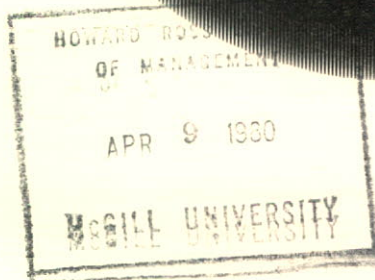
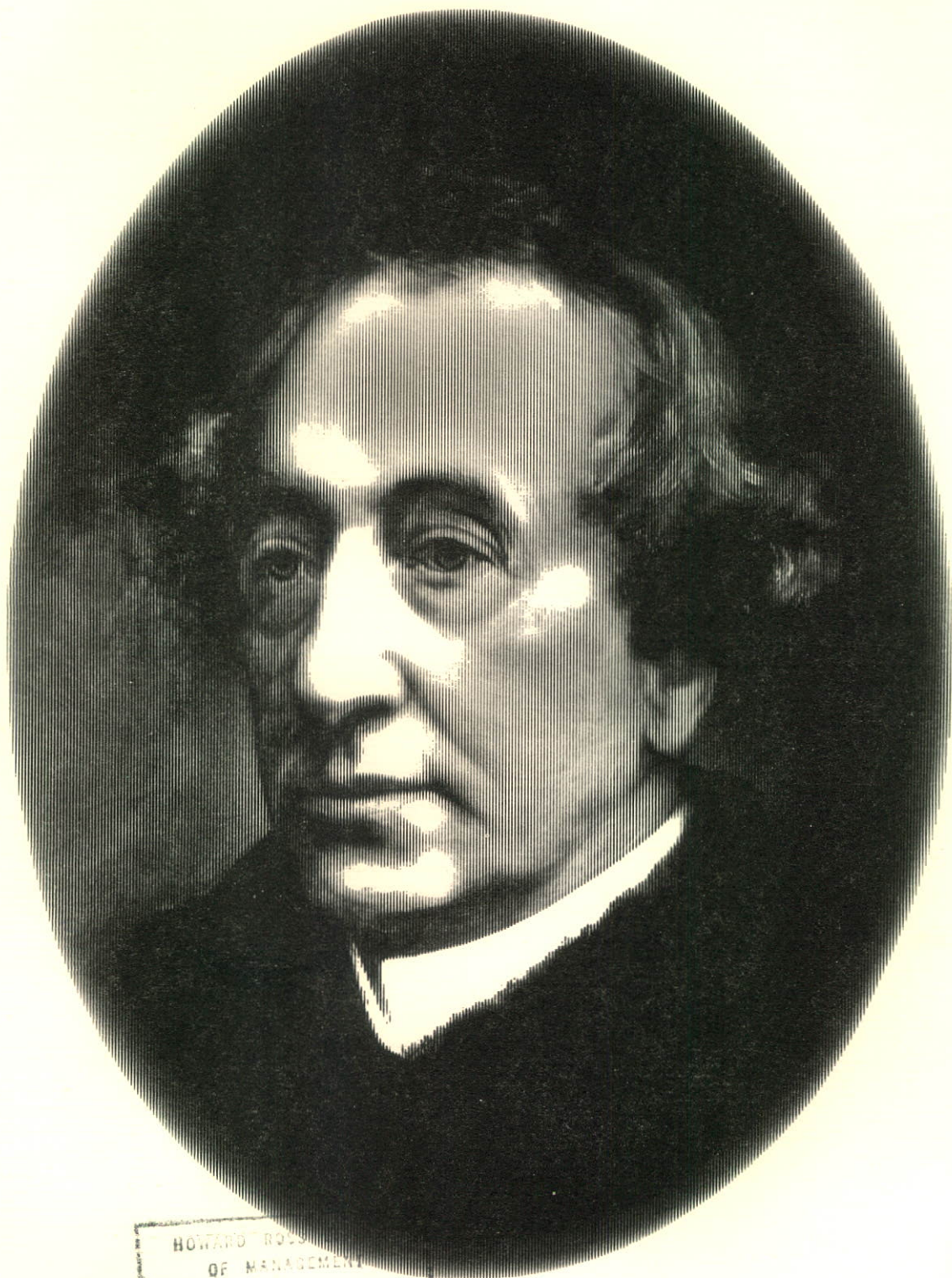




Financial Corporation Limited • 1979 Annual Report



The Year at a Glance

12th Annual Report	1979	1978
Net General Insurance Premium Income	\$ 106,315,000	\$ 101,900,000
Net Life Insurance Premium Income	41,015,000	48,707,000
Total Net Premiums	147,330,000	150,607,000
Total Revenues	181,869,000	179,995,000
Statutory Operating Earnings	10,414,000	6,371,000
Statutory Earnings Including Capital Gains	13,084,000	7,252,000
Total Assets	487,206,000	450,606,000
Capital, Surplus & Investment Reserves	82,604,000	70,323,000
Individual Life Insurance in Force	1,704,272,000	1,659,982,000
Group Life Insurance in Force	1,388,543,000	1,254,988,000
Total Life Insurance in Force	3,092,815,000	2,914,970,000
Statutory Operating Earnings per Share	2.71	1.91
Statutory Earnings per Share Including Capital Gains	3.41	2.18

Note: Per share earnings figures assume full conversion of the Company's convertible preferred stock. Volume figures for Insurance in Force are expressed net of reinsurance ceded.

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held at 12:00 noon Toronto time on Friday, April 25, 1980 at the Company's head office, 165 University Avenue, Toronto. All shareholders are invited to attend.

Board of Directors

Colin E. Bennett, Q.C.,

Vice Chairman, Victoria and Grey Trust Company

E. Kendall Cork,

Vice President and Treasurer, Noranda Mines Limited

Frederick G. Elliott,

President, The Dominion of Canada General Insurance Company

James V. Emory,

President and Chief Executive Officer, United Corporations Limited

Peter S. Gooderham,

Chairman of the Board, The Dominion of Canada General Insurance Company

William B. Harris,

Chairman of the Board, Mercantile and General Reinsurance Group

Kenneth G. Hutchison,

Former President, The Dominion of Canada General Insurance Company

Henry N.R. Jackman,

Chairman of the Board and President, The Empire Life Insurance Company

W. Leo Knowlton, Q.C.,

Director, Canada Permanent Trust Company

J. Alex Langford, Q.C.,

Senior Partner, Miller, Thomson, Sedgewick, Lewis & Healy

Robert M. MacIntosh, LL.D.,

Executive Vice-President, Bank of Nova Scotia

Brian R.B. Magee,

President, Markborough Properties Ltd.

William H. Somerville,

President, and Chief Executive Officer, Victoria & Grey Trust Company

Leonard N. Savoie,

President and Chief Executive Officer, Algoma Central Railway

J. Stuart M. Wason, F.F.A., F.C.I.A., A.S.A.

Honorary Director

Rt. Honourable D. Roland Michener, C.C., C.M.M., C.D.,

P.C., Q.C., LL.D., D.C.L.

Officers

Henry N.R. Jackman, *Chairman and President*

Frederick G. Elliott, *Vice-President*

Donald J. Miano, *Vice-President*

J. Alexander Langford, Q.C., *Secretary*

L.R. Rooney, *Treasurer*

I. Hutchison, *Assistant Secretary*

Remarks of the President

Mr. Henry N.R. Jackman

1979 was in most respects a successful year for E-L Financial Corporation. Net statutory operating profits for the year totalled \$12,138,000 or \$2.71 per share compared with \$8,560,000 or \$1.91 per share for the year ending December 31, 1978, when there were approximately 15% fewer shares outstanding. All divisions of your company showed increased profits. If capital gains on the sale of securities are included total statutory earnings per share for 1979 were \$3.41 compared with \$2.18 for the year previous.

General Insurance

The growth in general insurance premium was modest in 1979 compared with the substantial gains achieved in the earlier years of the decade. There were several reasons for this, the most important being the depressed rate levels in the aftermath of the Anti-Inflation Board and intense competition particularly in the commercial lines. However, our growth was better than the average for the industry.

Incurred claims as a percentage of earned premiums increased to 71.8% from 69.7% last year. This change is due to the increasing frequency of accidents, and the continued inflationary nature of the economy.

Operating expenses were slightly lower than the previous year, which helped modify the adverse claims experience. The year produced an underwriting loss of \$1,978,000 compared with an underwriting loss of \$1,221,000 in 1978. Investment income rose to \$11,206,000

during the year, a 23.3% increase over 1978 contributing to an overall pre tax profit on our general insurance operations of \$9,228,000 compared with \$7,869,000 in 1978.

Our general insurance company's financial condition is strong and permits further substantial growth. However, the outlook in 1980 will again see intense competition. The company does not intend to trade successful results for growth, and will therefore continue to avoid participating in the rivalry for premium growth at inadequate rates that has been prevalent in the last few years. We will further our efforts in providing both the consumer and our agency force with service and stability. In this regard, a branch office was established in Halifax to serve the provinces of Nova Scotia and Prince Edward Island and a service office was opened in Quebec City.

Life Insurance

Net premium income for our life insurance operations was \$41,015,000 in 1979 compared with \$48,707,000 in 1978. Although the decline can be entirely attributed to a conscious decision to limit the amount of single premium annuity products, the volume of net new business written on individual lives declined to \$264 million from \$308 million in 1978 and \$325 million in 1977. The resulting lower than satisfactory growth in annual premiums has caused management to take steps to re-examine its marketing philosophy and update many of our products to meet

the needs of a rapidly changing market place. The challenge is an exciting one and sales for the first three months of 1980 are significantly ahead of last year.

Net statutory shareholders profits from life insurance operations totalled a record \$3,100,000, an 82% increase over the \$1,702,000 earned in 1978. As has been explained many times before in these reports, higher than average sales growth tends to depress immediate profits. Conversely our lower than forecast sales for 1979 contributed to record earnings from life insurance operations.

Shareholders should be aware that although new financial reporting standards became effective in 1978 for federally incorporated companies, Empire Life, which is by far the largest of our two life insurance funds continued to report in 1979 on the old statutory basis as prescribed for life insurance companies incorporated under the laws of the Province of Ontario. It is expected that Ontario will move to the new reporting basis during 1980 so that we will report to you for the next fiscal year on a basis consistent with the standards now in effect for federal companies.

Investment Management

E-L Investment Management, your company's wholly owned investment counselling subsidiary earned a record profit in 1979. The investment performance of our life insurance segregated equity funds which are used to measure the benefits of our various

"equity linked" policies, once again showed performance far superior to our competitors.

Other Investments

During 1979, E-L Financial Corporation accepted the offer of VGM Trustco Limited to exchange its holdings in Victoria & Grey Trust Company and Metropolitan Trust Company for approximately 24.7% of the outstanding common shares of VGM Trustco. Consequent to this offer, the two trust companies amalgamated and are now operating under the name Victoria & Grey Trust Company. This amalgamation created a trust company with assets in excess of \$3.2 billion — the fourth largest trust company with 86 offices across Canada. The amalgamation has allowed the combined company to reduce costs and simplify its corporate structure to better meet the competitive pressures of the 1980's.

Board of Directors

During the year we were saddened by the passing of Mr. Henry R. Jackman, O.C., K. St.J., Q.C., whose association with E-L Financial and its predecessor companies spanned 38 years. Mr. Jackman was a Director and Chairman of the Board of Empire Life from 1956 to 1970 and was a Director of The Dominion of Canada General Insurance Company from 1943 to 1976. On his retirement from the Board of E-L Financial and its affiliated companies in 1976 he continued to serve as an Honorary Director until his death in November 1979. His advice and counsel will be missed.

During the year, your Board accepted the resignation of Mr. T. Stewart Ripley. At the forthcoming annual meeting, Messrs. Kenneth G. Hutchison and Mr. J. Stuart M. Wason will not be standing for re-election. Both these men served as Presidents and Chief Executives of our two major operating insurance subsidiaries. Their contribution to the growth and progress of E-L Financial Corporation is acknowledged and appreciated.

In closing I would like to thank all our agents and employees whose cooperation and loyal support are so essential to the continued success of our company. To each and everyone, I extend our sincere appreciation.

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet as at December 31, 1979

(with comparative figures for 1978) (thousands of dollars)

Assets	1979	1978
Cash	\$ 194	\$ 965
Short term investments	14,338	25,229
Bonds and debentures	179,829	155,723
Preferred stocks	20,886	18,224
Common stocks	96,677	86,209
First mortgages on real estate	103,507	99,550
Real estate (less depreciation)	8,391	7,290
Loans on policies	15,578	14,160
Premiums in the course of collection	15,589	15,137
Investment income due and accrued	5,935	4,883
Segregated investment funds	15,223	13,314
Deferred acquisition expenses	9,664	9,237
Other assets	1,395	685
	\$487,206	\$450,606

Auditors' Report

To the shareholders of
E-L Financial Corporation Limited

We have examined the consolidated balance sheet of E-L Financial Corporation Limited as at December 31, 1979 and the consolidated statements of income and shareholders' equity in surplus for the year then ended. Our examination of the financial statements of E-L Financial Corporation Limited and those subsidiaries of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries. The policy reserves and certain other liabilities to policyholders were

determined and certified by the subsidiary companies' actuaries.

In our opinion, based on our examination and the certificates of the subsidiary companies' actuaries, and subject to the outcome of the matters set out in note 5, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations for the year then ended in accordance with accounting principles as set out in note 1 applied on a basis consistent with that of the preceding year.

Thorne Riddell & Co.
Chartered Accountants
Toronto, Canada
February 8, 1980

E-L FINANCIAL CORPORATION LIMITED

NOTICE OF THE ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual and Special General Meeting of the Shareholders of E-L FINANCIAL CORPORATION LIMITED (hereinafter called the "Company") will be held at the Head Office of The Dominion of Canada General Insurance Company, 165 University Avenue, Toronto, Canada, on Friday, April 25, 1980 at 12:00 noon, Toronto Time for the following purposes:

1. To receive and consider the Report of the Directors of the Company, the consolidated financial statements of the Company for the year ended December 31st, 1979, together with the report of the Auditors thereon.
2. To confirm, with or without variation, Special By-law No. 13.
3. To elect Directors.
4. To appoint Auditors.
5. To transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

DATED at Toronto this 3rd day of April, 1980.

By Order of the Board of Directors,

J.A. LANGFORD, Q.C.
Secretary

If you are unable to attend the meeting in person, please complete, date and sign the attached form of proxy and return it to the Company in the stamped envelope provided for that purpose.

INFORMATION CIRCULAR

This Information Circular is furnished in connection with the solicitation by the management of the Company of proxies to be used at the Annual and Special General Meeting of the Shareholders of the Company to be held at the Head Office of The Dominion of Canada General Insurance Company, 165 University Avenue, Toronto, Canada, on Friday, April 25, 1980 at 12:00 noon Toronto Time.

It is expected that solicitation of proxies will be primarily by mail, and that the expense will be borne by the Company.

VOTING SHARES

Holders of Series A convertible preference shares and common shares of record at the time of the meeting, and of voting, as the case may be, will be entitled to be present at, and to vote on the basis of one vote for each share held by them, at the Annual and Special General Meeting of Shareholders of the Company.

There are issued and outstanding in the aggregate 593,951 Series A convertible preference shares and 3,246,561 common shares in the capital stock of the Company and each share is entitled to one vote. The Series A convertible preference shares and the common shares in the capital stock of the Company are the only equity shares.

Any shareholder desiring to be represented by proxy should take steps to ensure that his proxy is returned in the accompanying envelope or is personally delivered to the Secretary of the Company prior to the meeting.

PRINCIPAL HOLDER OF EQUITY SHARES

To the knowledge of the directors and senior officers of the Company, the only person or corporation who beneficially owns more than 10% of such equity shares is Dominion and Anglo Investment Corporation Limited, which owns 181,953 Series A convertible preference shares and 1,119,890 common shares, or 33.9% of the equity shares.

SPECIAL BY-LAW NUMBER 13

The directors enacted Special By-law No. 13 at their meeting on February 22. This by-law reduces the Board from fifteen to thirteen and fixed the quorum at six directors. The special by-law takes effect only when it has achieved confirmation by a two-third vote of those present and voting and represented by proxy at a meeting called, amongst other business, for the purpose of approving same.

ELECTION OF DIRECTORS

The term of office of all directors expires at the time of the annual and special general meeting. It is proposed that the following persons will be nominated for election as directors of the Company, to hold office from the date of their election as directors until the next annual meeting of the Company, or until their respective successors shall be elected or appointed:

INFORMATION AS TO PROPOSED NOMINEES FOR ELECTION AS DIRECTORS

	Holdings of Series A convertible preference shares	Holdings of common shares	Director of E-L Financial Corporation since
COLIN E. BENNETT, Q.C. Vice Chairman, Victoria & Grey Trust Company	Nil	110	November 6, 1975
E. KENDALL CORK Vice-President and Treasurer, Noranda Mines Limited	Nil	1,000	Apr. 20, 1970
FREDERICK G. ELLIOTT President The Dominion of Canada General Insurance Company Vice-President, E-L Financial Corporation Limited	60	160	April 21, 1978
JAMES V. EMORY President, United Corporations Limited	Nil	500	Feb. 13, 1973
PETER S. GOODERHAM Chairman of the Board, The Dominion of Canada General Insurance Company	10,775	6,475	Apr. 21, 1969

E-L FINANCIAL CORPORATION LIMITED

PROXY

The undersigned Shareholder of E-L FINANCIAL CORPORATION LIMITED (the "Company") hereby appoints H.N.R. Jackman of the Municipality of Metropolitan Toronto, Ontario, or failing him P.S. Gooderham of the Municipality of Metropolitan Toronto, or

as the proxy of the undersigned, to attend, act and vote in respect of all the Series A convertible preference shares and common shares of the Company held by the undersigned at the Annual and Special General Meeting of the Shareholders of the Company on April 25, 1980, and at any and all adjournments thereof,

FOR ☐ or AGAINST ☐ (or if no specification is made, FOR) confirmation of Special By-law 13.

DATED April , 1980.

Signature

NOTE:

If the appointor is a corporation, it should sign under its corporate seal or by an officer or attorney authorized in writing.

(Name and address as registered. Please notify the Company of any change in your address.)

This proxy is solicited by and on behalf of the management of the Company.

TED

HOWARD ROSS LIBRARY OF MANAGEMENT
MCGILL UNIVERSITY
1001 SHERBROOKE STREET WEST
MONTREAL QUEBEC
H3A1G5

WILLIAM B. HARRIS	Nil	500	Nov. 6, 1975
Chairman of the Board, Mercantile and General Reinsurance Group			
HENRY N.R. JACKMAN	6,100	2,101	Nov. 13, 1968
President, E-L Financial Corporation Limited The Empire Life Insurance Company			
W. LEO KNOWLTON, Q.C.	150	400	Apr. 21, 1969
Director Canada Permanent Trust Company			
J. ALEX LANGFORD, Q.C.	Nil	300	Apr. 27, 1979
Senior Partner Miller, Thomson, Sedgewick, Lewis & Healy			
ROBERT M. MacINTOSH, LL.D.	Nil	100	Aug. 6, 1970
Executive Vice-President, Bank of Nova Scotia			
BRIAN R.B. MAGEE	840	350	Apr. 21, 1969
President, Markborough Properties Limited			
LEONARD N. SAVOIE	Nil	100	Apr. 27, 1979
President, Algoma Central Railway			
WILLIAM H. SOMERVILLE	Nil	100	Feb. 16, 1979
President, VGM Trustco Limited			

DIRECTORS AND OFFICERS REMUNERATION FROM THE CORPORATION AND ITS SUBSIDIARIES

	Aggregate Remuneration	Nature of Remuneration	
		Pension Benefits	Retirement Benefits
Directors (13)			
A. From E-L Financial and E-L Investment Management .	0	0	0
B. Dominion of Canada General	45,087	0	425
Empire Life	31,976	0	181
Casualty Company of Canada	11,272	0	0
The 5 most highly-paid senior officers	311,054	15,841	1,145
Officers Generally			
A. From E-L Financial and E-L Investment Management .	27,908	0	191
B. Dominion of Canada General	87,006	4,130	191
Casualty Company	0	0	0
Empire Life	247,140	15,011	954
TOTALS	761,443	34,982	3,087

APPOINTMENT OF AUDITORS

Action is to be taken at the annual and special general meeting of the Company to re-appoint as Auditors of the Company, Messrs. Thorne Riddell & Co.

REVOCABILITY OF PROXIES

A proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is exercised. A proxy to be voted at the meeting must be received by the Secretary of the Company at or prior to the commencement of the meeting.

VOTING OF PROXIES

The accompanying proxy also confers a discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and other matters which may properly come before the meeting. **Shares represented by proxies in favour of the management will be voted for confirmation of Special By-law No. 13, the election of the persons named herein above as proposed nominees for election as directors, and for the re-appointment of Messrs. Thorne Riddell & Co. as Auditors of the Company.**

A shareholder has the right to appoint a person to attend and to act for him and on his behalf at the meeting other than the management nominees designated in the form of proxy. This right may be exercised by striking out the names of Messrs. H.N.R. Jackman and P.S. Gooderham where they appear on the front of the form of proxy and inserting such other person's name in the blank space provided.

Dated as of April 3rd, 1980.

SPECIAL BY-LAW NO. 13

A Special By-law changing the number and quorum of the Directors of E-L Financial Corporation

BE IT ENACTED as a Special By-law of the Corporation and it is hereby enacted that:

1. The number of directors of the Corporation shall hereafter be composed of thirteen directors.
2. Six directors shall constitute a quorum at any meeting of the Board of Directors.
3. All prior by-laws, resolutions and proceedings of the Corporation inconsistent herewith are hereby amended, modified and revised in order to give effect to this by-law passed by the Board of Directors on February 22, 1980.

"H.N.R. JACKMAN"

President

"J. ALEX LANGFORD"

Secretary

Liabilities	1979	1978
Policy reserves	\$212,688	\$199,487
Unearned premiums	51,972	49,900
Provision for unpaid and unreported claims	82,414	76,586
Staff pension fund	13,091	11,345
Amounts left with company at interest	7,668	7,202
Bank advances and outstanding cheques	4,997	1,837
Income debenture	2,000	4,800
Premium and other taxes payable	672	3,731
Due to reinsurers and others	5,419	4,787
Amounts received, not yet allocated	830	817
Segregated investment funds (note 2)	15,223	13,314
Provision for profits to policyholders	1,830	2,076
Dividends payable	74	75
Minority interest	875	774
Participating policyholders' interest in surplus	679	(448)
	400,432	376,283
Special Reserves		
Reserve for cash value deficiencies and amounts of negative reserves	3,620	3,700
Reserve for value of miscellaneous assets	550	300
	4,170	4,000
Shareholders' Equity		
General reserve	18,000	14,000
Capital stock (note 3)	7,892	7,892
Shareholders' equity in surplus	56,712	48,431
	82,604	70,323
	\$487,206	\$450,606

Approved by the Board

Henry N.R. Jackman, Director
Peter S. Gooderham, Director

Consolidated Statement of Income for the Year Ended December 31, 1979

(thousands of dollars)

	1979	1978
Premium income	\$147,331	\$150,607
Investment and other income	34,538	29,388
	181,869	179,995
Deduct		
Claims incurred	83,445	78,594
Other benefits to policyholders	19,260	15,101
Increase in policy reserves and unearned premiums	15,168	26,490
Agents' commissions	22,404	21,670
Operating expenses	23,232	22,999
Premiums transferred from segregated fund	(1,650)	(879)
	161,859	163,975
Operating income before undernoted items	20,010	16,020
Income taxes	3,843	3,845
Premium taxes	4,029	3,615
	7,872	7,460
	12,138	8,560
Policyholders' and minority shareholders' portion of income	1,724	2,189
Net operating income	10,414	6,371
Profit on sale of securities (net of income taxes 1979 - \$538; 1978 - \$207)	2,670	881
Net Income	\$ 13,084	\$ 7,252
Earnings per common share based on full conversion of preference shares		
Net operating income	\$2.71	\$1.91
Profit on sale of securities	.70	.27
Net income	\$3.41	\$2.18

Consolidated Statement of Shareholders' Equity in Surplus
for the year ended December 31, 1979 (thousands of dollars)

	1979	1978
Balance at beginning of year	\$ 48,431	\$ 45,452
Add		
Net income	13,084	7,252
Increase in shareholders' equity on purchase of subsidiaries' shares	22	30
Income taxes, prior year	73	105
	61,610	52,839
Deduct		
Dividends	623	408
Transfers to other reserves (note 6)	4,275	4,000
	4,898	4,408
Balance at end of year	\$ 56,712	48,431

Notes to Consolidated Financial Statements for the Year ended December 31, 1979

1 Accounting Policies

(a) Basis of presentation

The consolidated financial statements include the accounts of the following subsidiary companies:

E-L Investment Management Limited
(wholly owned)

The Empire Life Insurance Company
(97.22% owned)

The Dominion of Canada General Insurance
Company (99.48% owned) and its subsidiary
company, The Casualty Company of Canada

The financial statements are prepared essentially in

accordance with accounting practices prescribed, authorized or permitted by the regulations governing insurance companies for insurance company annual statements, except for modifications principally as to classification and format for the purpose of clarifying the interest of the holding company.

(b) Dominion

The Dominion of Canada General Insurance Company is registered under the Canadian and British Insurance Companies Act and it follows accounting practices prescribed or permitted by the Department of Insurance of Canada for the purpose

of reporting to policyholders and shareholders.

(i) Bonds and debentures

Investments in bonds and debentures (debt securities) are carried at amortized cost with the securities of the life section adjusted by the unamortized balance of losses and gains on sales of such securities. The differences between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield and is amortized over the period to maturity of the security sold.

(ii) Preferred stocks and common stocks

Investments in stocks (equity securities) are carried at cost with the securities of the life section adjusted by the unamortized balance of losses or gains on sales of such stocks. The market value adjustment each year is 7% of the difference between adjusted book value and year-end market value of all equity securities. The adjustment account, representing the unamortized losses and gains on sales of stocks and the adjustment toward market, deducted in arriving at the carrying value of stocks amounted to \$268,805 at December 31, 1979 (1978 - \$299,381 added).

(iii) Mortgages on real estate

Investments in mortgages are carried at amortized cost, less principal repayments with the mortgage loans of the life section adjusted by the unamortized balance of any losses and gains on sales of mortgages. The balance is amortized over the period to maturity of the mortgages sold.

(iv) Deferred acquisition expenses

Commissions and other expenses applicable to acquisition of policies and contracts are deferred and amortized over the period to be benefitted, or in the case of life policies over the premium-paying period. For the life section, provision for such expenses is included in the policy reserves.

(v) Policy reserves

Policy reserves are calculated on the net level premium method using interest and mortality

assumptions appropriate to the policies and contracts in force. The calculations recognized the deferral of certain expenses of acquiring policies and contracts. The amount of deferred acquisition expense deducted in arriving at the policy reserves was \$1,694,333 at December 31, 1979 (1978 - \$1,905,483).

(c) Empire

The Empire Life Insurance Company is registered under the Insurance Act of the Province of Ontario and it follows accounting practices prescribed or permitted by the Department of Insurance of Ontario for the purpose of reporting to policyholders and shareholders.

(i) Invested assets

The basis of valuation of invested assets, other than the segregated fund is cost or amortized value less amounts written off from time to time.

(ii) Policy reserves

Policy reserves are computed on the basis of mortality and interest factors permissible by the respective regulations governing insurance companies and are in excess of those that could be computed on the basis of the company's past experience.

(d) Segregated funds

Segregated investment funds are carried at market value.

(e) Income taxes

Income taxes are calculated using the taxes payable method.

2 Segregated Investment Funds

	1979	1978
Amount pertaining to staff pension fund	\$ 851,000	\$ 1,179,000
Policyholders' portion	13,679,000	11,608,000
Amount pertaining to shareholders' surplus including minority shareholders' portion \$12,724 (1978 - \$9,853)	693,000	527,000
	<u>\$15,223,000</u>	<u>\$13,314,000</u>

3 Capital Stock

	1979	1978
Authorized		
4,999,925 Preference shares, without par value, issuable in series		
10,000,000 Common shares, without par value		
Issued		
593,951 Series A convertible preference shares (1978 - 597,471)	\$7,892,000	\$7,892,000
3,246,561 Common shares (1978 - 3,243,041 shares)		

The Series A convertible preference shares are convertible in perpetuity into common shares on a share for share basis and are entitled, when and if declared, to a non-cumulative dividend of 50¢ per share per annum. In 1979, 3,520 Series A convertible preference shares were converted into common shares.

4 Shareholders' Account

Under Empire Life's charter, shareholders are entitled to all profits from non-participating policies and that portion of profit on the participating policies equal to one-ninth of the amounts paid to policyholders as dividends. Since 1966 an amount equal to one-ninth of the amount paid and provided for policy dividends on participating policies has been transferred from the participating policyholders' account to the shareholders' account. A lesser amount was transferred in earlier years.

5 Income Taxes

Dominion has been re-assessed for income taxes for the years 1969 through 1972 in the amount of \$510,000. Formal notices of objection to the re-assessments were filed in which the company raised additional matters with regard to these years on the application of income tax law. The Minister of National Revenue has confirmed the re-assessments and the company has instituted an appeal to the Federal Court, Trial Division. Management is of the opinion that the company has an arguable case with a reasonable chance of success and, accordingly, no provision has been made for this amount in these financial statements. If the company succeeds in its appeal, the effect of these additional matters will more than offset the amount of the re-assessments received and any income tax liability for the

1977 year. If the company's appeal is not successful, the income tax liability for the years 1969 through 1977, not provided for in these financial statements, would aggregate approximately \$1,500,000.

6 Transfers to Other Reserves

The net appropriations from surplus were as follows:

	1979	1978
Transfer to general reserve	\$4,000,000	
Transfer to policy reserves	105,000	
Transfer to reserve for value of miscellaneous assets	250,000	\$ 300,000
Transfer to (from) reserve for cash value deficiencies and amounts of negative reserves	(80,000)	3,700,000
	<u>\$4,275,000</u>	<u>\$4,000,000</u>

7 Other Statutory Information

	1979	1978
Remuneration of directors and senior officers of the company	\$362,419	\$333,115
Depreciation	591,157	590,872

8 Consolidated Statement of Changes in Financial Position

Due to the nature of the companies' operations a consolidated statement of changes in financial position would not be considered meaningful and has, therefore, not been included.

Summary of Consolidated Results

(all figures expressed in thousands of dollars)

	1979	1978	1977	1976
Premium income	\$ 147,331	\$ 150,607	\$ 134,419	\$ 111,484
Investment and other income	34,538	29,388	24,027	20,076
Total revenues	181,869	179,995	158,446	131,560
Claims and other benefits to policyholders	102,705	93,695	78,630	67,228
Increase in policyholders' reserves	13,518	25,611	23,357	20,261
Expenses (including agents' commissions)	45,636	44,669	41,042	34,558
Taxes paid to governments	7,872	7,460	4,788	3,690
Profits paid or allocated to policyholders	1,724	2,189	933	248
Net operating profit	10,414	6,371	9,696	5,575
Net realized gains on security transactions and other extraordinary items	2,670	881	274	379
Total net profit	\$ 13,084	\$ 7,252	\$ 9,970	\$ 5,954
Net income per share (net operating income)	2.71	1.91	2.91	1.68
Net income per share (including capital gains and extraordinary items)	3.41	2.18	2.99	1.79
Assets				
Cash and short term investments	\$ 14,532	\$ 26,194	\$ 14,100	\$ 5,950
Bonds and debentures	179,829	155,723	127,709	102,050
Preferred and common stocks	117,563	104,433	88,255	76,314
First mortgages on real estate	103,507	99,550	95,088	91,653
Real estate	8,391	7,290	5,923	5,860
Loans on policies	15,578	14,160	13,683	13,024
Segregated equity funds	15,223	13,314	11,448	10,001
Other assets	32,583	29,942	20,222	18,279
Total assets	\$ 487,206	\$ 450,606	\$ 376,428	\$ 323,131
Liabilities				
Policy and unearned premium reserves*	\$ 297,144	\$ 278,046	\$ 241,584	\$ 215,492
Reserve for claims	82,414	76,586	61,839	46,768
Other liabilities	22,535	24,023	16,817	14,124
Policyholders' equity in surplus	2,509	1,628	1,141	1,514
Total liabilities	\$ 404,602	\$ 380,283	\$ 321,381	\$ 277,898
Capital, surplus and investment reserve	82,604	70,323	55,047	45,233
	\$ 487,206	\$ 450,606	\$ 376,428	\$ 323,131

*including staff pension and segregated funds.

1975	1974	1973	1972	1971	1970	1969
\$ 88,314	\$ 76,487	\$ 67,732	\$ 57,570	\$ 52,409	\$ 48,024	\$ 41,256
17,479	15,630	13,489	11,834	10,599	9,613	8,710
105,793	92,117	81,221	69,404	63,008	57,637	49,966
55,568	54,450	39,554	31,557	28,772	25,684	24,018
16,140	13,435	15,160	12,641	12,664	11,981	7,633
27,420	23,449	20,895	17,663	15,930	14,769	13,630
3,257	1,839	2,566	2,902	2,585	1,814	1,574
701	(380)	135	761	862	1,176	1,484
2,707	(676)	2,911	3,880	2,195	2,213	1,627
283	2,794	1,367	472	309	393	405
\$ 2,990	\$ 2,118	\$ 4,278	\$ 4,352	\$ 2,504	\$ 2,606	\$ 2,032
.81	(.20)	.86	1.16	.66	.66	.49
.89	.63	1.28	1.31	.75	.78	.61
\$ 5,702	\$ 5,440	\$ 4,020	\$ 3,767	\$ 3,683	\$ 4,926	\$ 3,619
85,719	69,216	64,845	58,290	52,215	45,388	43,417
61,296	58,174	52,730	47,584	39,967	34,826	28,958
86,564	87,070	78,657	71,544	69,352	67,137	62,909
5,916	5,953	5,575	5,623	5,723	5,759	5,808
12,120	11,412	9,622	9,151	9,053	9,104	7,873
9,844	7,560	8,701	7,044	4,744	3,332	2,576
14,839	12,907	10,776	9,316	8,126	7,731	6,627
\$ 282,000	\$ 257,732	\$ 234,926	\$ 212,319	\$ 192,863	\$ 178,203	\$ 161,787
\$ 193,274	\$ 175,185	\$ 166,022	\$ 150,927	\$ 137,333	\$ 125,370	\$ 113,428
36,417	30,407	23,209	19,877	18,407	17,008	16,844
10,034	11,859	7,815	6,974	6,215	6,845	6,134
2,534	3,126	3,173	3,717	3,901	4,324	3,934
\$ 242,259	\$ 220,577	\$ 200,219	\$ 181,495	\$ 165,856	\$ 153,547	\$ 140,340
39,741	37,155	34,707	30,824	27,007	24,656	21,447
\$ 282,000	\$ 257,732	\$ 234,926	\$ 212,319	\$ 192,863	\$ 178,203	\$ 161,787

Summary of General Insurance Operations

(all figures expressed in thousands of dollars)

	1979	1978	1977	1976
Net premiums written				
Automobile	\$ 60,446	\$ 58,723	\$ 59,048	\$ 52,504
Casualty	22,776	20,729	17,352	12,517
Property	23,093	22,447	19,369	12,969
Total net premiums written	\$ 106,315	\$ 101,899	\$ 95,769	\$ 77,990
Net premiums earned	\$ 104,244	\$ 100,226	\$ 88,247	\$ 71,312
Claims incurred	74,867	69,886	59,387	48,598
Operating expenditures including commissions and premium taxes	31,355	31,561	28,079	22,975
Underwriting profit	\$ (1,978)	\$ (1,221)	\$ 781	\$ (261)
Investment income	11,206	9,090	7,034	5,050
Net profit before taxes	\$ 9,228	\$ 7,869	\$ 7,815	\$ 4,789
Income taxes (recoverable)	2,205	3,186	66	—
Net operating profit	\$ 7,023	\$ 4,683	\$ 7,749	\$ 4,789
Claims ratio (to net premiums earned)	71.8%	69.7%	67.3%	68.2%
Expense ratio (to net premiums written)	29.5%	31.0%	29.3%	29.5%
	101.3%	100.7%	96.6%	97.7%
Assets				
Cash and short term investments	\$ 8,006	\$ 10,104	\$ 12,150	\$ 5,500
Bonds and debentures	84,807	78,198	60,980	44,231
Preferred and common stocks	58,812	52,978	45,695	38,613
First mortgages	1,113	866	874	853
Real estate	3,798	4,216	2,361	2,394
Amounts receivable	16,301	15,739	15,406	13,909
Deferred acquisition expenses	9,664	9,237		
	\$ 182,501	\$ 171,338	\$ 137,466	\$ 105,500
Liabilities				
Unearned premium reserve	\$ 51,972	\$ 49,901	\$ 39,584	\$ 31,471
Reserve for claims	78,939	72,957	58,623	43,229
Other liabilities	3,592	8,328	4,082	2,707
	\$ 134,503	\$ 131,186	\$ 102,289	\$ 77,407
Capital, surplus and appropriated reserves	47,998	40,152	35,177	28,093
	\$ 182,501	\$ 171,338	\$ 137,466	\$ 105,500

	1975	1974	1973	1972	1971	1970	1969
\$	41,588	\$ 32,540	\$ 28,098	\$ 24,838	\$ 21,620	\$ 18,351	\$ 15,619
	8,357	7,230	5,770	5,199	4,419	3,699	3,248
	8,375	7,421	6,225	5,652	5,025	4,171	3,803
\$	58,320	\$ 47,191	\$ 40,093	\$ 35,689	\$ 31,064	\$ 26,221	\$ 22,670
\$	53,338	\$ 45,282	\$ 38,593	\$ 33,554	\$ 29,428	\$ 24,814	\$ 21,912
	39,604	37,918	26,402	21,016	18,461	15,579	13,914
	17,025	14,388	12,324	11,079	9,748	8,680	7,779
\$	(3,291)	\$ (7,024)	\$ (133)	\$ 1,459	\$ 1,219	\$ 555	\$ 219
	3,880	3,420	2,706	2,329	1,992	1,905	1,623
\$	589	\$ (3,604)	\$ 2,573	\$ 3,788	\$ 3,211	\$ 2,460	\$ 1,842
	—	(693)	390	1,017	906	654	456
\$	589	\$ (2,911)	\$ 2,183	\$ 2,771	\$ 2,305	\$ 1,806	\$ 1,386
	74.3%	83.7%	68.4%	62.6%	62.7%	62.8%	63.5%
	29.2%	30.5%	30.7%	31.0%	31.4%	33.1%	34.3%
	103.5%	114.2%	99.1%	93.6%	94.1%	95.9%	97.8%
\$	3,477	\$ 4,870	\$ 2,886	\$ 3,447	\$ 3,029	\$ 3,251	\$ 3,524
	33,505	24,443	20,935	16,924	15,046	13,606	12,199
	31,961	30,738	27,541	25,039	21,764	19,079	16,264
	817	894	919	990	936	1,012	1,043
	2,427	2,460	2,493	2,439	2,471	2,504	2,537
	10,981	9,593	8,048	6,989	6,119	5,622	4,547
\$	83,168	\$ 72,998	\$ 62,822	\$ 55,828	\$ 49,365	\$ 45,074	\$ 40,114
\$	24,792	\$ 19,810	\$ 17,901	\$ 16,401	\$ 14,267	\$ 12,632	\$ 11,224
	33,350	28,025	20,552	17,681	16,014	14,645	14,785
	2,053	2,545	1,100	1,499	1,416	2,355	1,114
\$	60,195	\$ 50,380	\$ 39,553	\$ 35,581	\$ 31,697	\$ 29,632	\$ 27,123
	22,973	22,618	23,269	20,247	17,668	15,442	12,991
\$	83,168	\$ 72,998	\$ 62,822	\$ 55,828	\$ 49,365	\$ 45,074	\$ 40,114

Summary of Life Insurance Operations

(all figures expressed in thousands of dollars)

	1979	1978	1977	1976
Net premium income	\$ 41,015	\$ 48,707	\$ 38,650	\$ 33,493
Investment and other income	22,210	19,864	16,662	14,793
	\$ 63,225	\$ 68,571	\$ 55,312	\$ 48,286
Benefits to policyholders	\$ 27,838	\$ 23,809	\$ 19,243	\$ 18,630
Increase in policy reserves	13,096	24,817	15,973	13,275
Expenses and commissions	17,124	15,726	15,700	14,044
Taxes	2,086	1,271	1,714	777
Premiums to segregated funds	(1,649)	(879)	(138)	165
Profits allocated to policyholders	1,630	2,125	855	192
Net Operating Profit	\$ 3,100	\$ 1,702	\$ 1,965	\$ 1,203
Assets				
Cash and short term investments	\$ 2,436	\$ 10,112	\$ 1,194	\$ (586)
Bonds and debentures	95,020	77,525	66,728	57,819
Preferred and common stocks	47,477	44,732	39,219	34,399
First mortgages	102,393	98,684	94,214	90,800
Real estate	4,594	3,074	3,561	3,465
Loans on policies	15,581	14,160	13,683	13,024
Segregated equity funds	15,223	13,314	11,448	10,001
Other assets	6,936	4,919	4,744	4,337
	\$ 289,660	\$ 266,520	\$ 234,791	\$ 213,259
Liabilities				
Policy reserves	\$ 212,690	\$ 199,487	\$ 180,467	\$ 164,690
Amounts on deposit	7,668	7,202	6,639	5,719
Reserve for claims	3,475	3,630	3,216	3,539
Staff pension fund	13,090	11,345	10,085	8,739
Segregated equity funds	15,224	13,314	11,448	10,001
Other liabilities	3,652	2,658	2,343	1,741
Policyholders' equity in surplus	2,508	1,628	1,141	1,514
	\$ 258,307	\$ 239,264	\$ 215,339	\$ 195,943
Capital, surplus and investment reserves	31,353	27,256	19,452	17,316
	\$ 289,660	\$ 266,520	\$ 234,791	\$ 213,259
Net interest earned	8.51%	8.39%	7.89%	7.65%
Insurance in force				
Individual lives				
Whole life and endowment	\$ 874,862	\$ 810,765	\$ 783,869	\$ 706,862
Term insurance	709,525	729,556	647,643	562,737
Annuities	102,730	100,438	89,396	79,884
Health insurance	2,980	3,134	3,475	4,773
"Equity" insurance and annuities	14,175	16,089	17,820	20,813
	\$ 1,704,272	\$ 1,659,982	\$ 1,542,203	\$ 1,375,069
Group Life				
Insurance	\$ 1,144,689	\$ 1,013,552	\$ 967,745	\$ 861,152
Annuities	129,560	138,497	147,696	164,720
Health insurance	114,294	102,939	186,891	150,910
	\$ 1,388,543	\$ 1,254,988	\$ 1,302,332	\$ 1,176,782
Total insurance in force	\$ 3,092,815	\$ 2,914,970	\$ 2,844,535	\$ 2,551,851

NOTE: — Volume figures for Life insurance in force are expressed net of reinsurance ceded

1975	1974	1973	1972	1971	1970	1969
\$ 29,994	\$ 29,294	\$ 27,639	\$ 21,881	\$ 21,322	\$ 21,803	\$ 18,586
13,369	11,971	10,576	9,365	8,499	7,638	7,049
\$ 43,363	\$ 41,265	\$ 38,215	\$ 31,246	\$ 29,821	\$ 29,441	\$ 25,635
\$ 15,964	\$ 16,530	\$ 13,152	\$ 10,541	\$ 10,310	\$ 10,105	\$ 10,104
9,940	9,711	11,449	9,279	10,008	9,555	5,461
11,745	10,128	9,414	7,351	6,827	6,589	6,344
1,750	1,305	1,171	1,002	927	531	564
1,218	1,815	2,211	1,228	1,006	1,019	1,414
642	(438)	80	733	837	1,143	1,458
\$ 2,104	\$ 2,214	\$ 738	\$ 1,112	\$ (94)	\$ 499	\$ 290
\$ 1,652	\$ (2,697)	\$ 159	\$ (232)	\$ 300	\$ 1,483	\$ 87
52,215	44,774	43,910	41,366	37,169	31,782	31,218
28,884	27,149	25,130	22,526	18,203	15,747	12,693
85,746	86,176	77,738	70,554	68,415	66,125	61,866
3,489	3,494	3,082	3,184	3,252	3,254	3,270
12,120	11,411	9,622	9,151	9,053	9,104	7,873
9,844	7,560	8,702	7,044	4,744	3,332	2,576
3,794	3,277	2,720	2,327	1,996	2,083	1,967
\$ 197,744	\$ 181,144	\$ 171,063	\$ 155,920	\$ 143,132	\$ 132,910	\$ 121,550
\$ 151,415	\$ 141,476	\$ 133,780	\$ 122,362	\$ 113,373	\$ 104,763	\$ 95,279
5,044	4,513	4,255	3,595	3,042	2,679	3,094
3,068	2,382	2,657	2,196	2,393	2,363	2,059
7,222	6,339	5,638	5,120	4,949	4,644	4,349
9,844	7,560	8,702	7,044	4,744	3,331	2,576
2,218	1,439	1,572	1,452	1,365	1,371	1,538
2,534	3,126	3,173	4,150	4,302	4,754	4,330
\$ 181,345	\$ 166,835	\$ 159,777	\$ 145,919	\$ 134,168	\$ 123,905	\$ 113,225
16,399	14,309	11,286	10,001	8,964	9,005	8,325
\$ 197,744	\$ 181,144	\$ 171,063	\$ 155,920	\$ 143,132	\$ 132,910	\$ 121,550
7.41%	7.17%	6.89%	6.75%	6.58%	6.36%	6.35%
\$ 608,264	\$ 540,596	\$ 501,681	\$ 465,246	\$ 440,786	\$ 421,936	\$ 410,373
484,006	429,673	393,681	365,436	339,305	327,169	309,119
73,754	69,701	63,632	40,735	25,965	19,950	13,998
3,748	3,563	3,520	3,718	4,104	4,087	4,375
26,835	30,362	32,145	26,406	25,471	22,520	19,361
\$ 1,196,607	\$ 1,073,895	\$ 994,659	\$ 901,541	\$ 835,631	\$ 795,662	\$ 757,226
\$ 710,202	\$ 602,213	\$ 426,174	\$ 343,653	\$ 312,924	\$ 295,217	\$ 264,476
151,423	166,226	130,497	79,069	60,211	54,782	46,349
135,762	119,934	86,234	72,738	96,741	92,495	87,484
\$ 997,387	\$ 888,373	\$ 642,905	\$ 495,460	\$ 469,876	\$ 442,494	\$ 398,309
\$ 2,193,994	\$ 1,962,268	\$ 1,637,564	\$ 1,397,001	\$ 1,305,507	\$ 1,238,156	\$ 1,155,535



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