

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

GREAT BRITAIN AND IRELAND

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

Maurice E. Bates
Vice-President and Assistant General Manager

Robert W. Adams, F.I.A.
Vice-President, Group Insurance

Quentin de la Bedoyere
Vice-President, Product Management

UNITED STATES

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

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

Robert A. Bonner, C.L.U.
Vice-President, Pensions

Mark W. DeTora
Vice-President, Brokerage

Scott W. Houser
Vice-President, Group Sales

Elson M. Hung
Vice-President, Agencies

Ian B. Kennedy, F.L.M.I.
Vice-President, Individual Customer Services

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

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

S. Caesar Raboy, C.L.U.
Vice-President, Individual Insurance

Robert J. Smardon, F.S.A.
Vice-President, Individual Products

Ronald Standring
Vice-President, Information Systems

Maurice L. Stewart
C.L.U., ChFC
Vice-President, Marketing

Robert P. Vrolyk
F.S.A., F.C.I.A., M.A.A.A.
Vice-President, Finance

David B. Wray
Vice-President

ASIA PACIFIC

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

Lance W. Kemp, F.L.M.I.
Vice-President and General Manager, Asia Pacific

Esther Tan
Vice-President, Marketing

•Members of the Senior Advisory Council

Management is responsible for preparing the consolidated financial statements and ensuring that all information in the annual report to policyholders is consistent with these statements. This responsibility includes selecting appropriate accounting policies and making estimates and other judgements consistent with Canadian generally accepted accounting principles and the requirements of the Superintendent of Financial Institutions Canada.

The Board of Directors oversees management's responsibilities for financial reporting. An Audit Committee of non-management directors is appointed by the Board to review the financial statements and report to the directors prior to their approval of the financial statements for issuance to policyholders.

Management is also responsible for maintaining systems of internal control that provide reasonable assurance that financial information is reliable, that all financial transactions are properly authorized, that assets are safeguarded, and that the Company and its subsidiaries adhere to legislative and regulatory requirements. These systems include the communication of policies and the Company's code of ethics and business conduct throughout the organization. Such policies and standards are designed to prevent conflicts of interest and unauthorized disclosure of information. Internal controls are reviewed and evaluated by the Company's internal auditors.

The Audit Committee also conducts such review and inquiry of management and the internal and external auditors as it deems necessary towards establishing that the Company and its subsidiaries are employing appropriate systems of internal control, are adhering to legislative and regulatory requirements, and are applying the Company's code of ethics and business conduct. Both the internal and external auditors have full and unrestricted access to the Audit Committee, with and without the presence of management.

The Office of the Superintendent of Financial Institutions Canada conducts periodic examinations of the Company and its Canadian subsidiaries. These examinations are designed to evaluate compliance with provisions of the Insurance Companies Act of Canada and to ensure that the interests of policyholders, depositors and the public are safeguarded. The Company's foreign operations and foreign subsidiaries are examined by regulators in their local jurisdictions.

The Appointed Actuary, who is a member of management appointed by the Board to discharge the various actuarial responsibilities required under the Insurance Companies Act of Canada, conducts the valuation of the Company's actuarial liabilities. The report of the Appointed Actuary appears on page 46.

The Company's external auditors, Deloitte & Touche, Chartered Accountants, conduct an independent examination of the financial statements and meet separately with both management and the Audit Committee to discuss the results of their examination. The Auditors' Report to the policyholders appears on page 46.

Toronto, February 3, 1993

J.D. McNeil
Chairman and Chief Executive Officer

M.A. Hasley
Senior Vice-President, Finance

D.R.W. Jamieson
Vice-President and Comptroller

J.H. Van Harmelen
Vice-President and Internal Auditor

DIVIDEND POLICY

Sun Life Assurance Company of Canada (the Company) is a mutual life insurance company governed by the Insurance Companies Act of Canada. This Dividend Policy for participating policyholders has been prepared pursuant to this Act, and is based on accepted actuarial principles and practices in each geographical territory in which the Company carries on business.

The Company endeavours to provide its participating policyholders with life insurance at a reasonable cost, subject to the need to maintain financial strength to meet long-term commitments and objectives.

The surplus of the Company is derived from earnings from all sources, and its distribution is at the discretion of the Board of Directors of the Company. Each class of participating policy is expected to contribute to the surplus retained by the Company. In exercising its discretion, the Board determines the amount of surplus to be retained by the Company for its future requirements, and the amount that is available for distribution to policyholders.

The dividend allocation process followed by the Company recognizes the contributions to the surplus of the Company made by participating policies. Not all policies contribute to the Company's surplus to the same extent or at the same time, and there are certain practical limits, legal constraints, and prevailing local practices that apply to the allocation in some circumstances. This process seeks to achieve reasonable equity between classes of policies and between generations of policies. In order to determine the contribution of policies to the surplus of the Company, policies are grouped into classes with common experience factors such as mortality, investment return, taxes, and administrative expenses.

The dividend scale of the Company is established by the Board from time to time, and is reviewed at least once each year. Generally, dividends or bonuses are credited to policies on the anniversary date of a policy. Other types of dividends called terminal dividends, or terminal bonuses, may be credited to a policy upon surrender or maturity of the policy, or upon death of the insured, provided the policy has been in force for a certain period of time. The manner of termination may affect the amount of any terminal dividend or bonus.

This Dividend Policy is subject to change from time to time by the Board of Directors of the Company.

CONSOLIDATED BALANCE SHEET

December 31 (in thousands of Canadian dollars)	1992 $	1991 $
ASSETS		
General Funds		
Bonds	12,791,679	10,685,498
Mortgages	10,122,457	9,667,529
Stocks	2,831,798	2,805,105
Real estate	1,854,491	1,824,542
Policy loans	769,925	737,703
Cash and short-term securities	1,245,249	924,073
Other invested assets	330,494	452,266
Investment income due and accrued	450,069	422,759
Outstanding premiums	104,346	108,596
Deferred income taxes	91,833	44,397
Deferred acquisition costs	115,604	115,400
Other assets	647,528	670,641
	31,355,473	28,458,509
Segregated Funds		
Net assets	8,428,365	7,356,098
	39,783,838	35,814,607
LIABILITIES AND SURPLUS		
General Funds		
Actuarial liabilities:		
Reserves for unmatured obligations	20,347,217	18,014,865
Provision for dividends	429,660	430,605
Provision for experience refunds	86,179	27,584
Provision for unreported claims	137,098	126,753
Reserve for Company employee and retiree uninsured benefits	114,246	104,826
	21,114,400	18,704,633
Amounts on deposit	4,354,542	4,283,674
Policy benefits in process of payment	157,661	133,366
Borrowed funds	338,820	490,727
Accrued expenses and taxes	174,987	163,504
Deferred income taxes	127,853	105,626
Deferred net realized gains	868,018	760,404
Other liabilities	566,904	466,555
Total general funds liabilities	27,703,185	25,108,489
Surplus	3,652,288	3,350,020
	31,355,473	28,458,509
Segregated Funds		
Segregated funds contract liabilities	8,428,365	7,356,098
	39,783,838	35,814,607

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31 *(in thousands of Canadian dollars)*	1992 $	1991 $
REVENUE		
Premiums:		
Life insurance	2,044,696	1,784,854
Health insurance	780,834	635,964
Annuities	2,055,198	2,352,823
	4,880,728	4,773,641
Net investment income	2,667,570	2,647,533
Fee income	477,672	406,777
	8,025,970	7,827,951
POLICY BENEFITS AND EXPENSES		
Payments to policyholders, beneficiaries and depositors:		
Death and disability benefits	631,046	560,968
Maturities and surrenders	1,563,614	1,315,432
Annuity payments	519,982	478,833
Interest on claims and deposits	379,977	430,707
Experience rating refunds	33,054	47,253
Health benefits	550,054	451,893
	3,677,727	3,285,086
Increase in actuarial liabilities	1,964,463	2,390,758
Commissions	513,600	427,783
Operating expenses	992,118	891,344
Interest on borrowed funds	50,199	55,636
Taxes	120,461	81,999
	7,318,568	7,132,606
OPERATING INCOME	707,402	695,345
Policyholder dividends	455,054	427,582
INCOME BEFORE UNUSUAL ITEM	252,348	267,763
Write-down of goodwill	(50,110)	–
NET INCOME	202,238	267,763

CONSOLIDATED STATEMENT OF SURPLUS

Year ended December 31 *(in thousands of Canadian dollars)*	APPROPRIATED SURPLUS $	UNAPPROPRIATED SURPLUS $	CURRENCY TRANSLATION ACCOUNT $	SURPLUS $
1992				
Balance, January 1, as restated	1,622,464	1,720,046	7,510	3,350,020
Net Income	–	202,238	–	202,238
Surplus appropriations	186,106	(186,106)	–	–
Effect of changes in currency rates	–	–	100,030	100,030
Balance, December 31	1,808,570	1,736,178	107,540	3,652,288
1991				
Balance, January 1, as previously reported	782,306	1,952,774	4,726	2,739,806
Restatement on implementing GAAP	–	339,667	111	339,778
Net Income, as restated	–	267,763	–	267,763
Surplus Appropriations:				
As previously reported	127,916	(127,916)	–	–
Restatement on implementing GAAP and regulatory change	712,242	(712,242)	–	–
Effect of changes in currency rates	–	–	2,673	2,673
Balance, December 31, as restated	1,622,464	1,720,046	7,510	3,350,020

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended December 31 (in thousands of Canadian dollars)	1992 $	1991 $
OPERATING ACTIVITIES		
Receipts		
Net income	202,238	267,763
Items not affecting cash:		
Increase in actuarial liabilities	1,964,463	2,390,758
Amortization of deferred realized and unrealized gains and losses on investments	(200,294)	(215,476)
Interest credited to amounts on deposit	90,126	102,794
Provisions for losses on investments	154,395	75,108
Amortization and write-down of goodwill	58,056	7,533
Other, net	73,330	(45,668)
	2,342,314	2,582,812
Net decrease in amounts on deposit	(63,577)	(67,748)
Net change in other assets and other liabilities	18,942	9,932
	2,297,679	2,524,996
Applications		
Net increase in policy loans	(29,484)	(32,173)
Net (increase) decrease in long-term investments:		
Bonds	(1,546,098)	(1,975,791)
Mortgages	(457,543)	(795,884)
Stocks	43,027	(120,206)
Real estate	(37,535)	11,863
Other invested assets	124,939	(121,274)
Net cash provided by (used in) operating activities	394,985	(508,469)
FINANCING ACTIVITIES		
(Decrease) increase in borrowed money	(99,848)	101,350
INCREASE (DECREASE) IN CASH AND SHORT-TERM SECURITIES	295,137	(407,119)
Cash and short-term securities, January 1	924,073	1,343,883
Changes due to fluctuations in exchange rates	26,039	(12,691)
CASH AND SHORT-TERM SECURITIES, DECEMBER 31	1,245,249	924,073

CONSOLIDATED SEGREGATED FUNDS BALANCE SHEET

December 31 *(in thousands of Canadian dollars)*	1992 $	1991 $
ASSETS		
Bonds	1,719,316	1,594,609
Mortgages	297,319	328,613
Stocks	5,167,895	4,034,177
Real estate	421,693	503,071
Cash and short-term securities	863,399	945,948
Investment income due and accrued	45,536	50,928
Other assets	36,266	110,120
	8,551,424	7,567,466
LIABILITIES		
Accrued expenses and taxes	14,290	6,836
Other liabilities	108,769	204,532
	123,059	211,368
NET ASSETS		
Applicable to Segregated Funds policyholders	8,428,365	7,356,098

CONSOLIDATED SEGREGATED FUNDS
STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31 *(in thousands of Canadian dollars)*	**1992** $	**1991** $
NET ASSETS, January 1, as restated	7,356,098	6,350,497
ADDITIONS		
Deposits:		
Life insurance	86,009	83,715
Annuities	1,482,919	1,147,791
Investment income	561,445	527,979
Net market value gain on investments	92,462	607,179
Currency adjustment due to changes in exchange rates	127,758	10,111
	9,706,691	8,727,272
DEDUCTIONS		
Payments to policyholders and their beneficiaries:		
Death and disability benefits	37,200	23,524
Maturities and withdrawals	1,067,840	1,190,288
Annuity payments	63,270	65,342
Management fees	77,108	65,152
Other expenses	14,452	12,374
Taxes	18,456	14,494
NET ASSETS, December 31	8,428,365	7,356,098

(Amounts in thousands of Canadian dollars)

1. ACCOUNTING POLICIES

The Sun Life Assurance Company of Canada is registered under the Insurance Companies Act of Canada, which is administered by the Office of the Superintendent of Financial Institutions Canada. The consolidated financial statements include the accounts of the Sun Life Assurance Company of Canada and its subsidiaries (the Company). The Company operates predominantly in the life insurance industry.

These consolidated financial statements have been prepared in accordance with the Insurance Companies Act which states that, except as otherwise specified by the Superintendent of Financial Institutions Canada, the financial statements are to be prepared in accordance with Canadian generally accepted accounting principles (GAAP).

The significant accounting policies used in the preparation of these financial statements, including the accounting requirements of the Superintendent, are summarized below.

Bonds and Mortgages

Bonds and mortgages are carried at amortized cost net of any provisions. 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. Additional provisions for possible future asset defaults are carried in the actuarial liabilities.

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.

Stocks

Stocks are carried 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 stocks are deferred and brought into income annually at the rate of 15% of the unamortized balance.

Real Estate

Real estate is carried 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.

Policy Loans

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

Cash and Short-Term Securities

Short-term securities are carried at amortized cost. Short-term securities are highly liquid investments that had, on acquisition, a remaining term to maturity of twelve months or less.

Actuarial Liabilities

The Actuarial liabilities of the Company have been determined using the policy premium method. In determining these liabilities provision has been made for adverse deviations from the anticipated future experience, including provision for possible future defaults on invested assets.

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

Acquisition costs arising on sales of insurance products and annuities are implicitly recognized in the Actuarial liabilities by the policy premium method. The effect is to recognize the expense over the premium paying period.

Deferred acquisition costs arise on certain term deposits and on those mutual fund sales having a deferred sales charge. These acquisition costs are amortized over the term of the related deposits or the applicable period of such mutual fund 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
Income taxes are provided for using the deferral method of income tax allocation. The provision for deferred income taxes arises from timing differences between income reported for statement purposes and for tax purposes.

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.

2. CHANGE IN ACCOUNTING POLICY

In previous years the financial statements were prepared in accordance with various accounting policies either prescribed or permitted by the Superintendent of Financial Institutions Canada. With the implementation of the Insurance Companies Act, life insurance companies are now required to follow GAAP. The major changes arising from the move to GAAP are: that the policy liabilities are restated using the policy premium method; that the equity investments of the health account and life insurance subsidiaries are carried at an amount using the moving average market method; that financial reinsurance is accounted for on a fee basis; and that income taxes are accounted for using the deferral method.

In adopting GAAP, the 1991 financial statements have been restated to give retroactive application to the changes in accounting policies. The effects of the changes are:

	INCREASE/(DECREASE)	
	SURPLUS JANUARY 1, 1991 $	NET INCOME IN 1991 $
Policy premium method	461,353	29,087
Deferred income taxes	(118,832)	16,621
Other items, net	(2,743)	(2,088)
Net increase	339,778	43,620

(Amounts in thousands of Canadian dollars)

As a result of the adoption of the policy premium method, the requirements of the Superintendent result in an increase in required appropriations and a decrease in unappropriated surplus in 1991 of $398,560, which is composed of the following:

	INCREASE IN APPROPRIATED SURPLUS IN 1991 $
Canadian statutory deficiency reserves	175,965
Canadian statutory transitional solvency provision	222,595
	398,560

In addition surplus was appropriated in the amount of $313,682 in 1991 to comply with the requirements of the Superintendent to consider fixed assets, prepaid expenses and certain receivables, deferred acquisition costs, goodwill and other intangibles in subsidiary companies as non-admitted assets.

Consequently the total increase in appropriations of surplus in 1991 is $712,242.

3. MARKET VALUE OF INVESTED ASSETS

	1992 CARRYING VALUE $	1992 MARKET VALUE $	1991 CARRYING VALUE $	1991 MARKET VALUE $
Bonds	12,791,679	13,624,394	10,685,498	11,690,963
Mortgages	10,122,457	10,452,825	9,667,529	10,005,903
Stocks	2,831,798	3,207,756	2,805,105	3,161,655
Real estate	1,854,491	1,894,704	1,824,542	2,256,575
Cash and short-term securities	1,245,249	1,244,522	924,073	924,703
Other invested assets	330,494	328,538	452,266	456,164
	29,176,168	30,752,739	26,359,013	28,495,963

A significant portion of the excess of market values over carrying values relates to assets that are matched to liabilities as to net yield and duration. Where assets are so matched, excesses do not represent amounts that may be realized and credited to income since many of the underlying assets will be held to maturity and their realization before maturity would require that amounts realized be reinvested to maintain sufficient assets to meet these liabilities.

4. DEFERRED ACQUISITION COSTS

The Deferred acquisition costs of $115,604 ($115,400 in 1991) arise on certain term deposits and mutual fund sales. These acquisition costs are amortized over the term of the related deposits or the applicable period of such mutual fund sales charges, as appropriate. Included in Appropriated surplus, as part of the Canadian statutory valuation reserve for non-admitted assets, is an appropriation for the unamortized amount of deferred acquisition costs.

Amortization charged to income during the year amounted to $54,090 ($49,680 in 1991).

5. GOODWILL

Included in Other assets is goodwill of $60,320 ($113,496 in 1991). Goodwill is being amortized over periods varying up to 20 years. Included in Appropriated surplus, as part of the Canadian statutory valuation reserve for non-admitted assets, is an appropriation for the unamortized amount of goodwill.

Goodwill amortized and charged to income during the year amounted to $7,946 ($7,533 in 1991).

On the acquisitions of Counsel Trust and Coronet Trust the Company paid in excess of the book value of the assets acquired, reflecting the prevailing market conditions. This excess was reflected as goodwill. The recession in Canada has caused the value of this goodwill to be permanently impaired. Consequently the remaining unamortized balance of goodwill arising from the acquisitions of these companies, in the amount of $50,110, has been written off.

6. FIXED ASSETS

Included in Other assets are furniture, computers, equipment and leasehold improvements which are carried at a cost of $340,980 ($284,701 in 1991), less accumulated depreciation and amortization of $205,715 ($166,504 in 1991). Depreciation and amortization are recorded on a straight-line basis at annual rates varying from 10% to 50%, sufficient to write the assets off over their estimated useful lives. Included in Appropriated surplus, as part of the Canadian statutory valuation reserve for non-admitted assets, is an appropriation for the undepreciated amount of fixed assets.

Depreciation and amortization charged to income amounted to $46,690 ($50,416 in 1991).

7. ACTUARIAL LIABILITIES

Reserves for unmatured obligations shown on the Consolidated Balance Sheet represent the amount which, together with future premiums and net investment income, will provide for future benefits to policyholders, certificate holders, or to their beneficiaries. As required by the Insurance Companies Act, the computation of these reserves is in accordance with generally accepted actuarial practice. Provision for dividends shown separately under Actuarial liabilities represents the amount of annual and terminal dividends expected to be paid in 1993.

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 Insurance Companies Act requires the use of a new reserve method and other changes which have had the overall effect of reducing Actuarial liabilities and increasing Appropriated surplus. Figures for 1991, as reported last year, have been restated and are shown in the report on a basis consistent with 1992.

(Amounts in thousands of Canadian dollars)

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

	1992 $	1991 $
RESERVES FOR UNMATURED OBLIGATIONS		
Individual life insurance	5,037,093	4,544,769
Group life insurance	457,476	419,961
Individual annuities	5,280,812	5,056,422
Group annuities	8,092,487	6,667,841
Health insurance	1,479,349	1,325,872
	20,347,217	18,014,865
APPROPRIATIONS OF SURPLUS		
Canadian statutory investment valuation reserve	231,285	187,650
Canadian statutory valuation reserve for non-admitted assets	530,378	506,272
Canadian statutory deficiency reserves	347,756	273,185
Canadian statutory transitional solvency provision	222,595	222,595
Foreign statutory deficiency reserves	115,197	83,133
Additional reserves	361,359	349,629
	1,808,570	1,622,464

8. BORROWED FUNDS

Included in Borrowed funds is an amount of $290,312 ($437,468 in 1991) 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.

9. NET INVESTMENT INCOME

Net investment income has the following components:

	1992 $	1991 $
Interest income	2,385,952	2,276,946
Dividend income	125,312	120,223
Real estate income (net)	127,723	126,968
Amortization of deferred realized gains and losses	123,088	109,728
Amortization of unrealized gains and losses	77,206	105,746
Other items (net)	23,949	22,169
	2,863,230	2,761,780
Provisions for losses on investments	(154,395)	(75,108)
Investment expenses and taxes	(41,265)	(39,139)
	2,667,570	2,647,533

10. TAXES

In the Consolidated Statement of Operations, the provision for taxes in respect of the Company's worldwide operations has the following components:

	1992 $	1991 $
Current income taxes	98,538	105,099
Deferred income taxes	(20,344)	(54,974)
Premium taxes	42,267	31,874
	120,461	81,999

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

	1992	1991
Combined Canadian federal and provincial income tax rate	43.0%	42.5%
Increase (decrease) in rate resulting from:		
Lower effective rates on income subject to taxation in foreign jurisdictions	(40.2%)	(14.6%)
Tax-exempt income from Canadian securities and non-taxable portion of capital gains	(16.4%)	(19.1%)
Capital taxes	25.2%	2.6%
Other	16.3%	4.4%
Company's effective worldwide income tax rate	27.9%	15.8%

The Company has accumulated net tax losses, primarily in Canada and the United States, totalling $315,647 ($153,821 in 1991). Such losses expire throughout the next seven years, for Canadian losses, and the next 15 years, for United States losses. The future benefit of the majority of these tax losses, measured at the various applicable tax rates, has been recognized as a reduction in deferred income taxes of $114,837 ($43,277 in 1991). The Company has not recognized the benefit of tax losses of a subsidiary where it has not yet been established with virtual certainty how the losses will be utilized.

In Canada, the Company has paid federal capital taxes which may be offset against future federal income taxes. In the United States, the Company has paid alternative minimum taxes which may be offset against future income taxes. On a cumulative basis the amount paid and available for offset on these two taxes is $79,037 ($44,631 in 1991). The liability for deferred income taxes has been reduced by recognizing benefits from these taxes paid of $19,939 ($36,975 in 1991). In 1992, it was decided not to recognize the potential benefit of Canadian capital tax payments because the extent to which the Company may choose to utilize available offsets against income taxes, within prescribed time limits, has not yet been determined.

(Amounts in thousands of Canadian dollars)

11. 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:

	1992 $	1991 $
Obligations for defined benefit pension plans	545,428	479,259
Obligations for defined contribution pension plans	214,385	205,528
Obligations for other retiree benefits	107,378	109,930
	867,191	794,717
Assets funding these obligations	992,676	905,139
Excess of assets	125,485	110,422

The Company provides pensions and other retiree benefits for substantially all of its employees and career agents. The defined benefit pension plans offer benefits based on years of service and final average earnings. Other retiree benefits consist of post-retirement medical, dental and life insurance benefits.

12. 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:

	$
1993	64,194
1994	59,058
1995	54,681
1996	50,876
1997	43,379
thereafter	404,231
	676,419

13. SEGMENTED INFORMATION

The Company operates predominantly in the life insurance business. Life insurance and reinsurance operations cover the individual and group markets and the life insurance, health insurance and annuity product lines. Other operations, notably mutual fund operations, investment advisory services and trust company operations, are considered ancillary to the life insurance operations.

Information by geographic segment
The Company has significant operations in Canada, the United States, Great Britain and Ireland and the Far East. Operations in other countries, including Bermuda, are reported with the Canadian operations. The revenues arising in these countries and the assets held in these countries are summarized below:

	CANADA $	UNITED STATES $	GREAT BRITAIN & IRELAND $	FAR EAST $	TOTAL $
1992					
Total revenue	3,476,457	3,288,511	1,159,291	101,711	8,025,970
1991					
Total revenue	3,736,982	2,954,614	1,061,962	74,393	7,827,951
1992					
General fund assets	16,321,233	11,382,787	3,412,857	238,596	31,355,473
Segregated fund assets	2,442,322	4,099,794	1,886,249	–	8,428,365
	18,763,555	15,482,581	5,299,106	238,596	39,783,838
1991					
General fund assets	15,565,825	9,121,467	3,623,789	147,428	28,458,509
Segregated fund assets	2,482,852	3,197,822	1,675,424	–	7,356,098
	18,048,677	12,319,289	5,299,213	147,428	35,814,607

14. COMPARATIVE FIGURES

In addition to the changes arising from the implementation of GAAP, certain comparative figures have been reclassified to conform with the presentation adopted in 1992. In particular the assets previously reported in the Segregated funds as applicable to general funds policyholders have been reclassified to the General funds.

APPOINTED ACTUARY'S REPORT

The Policyholders,
Sun Life Assurance Company of Canada.

I have valued the Actuarial liabilities of the Sun Life Assurance Company of Canada for its Consolidated Balance Sheet at December 31, 1992 and its other consolidated financial statements for the year then ended, in accordance with accepted actuarial practice.

In my opinion, the valuation is appropriate and the financial statements fairly present the results of the valuation.

Toronto, January 29, 1993

D. L. Gauer

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

AUDITORS' REPORT

The 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, 1992 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company and its Segregated Funds as at December 31, 1992 and the results of the Company's operations and its cash flow and the changes in the net assets of its Segregated Funds for the year then ended in accordance with generally accepted accounting principles including the accounting requirements of the Superintendent of Financial Institutions Canada.

Toronto, February 3, 1993

Deloitte & Touche

Deloitte & Touche
Chartered Accountants

CORPORATE OFFICE

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,
225 King Street West,
Toronto, Ontario
Canada M5V 3C5
Tel. (416) 408-7500

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

Asia Pacific
Sun Life of Canada,
Philcox Building, 7th Floor,
172 Salcedo Street,
Legaspi Village, Makati,
Metro Manila, Philippines
Tel. 818-6926

Nous nous ferons un plaisir de vous faire parvenir sur demande la version française du présent rapport.

Produced by:
Sun Life Public Relations
and Communications

Design:
Ove Design Toronto Ltd.

Illustration:
Simon Ng

Photography:
Liam Sharp

Printing:
Arthurs-Jones Lithographing Ltd.

Typesetting:
Moveable Type Inc.

Printed on recycled paper including at least 15% post-consumer waste.

Printed in Canada