



INDUSTRIAL LIFE
INSURANCE COMPANY

**Annual
Report
1981**

Symbol of LIFE, the tree through its solidity and its capacity for reproduction and growth within its environment, ensures Man's security.

The crest of Industrial Life, placed in the center of the adult tree, symbolizes the Company's firm establishment among its members, whose increasing number is suggested by the growing tree at its side.

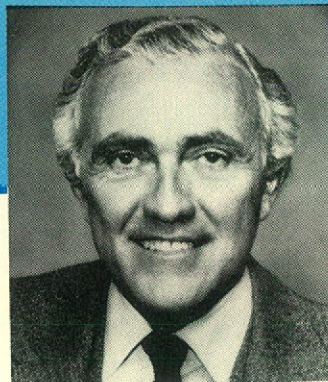
From now on, our personalized communications will bear this design, but our Company will continue to be identified by its already well recognized crest.

Annual Meeting
Head Office, 1080, St. Louis Road
Sillery, Québec G1K 7M3
February 15, 1982

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A word from the Chairman of the Board



«Industrial Life in evolution» is a challenge I am pleased to share with all those who are part of the present team and with those who will join us in the future.

Our Company's momentum is an invaluable legacy which we mainly owe to our predecessors. Among others, I would like to mention the contribution of Mr. Jean-Louis Lévesque who from a majority shareholder in 1950 became an active member of the new mutual company in 1969. I also wish to stress the participation of Mr. Stanley E. Brock who was assuming the overall direction of our Company's operations during all this period, bringing to it technical competence, keen business flair and continuous dedication.

Since evolution means "the movement through which people and institutions are made and changed continuously", we must obviously encourage this movement so that Industrial Life remains in the position it has attained and which it must retain in spite of the economic and social pitfalls that are sure to challenge us.

The life insurance industry operates in a society which, although still privileged, is presently perturbed by the economic situation. We must therefore react positively and dynamically to the sometimes painful albeit necessary changes that are being introduced by our various governments. The closing down of traditional markets, the fundamental modifications

During a meeting of the Board of Directors, held on October 28, 1981, Mr. Jean-Louis Lévesque submitted his resignation as Chairman of the Board prior to his intended retirement as Director.

At the same meeting, Mr. André Charron, a member of the Company's Board since 1957, was elected Chairman of the Board and is here presenting his first message in this capacity.

to some of our products, the control of the abusive use of otherwise efficient economic and fiscal measures, all provide excellent opportunities to put our imagination and creative forces to good use.

Certain unfortunate events that occurred in Québec in 1981 made us acutely aware of the individual and collective dangers involved when a financial institution pursues in priority a social mission without developing a solid and rational economic structure to safeguard its role as trustee.

These and similar events should prompt all parties concerned with the ongoing debate on the future of pension systems in Canada to be extremely careful in assessing the major responsibilities involved. From a political point of view, it is up to the State to decide to what extent future pensioners should and will be, partially or totally, dependent on the State. It is also the governments' respon-

sibility to establish legislation on the nature and scope of the global system to be adopted by our country and on the obligation for all parties involved to participate, taking into account the real resources of each group. The governments must also regulate the general operation of all pension systems. However, private industry, including our own, is much better qualified to manage it on a permanent and diversified basis and to guarantee to each citizen upon retirement an equitable return of what is actually his deferred salary.

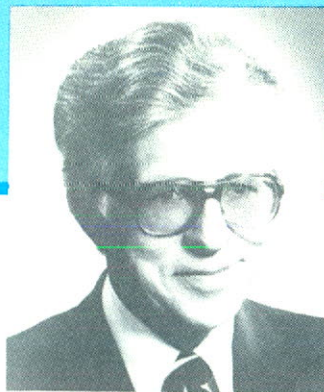
In our own environment, we are all saddened by the death of Mr. Cecil F. Carsley, a member of Industrial Life's Board of Directors for 27 years. We will remember him as an accomplished gentleman bringing insight and intelligent realism in his work with us.

With his successor, the other members of the Board of Directors and all the employees of Industrial Life, I firmly believe that we can assure the proper evolution of OUR Company.

A handwritten signature in dark ink, appearing to read "André Charron". The signature is fluid and cursive, written in a professional style.

André Charron
Chairman of the Board of Directors

Review of our 1981 operations



First of all, let me pay tribute to all members of our team at the time when I have the advantage and pleasure of commenting the dynamic pace that our Company, INDUSTRIAL LIFE, maintains year after year!

My thanks, therefore, go to our sales representatives, whatever the status under which they operate with us. Whether they are exclusive agents or independent brokers, ordinary or combination branch directors, they enthusiastically propose the financial security provided by our avant-garde products, thus propagating the name and reputation of our Company.

My thanks also to the administrative personnel who diligently and without hesitation processed the increased volume of business to adequately serve our clientele.

Together, we have thus been able to underwrite more than 85,000 individual life insurance policies during the year. The volume of this new protection so provided amounts to \$1.9 billion, almost twice as much as in 1979 and 25.7% more than in 1980. Our share of the market will probably exceed 14% of all insurance sold in Québec in 1981.

The other lines of business also show progression, though more modest, accompanied by movements of rationalization and efforts to develop modern systems to better meet present and future demands. New business in individual pensions amounts to \$148.1 million, in group pensions to \$365.4 million and in group life insurance to \$386.9 million, which all

add up, together with individual life insurance, to a grand total of new business in 1981 of \$2.8 billion.

This progress is also the result of our technical personnel's foresight in their reaction to the constant changes in our economic environment and to the rapid evolution of needs as expressed by the consumer. The introduction of advanced notions in the make-up of our product rendered some traditional contracts obsolete and was bound to produce the replacement of many of them. It was with courage that we accepted that it had to be so and, in fact, we experienced our share of such replacements.

In spite of this expected phenomenon, our total business in force still increased by 21.4% to reach \$11.1 billion with \$6.2 billion in individual life insurance, \$824.9 million in individual pensions, \$2.4 billion in group life insurance and \$1.6 billion in group pensions.

During the year ended on December 31, 1981, premium income also increased significantly to attain \$180,022,909 which is 18.6% more than in 1980. Premium income from individual contracts reached \$112,679,256 or 62.6% of the total income, whereas premium income from group contracts amounted to \$67,343,653 (37.4%). It should be pointed out, however, that premium income markedly increased for all lines of business.

Investment income reached \$85,805,206, yielding a net average rate of 10.15% on all invested assets. The Company's total income thus attained \$269,194,213 for an increase of 15.9% over 1980.

During the same period, we paid our insureds or their beneficiaries a grand total of \$125,417,757 as compared to \$95,893,923 during the previous year. This considerable increase in the amounts paid is a measure of the social role of financial security which Industrial Life assumes more fully each year, our mortality and morbidity rates remaining well within the projections used to determine the premiums.

Moreover, our Company paid \$10,382,300 in dividends and experience refunds to our holders of participating individual and group contracts. In addition to these contractual commitments, Industrial Life once again innovated in 1981 by enlarging its role as a mutual company. Indeed, we offered to about 400,000 of our members a temporary addition of protection equal to 10% of the face value of their policies with no additional premium required. This constitutes a fair return for their participation in the favourable financial development of the company they have chosen. Such a positive action has added more than \$188 million to our insurance in force while requiring additional payments of over \$400,000 to beneficiaries.

The massive outflow that began in 1980 from registered retirement savings plans continued this year, resulting in withdrawals and transfers for a total of \$35,490,189. In 1981, we completed the improvement of contracts of this type still on our books to make them more competitive with all products on the market, while at the same time protecting our future operations. These voluntary modi-

fications, made necessary by marketing requirements, produced theoretical capital losses which we knowingly realized through sales of bonds in our portfolio. Subsequently, these bonds were partially replaced by others under which the maturity dates and yields improve the matching of our investments with our contractual commitments.

The actions described in the preceding paragraph have obviously slowed down the normal growth of our assets which, nevertheless, progressed from \$884,368,386 to \$937,767,487. On the other hand, these measures, carried out in accordance with regulations under the Insurance and Taxation Acts, entirely eliminated our income tax for 1981. They will also allow for complete recuperation of our 1980 income tax and will reduce our assessments during the next two years.

Our assets continue to be concentrated in mortgage loans which, with \$483,222,649, now represent 51.5% of our portfolio. Moreover, the transactions previously described reduced our bond portfolio to \$274,147,625 or 29.2% of our total assets. The program of preferred shares purchases achieved in 1981 increased the cost of our share portfolio by 57.4% while the depressive state of the market prevented the market value shown in our books from increasing by more than 20.3%. The total of \$41,466,218 still only represents 4.4% of our assets.

In our current operations, we paid \$30,408,892 in commissions and bonuses to our sales personnel, a direct consequence of the extraordinary results achieved by their group in 1981. General expenses of \$24,912,064 increased by 25.7% due to the continuing inflation, the spectacular increase in new business written, the research and development of more efficient data processing systems and the introduction of new products

aimed at meeting the clients' needs but also requiring more complex administrative procedures. Our future efforts will no doubt have to be concentrated on increased productivity without which any business organization risks regression.

Summary results of our wholly owned subsidiaries and their associated companies are given on pages 9 and 10. On the whole, their operations improved significantly and contributed \$481,035 to the net income shown below. Among others, Industrial Life-Technical Services Inc. (IST) has become the Québec giant in data processing services and is well on its way to real profitability. However, our general insurance subsidiaries: Industrial-General with reduced profits and The Equitable with substantially reduced losses, remain prisoners of an industry which must at all costs be rationalized in order to survive, particularly with respect to product development showing a return to true insurance concepts, all in cooperation with the distributing agents.

Following the various actions mentioned above, we note a decrease in net income over expenses and amounts set aside to meet future obligations. However, net benefits increased by \$3,625,166 to attain \$15,302,752. This result clearly shows that Industrial Life has the necessary financial resources to continue growing to its full potential and that it is able, at the same time, to introduce the changes required by a keener competition responding to the profound modifications taking place in our economic and social environment.

Our balance sheet for the year ends with a distribution of the policyholders' equity: the appropriated surplus must include, on a compulsory basis, certain reserves required by the Superintendent of Insurance and, on a voluntary basis, a reasonable proportion of the difference

between the amortized and market values of bonds held, in our case 50%. This appropriated surplus was reduced in 1981 from \$45,282,676 to \$24,918,468.

On the other hand, the unappropriated surplus represents the measure of additional future security for our policyholders in general and allows for the continuous and orderly progress of our Company. This item was increased by our overall operations from \$67,553,836 at the end of 1980 to \$79,659,714 at the end of 1981.

A more detailed examination of our financial statements shall confirm the soundness of my earlier remarks and shall prove that Industrial Life possesses the dynamic pace needed to face successfully the challenge proposed by our new Chairman of the Board: "Industrial Life in evolution"!



Robert Bégin
President and Chief Executive Officer

Board of Directors

ERNEST G. AYERS
President
Ayers Limited

ROBERT BÉGIN, F.S.A.
President and Chief Executive Officer
Industrial Life Insurance Company

STANLEY E. BROCK, F.S.A., C.M.
Vice-Chairman of the Board
Industrial Life Insurance Company

RONALD C. BROWN, B.A.
Partner of Blake, Cassels & Graydon, Advocates

ANDRÉ CHARRON, Q.C.
President
Lévesque, Beaubien Inc.

THE HONOURABLE GEORGE H. HEES, M.P.

C. JOHN JACKSON
Chairman of the Board
Mussens Equipment Ltd.

J.-LOUIS LÉVESQUE, D.C.Sc., D.P.Ec., LL.D.
Chairman of the Board
Lévesque, Beaubien Inc.

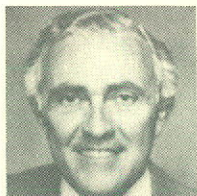
JEAN MARIER, LL.M.
Partner of Létourneau, Stein, Marseille,
Delisle & LaRue, Advocates

PIERRE MERCIER, Q.C.
Partner of Guy, Vaillancourt, Mercier, Bertrand,
Bourgeois & Laurent, Advocates

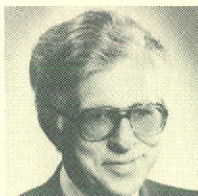
J. ROBERT OUMET
President and Chief Executive Officer
Oumet-Cordon Bleu Group

RAYMOND SIROIS, M.Sc.C.
President
Québec Téléphone Inc.

Management



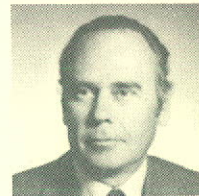
A. Charron, Q.C.
Chairman of the Board



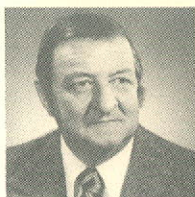
R. Bégin, F.S.A.
President and
Chief Executive Officer



S.E. Brock, F.S.A., C.M.
Vice-Chairman of the Board



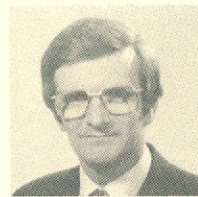
P. Mercier, Q.C.
Secretary of the Board



G. Courteau, F.L.M.I.
Vice-President
Administrative Services



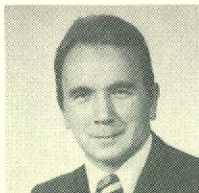
S. Dompierre, F.S.A.
Vice-President
Group Insurance
and Pensions



C. Jutras, F.S.A.
Vice-President
Human Resources



A. Langlois, F.S.A.
Vice-President and
Chief Actuary



R. Normand, F.S.A.
Vice-President
Individual Insurance Services



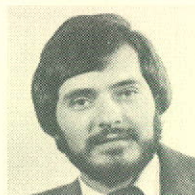
J.-P. Pouliot, B.Com.
Vice-President
Marketing



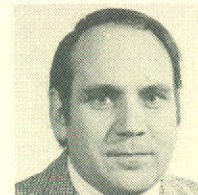
P.-E. Reinhardt, C.F.A.
Vice-President
Finance



Y. Côté, L.Sc.Adm.
Senior Director
Accounting Services



N. Pépin, F.S.A.
Senior Director
Data Processing Services



G. Smith, LL.L.
Senior Director
Financial Services

Management

(cont'd)

C.-E. Angers, C.L.U.

Manager, Employee Insurance and Pension Plans

G. Audet, C.L.U.

Manager, Instruction Programs

B. Bazinet

Manager, Branch Office
Administrative Services

A. Blais

Manager, Administration,
Group Insurance

R. Blais, F.L.M.I.

Manager, Life and Health Claims

A. Blouin

Manager, Claims, General Insurance

P. Blouin, L.Sc.Adm.

Manager, Analysis and Programming

R. Bonenfant

Manager, Montréal Regional
Administration Office

P.-E. Burelle

Director, Sales

P.-H. Chrétien, R.I.A.

Manager, Accounting

R. Cloutier

Manager, Data Processing Production

H. Côté, C.L.U.

Superintendent, Sales

J. Courville, C.L.U.

Superintendent, Sales

R. Donnelly

Director, Administrative Services,
Branch and Regional Offices

G. Duchesneau, M.B.A.

Director, General Insurance

J.-G. Fortier, F.L.M.I.

Manager, Policy Records

J.-B. Fortin, F.L.M.I.

Manager, Administration,
Mortgage Loans

V. Garneau, B.Com.

Director, Internal Auditing

J. Gaudet

Manager, Claims, Group Insurance

L. Gilbert

Manager, Underwriting,
Mortgage Loans

J.G. Gravel

Manager, Underwriting,
General Insurance

J.-M. Lavoie, F.L.M.I.

Director, Premium Collection
and Sales Personnel Remuneration

C. Lemieux

Manager, Underwriting

R. Mailloux

Director, Mortgage Loans

J.-M. Moisan, C.App.

Director, Real Estate Investments

J. O'Farrell, R.I.A.

Manager, Personnel

R. Paré, F.L.M.I.

Superintendent, Sales

G. Pilotte

Manager, Policy Contracts,
Individual Insurance

J.-E. Plante, B.Com.

Taxation Adviser

S. Quinn, F.S.A.

Actuary, Group Pensions

M. Racine

Manager, Supportive
Administrative Services

M. Renaud

Manager, Policy Contracts,
General Insurance

G. Rivard

Manager, Branch Office
Administrative Services

J. Simard

Manager, Sales Personnel
Remuneration

J. Taché, LL.L.

Associate Legal Counsel

C. Tessier, B.A.Sc.

Manager, Administration,
Real Estate Investments

G. Thibault, C.L.U.

Manager, Sales Promotion

R. Tremblay, B.Com.

Superintendent, Sales,
Group Insurance

T.G. Tuck

Manager, Toronto Regional
Administration Office

M. Turcotte, F.S.A.

Actuary, Individual Insurance

J.-C. Vézina, B.Com.

Manager, Office Administrative
Services

Our service network

PROVINCE OF QUÉBEC		Directors
ABITIBI-TÉMISCAMINGUE	20 Gamble St. W., Rouyn J9X 2R2	Serge Aubry
CHICOUTIMI	1212 Talbot Blvd., Chicoutimi G7H 4B7	P.H. Tremblay, C.L.U.
Alma	425 Sacré-Coeur St. W., Alma G8B 1M4	
Dolbeau	1346 Walberg Blvd., Dolbeau G8L 1H1	
Jonquière	372 St-Dominique St., Jonquière G7X 7V8	
GRANBY	183 Principale St., Granby J2G 2V5	Roger Champagne, C.L.U.
Drummondville	220 Brock St., Drummondville J2C 1M3	
HULL-OTTAWA	768 St-Joseph Blvd., Hull J8Y 4B8	Robert Gagnon, C.L.U.
L'ESTRIE	2851 King St. W., Sherbrooke J1L 1C6	Richard Lemieux, C.L.U.
MAURICIE	4320 Royal Blvd., Shawinigan G9N 7X7	Fernand Carbonneau
Grand-Mère	555 7th Street, Grand-Mère G9T 4N1	
Louiseville	550 St-Laurent Blvd. E., Louiseville J5V 2R5	
ST-GEORGES	11773 1st Avenue, St-Georges E., Beauce G5Y 2C7	Patrice Jacques
ST-HYACINTHE	3100 Laframboise Blvd., St-Hyacinthe J2S 4Z4	Roger Landry, C.L.U.
Beloil	535 Laurier Blvd., Beloil J3G 5E9	
Sorel	67 Georges St., Sorel J3P 1C2	
ST-JEAN	929 Séminaire Blvd., St-Jean J3A 1B6	David Suissa, C.L.U.
ST-JÉRÔME	331 Labelle St., St-Jérôme J7Z 5L2	Claude Beauchamp
SHERBROOKE	2910 Portland Blvd., Sherbrooke J1L 1A6	Réjean Fortier
THETFORD-MINES	222 Smith Blvd. S., Thetford-Mines G6G 6N7	Viateur Landry
Ste-Marie	114 Notre-Dame St., Ste-Marie de Beauce G0S 2Y0	
Victoriaville	17A De Coursol St., Victoriaville G6T 3Y9	
TROIS-RIVIÈRES	300 Barkoff Blvd., Cap-de-la-Madeleine G8T 2A3	Claude Courval, C.L.U.
VALLEYFIELD	185A Victoria St., Valleyfield J6T 1A7	Jules E. Charbonneau
Châteauguay	69 St-Jean-Baptiste Blvd., Châteauguay J6J 3H5	
Cornwall	4 Montréal Rd., Cornwall K6H 1B2	
METROPOLITAN MONTRÉAL		
BEAUBIEN	4001 Crémazie Blvd. E., Montréal H1Z 2L4	Bernard St-Jacques
BEAUGRAND	5125 du Trianon St., Montréal H1M 2S5	Raymond Moreau, C.L.U.
Joliette	384 Manseau Blvd., Joliette J6E 3E1	
CARTIER	1079 Chambly Rd., Longueuil, J4H 3M7	Raymond Jérôme, C.L.U.
CHAMPLAIN	1680 Provencher Blvd., Brossard J4W 2Z7	J. René Désy
DUVERNAY	3100 de la Concorde Blvd., Duvernay H7E 2B8	Jacques LeGuerrier, C.L.U.
LANGELIER	7077 Beaubien St. E., Anjou H1M 2Y2	Jean Boudreault
LAVAL	1717 St-Martin Blvd. W., Laval H7S 1N2	Gilles Beauchamp
LE LAURENTIEN	2525 Daniel Johnson Blvd., Laval H7T 1S9	Michel Belley Jr.

Our service network

(cont'd)

MERCIER	2074 Thierry St., LaSalle H8N 1H7	Richard Jalbert
MONTREAL-MAISONNEUVE	2075 University St., Montréal H3A 2L1	J. Fernand Sasseville
MONT-ROYAL	50 Place Crémazie W., Montréal H2P 2T6	Marcel Alarie, C.L.U.
RIVE-SUD	7005 Taschereau Blvd., Brossard J4Z 1A7	René Bilodeau, C.L.U.
ST-DENIS	1115 Louvain St. E., Montréal H2M 2E6	Charles E. Levesque
VILLE-MARIE	100 Alexis Nihon Blvd., Ville St-Laurent H4M 2N9	Joseph Assayag, C.L.U.
METROPOLITAN QUÉBEC		
CHAUVEAU	8500 Henri-Bourassa Blvd., Charlesbourg G1G 5X1	Doris Lachance
ETCHEMIN	1675 23rd St. N., Charny G6W 5T9	Jean-Paul Deschênes
LÉVIS	1E St-Georges St. W., Lévis G6V 6X2	Jean Tourigny, C.L.U.
QUÉBEC-CENTRE	2835 Gomin Rd., Ste-Foy G1V 2K1	Ben Bouchard, C.L.U.
QUÉBEC-LAURIER	825 St-Jean-Baptiste St., Les Saules G2E 5B7	Roland Dubeau, C.L.U.
STE-FOY	3188 Ste-Foy Rd., Ste-Foy G1X 1R4	Raymond Deschênes, C.L.U.
PROVINCE OF NEW BRUNSWICK		
MADAWASKA	12 Court St., Edmunston E3V 1S2	Jeannot Turgeon
MARITIMES	777 Main St., Moncton E1C 1E9	Hermel Poitras
PROVINCE OF ONTARIO		
ETOBICOKE	65 The East Mall, Etobicoke M8Z 5W3	Beene Moed
KLEINBURG	10489 Islington Ave. N., Kleinburg L0J 1G0	Donald J. Brown
TIMMINS	10 Cedar St. S., Timmins P4N 2G4	Roger L. Piquette
TRANS-NATION	1700 Wilson Ave., Downsview M3L 1B2	Marcel J. Vien
TORONTO		
AL G. BROWN AND ASSOCIATES	825 Eglinton Ave. W., Toronto M5N 1E7	Al G. Brown, C.L.U.
EGLINTON	90 Eglinton Ave. E., Toronto M4P 2Y3	Harvey Tenebaum
TORONTO CENTRAL	90 Eglinton Ave. E. Toronto M4P 2Y3	Eugenio Bruno
GROUP INSURANCE AND PENSIONS		
MONTREAL	625 Président Kennedy Ave., Montréal H3A 1K2	Kevin J.R. Conroy
QUÉBEC	2700 Laurier Blvd., Ste-Foy G1V 2L8	Raynald Winstall, C.L.U.
TORONTO	90 Eglinton Ave. E., Toronto M4P 2Y3	K. Murray Swift
MORTGAGE LOANS		
MONTREAL	625 Président Kennedy Ave., Montréal H3A 1K2	Richard Beauchemin, C. App.
QUÉBEC	2535 Laurier Blvd., Ste-Foy G1V 4M3	Jean Trahan, C. App.
REGIONAL ADMINISTRATION OFFICES		
MONTREAL	3170 Beaubien St. E., Montréal H1X 3B9	Roland Bonenfant
TORONTO	90 Eglinton Ave. E., Toronto M4P 2Y3	T.G. Tuck
BRANCH OFFICE ADMINISTRATIVE SERVICES		
MONTREAL	7077 Beaubien St. E., Anjou H1M 2Y2	Bernard Bazinet

Subsidiaries

A summary balance sheet of the subsidiaries, affiliated and associate companies of Industrial Life Insurance Company appears on the following pages.

		1981	1980
THE EQUITABLE GENERAL INSURANCE COMPANY	TOTAL ASSETS	\$15,831,518	\$18,478,575
	INVESTMENTS AND LIQUID ASSETS	11,075,638	
	RECEIVABLES	3,064,315	
	DEFERRED ACQUISITION EXPENSES	406,630	
	FIXED ASSETS	1,284,935	
	LIABILITIES	13,765,200	15,802,436
	PROVISIONS	12,939,603	
	PAYABLES	734,536	
	DEPOSITS FROM REINSURERS	91,061	
	CAPITAL STOCK	1,000,000	501,500
	RETAINED EARNINGS:		
	APPROPRIATED	479,215	682,078
	UNAPPROPRIATED	587,103	1,492,561
	PROFIT (LOSS) for the year after income tax	(905,458)	(2,000,696)
	CONSOLIDATION VALUE	1,587,103	1,994,061
INDUSTRIAL GENERAL INSURANCE COMPANY	TOTAL ASSETS	\$5,001,262	\$5,377,909
	INVESTMENTS AND LIQUID ASSETS	4,585,908	
	RECEIVABLES	229,808	
	DEFERRED ACQUISITION EXPENSES	185,546	
	LIABILITIES	3,596,666	3,998,406
	PROVISIONS	3,192,752	
	PAYABLES	331,731	
	DEPOSITS FROM REINSURERS	72,183	
	CAPITAL STOCK	1,000,000	1,000,000
	RETAINED EARNINGS:		
	APPROPRIATED	64,524	126,909
	UNAPPROPRIATED	340,072	252,594
	PROFIT (LOSS) for the year after income tax	87,478	160,461
	CONSOLIDATION VALUE	1,340,072	1,252,594

Subsidiaries

(cont'd)

		1981	1980
INDUSTRIAL LIFE- TECHNICAL SERVICES INC.	TOTAL ASSETS	\$23,681,310	\$ 19,175,007
	SHORT TERM ASSETS	7,390,384	
	COMPUTERS	3,499,299	
	FIXED ASSETS	9,786,890	
	INVESTMENTS	3,004,737	
	LIABILITIES		19,539,241
	SHORT TERM LIABILITIES	3,330,731	
	ADVANCES AND FINANCED PURCHASES	16,208,510	
	CAPITAL STOCK		9,078,550
	ACCUMULATED PROFITS (LOSSES)		(4,936,681)
	PROFIT (LOSS) for the year after income tax		1,188,482
	CONSOLIDATION VALUE		15,291,504
LES SERVICES D'INFORMATION IST-COPA INC.	PROFIT (LOSS) for the year: share of Industrial Life	(98,279)	(7,000)
	CONSOLIDATION VALUE	(71,279)	27,000
M.I.C.R. SYSTEMS LTD.	TOTAL ASSETS	\$2,903,148	\$2,935,103
	SHORT TERM ASSETS	2,148,065	
	FIXED ASSETS	714,083	
	LIABILITIES		3,089,025
	SHORT TERM LIABILITIES	644,444	
	ADVANCES AND FINANCED PURCHASES	2,444,581	
	CAPITAL STOCK		476,582
	ACCUMULATED PROFITS (LOSSES)		(662,459)
	PROFIT (LOSS) for the year after income tax	205,211	417,853
	CONSOLIDATION VALUE	1,789,378	1,634,167
INDUSTRIAL LIFE, REAL ESTATE SERVICES INC.	PROFIT (LOSS) for the year	3,601	—
	CONSOLIDATION VALUE	66,639	91,494

The subsidiaries' financial results are consolidated in the 1981 Industrial Life's statements as follows:

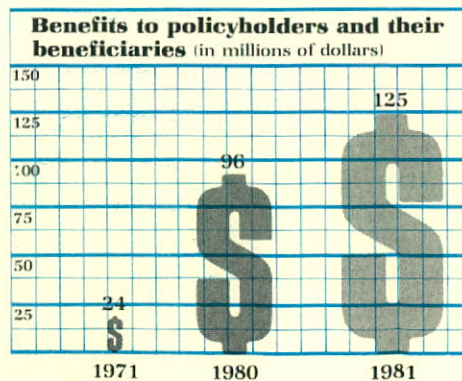
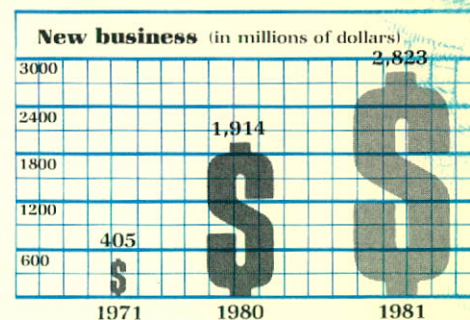
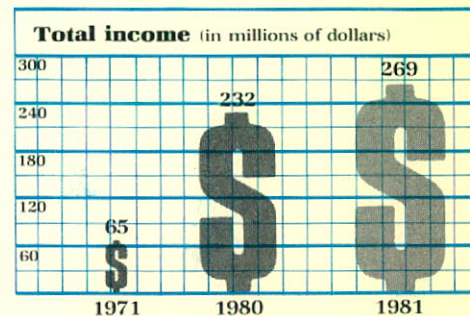
Net profit included in investment income	\$ 481,035
Total net value shown in assets	\$20,003,417

Financial statements

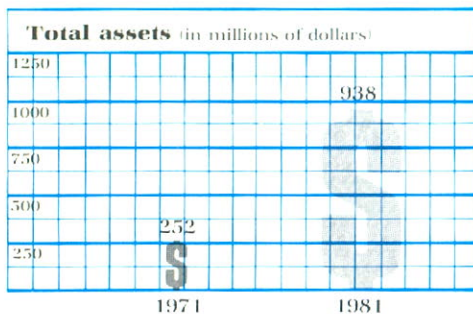
A glance at 1981

Distribution of 1981 income	Amount	%
Premiums	\$180,022,909	66.9
Net investment income	85,805,206	31.9
Miscellaneous	3,366,098	1.2
Total	\$269,194,213	100.0

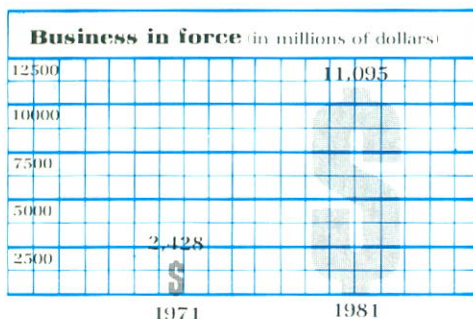
Distribution of 1981 new business	Amount	%
Individual life insurance	\$1,923,061,035	68.1
Individual annuities	148,110,012	5.3
Group life insurance	386,858,472	13.7
Group annuities	365,397,020	12.9
Total	\$2,823,426,539	100.0



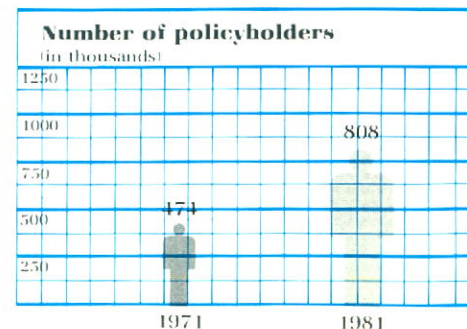
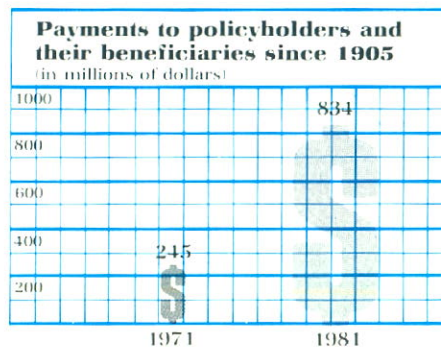
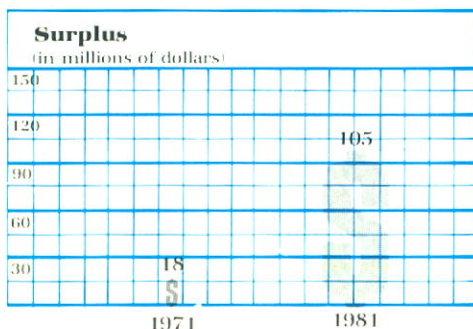
Our progress at a glance



Distribution of assets	Amount		%
	\$		
Mortgage loans	\$ 483,222,649		51.5
Bonds	274,147,625		29.2
Real estate	45,348,216		4.9
Stocks	41,466,218		4.4
Policy loans	30,634,368		3.3
Subsidiaries	20,003,417		2.1
Term deposits	8,000,000		0.9
Miscellaneous	34,944,994		3.7
Total	\$ 937,767,487		100.0



Distribution of business in force	Amount		%
	\$		
Individual life insurance	\$ 6,203,531,813		55.9
Individual annuities	824,936,304		7.5
Group life insurance	2,431,343,172		21.9
Group annuities	1,635,018,121		14.7
Total	\$ 11,094,829,410		100.0



Summary of operations

year ended December 31, 1981

Income	1981	1980
Premiums	\$180,022,909	\$ 151,734,168
Net investment income (note 8)	85,805,206	78,678,566
Contributions to employees' pension and insurance funds	3,366,098	1,819,153
	\$269,194,213	\$ 232,231,887
Appropriation of income		
Normal increase in actuarial reserve	\$ 54,465,098	\$ 59,879,689
Claims incurred	125,417,757	95,893,923
Dividends and group experience refunds	10,382,300	9,852,090
Interest credited to amounts on deposit	2,384,175	1,644,397
Commissions	30,408,892	21,468,894
Taxes, licences and fees	1,973,608	1,658,146
General expenses	24,912,064	19,819,278
Payments from and increase in employees' pension and insurance funds	5,333,608	3,730,449
Miscellaneous	2,675,336	3,055,234
	\$257,952,838	\$ 217,002,100
Net income before income taxes	\$ 11,241,375	\$ 15,229,787
Income taxes	(4,061,377)	3,552,201
Net income for the year	\$ 15,302,752	\$ 11,677,586

Balance sheet

as of December 31, 1981

ASSETS

Investments	1981	1980
Bonds (note 2)	\$ 274,147,625	\$ 288,174,484
Stocks (note 3)	41,466,218	34,460,812
Mortgage loans	483,222,649	448,714,360
Real estate (note 4)	45,348,216	40,740,870
Policy loans	30,634,368	24,417,960
Term deposits and guaranteed investment certificates	8,000,000	—
Subsidiaries (note 9)	20,003,417	20,692,743
	\$ 902,822,493	\$ 857,201,229
Other assets		
Investment income due and accrued	\$ 13,850,862	\$ 12,724,025
Outstanding premiums	5,677,848	5,005,521
Amounts due	1,508,369	466,806
Miscellaneous (note 5)	2,010,113	2,234,503
Recoverable income taxes	4,088,840	—
Segregated funds, at market value	7,808,962	6,736,302
	\$ 34,944,994	\$ 27,167,157
	\$ 937,767,487	\$ 884,368,386

LIABILITIES

Actuarial liabilities	1981	1980
Actuarial reserve (note 6)	\$726,783,107	\$ 672,318,009
Provision for dividends and group experience refunds	10,714,342	9,898,906
Provision for unreported claims	6,131,068	5,034,282
Employees' pension and insurance funds	22,486,612	18,540,468
	\$766,115,129	\$ 705,791,665
Other liabilities		
Amounts on deposit	\$ 33,686,083	\$ 30,895,868
Premiums paid in advance	3,431,305	2,814,929
Other contract liabilities	1,702,825	1,113,038
Outstanding claims	3,431,385	2,922,696
Accounts payable and accrued expenses	3,785,842	2,936,545
Bank overdrafts and borrowed money	3,701,468	9,915,474
Miscellaneous	9,526,306	8,405,357
Segregated funds	7,808,962	6,736,302
	\$ 67,074,176	\$ 65,740,209
Policyholders' equity		
Surplus — appropriated (note 7)	\$ 24,918,468	\$ 45,282,676
— unappropriated	79,659,714	67,553,836
	\$104,578,182	\$ 112,836,512
	\$937,767,487	\$ 884,368,386

Surplus

year ended December 31, 1981

	APPROPRIATED	UNAPPROPRIATED	TOTAL
Balance at beginning	\$45,282,676	\$67,553,836	\$112,836,512
Net income for the year		15,302,752	15,302,752
Changes in valuation bases of actuarial reserve			
Transfer for negative reserves (note 7)	(644,895)	644,895	
Transfers (note 7)	3,860,416	(3,860,416)	
Changes in valuation reserve for stocks and for capital gains and losses realized on bonds and stocks	(23,579,729)		(23,579,729)
Non-amortizable capital gains and losses		18,647	18,647
Balance at end	\$24,918,468	\$79,659,714	\$104,578,182

Notes to financial statements

1. Significant Accounting Policies

The financial statements are prepared in accordance with accounting principles and rules generally accepted in the insurance business and with the requirements of the Québec Insurance Act, mainly:

- Income taxes are provided for on the "taxes payable" basis.
- Realized gains and losses on disposal of stocks and bonds as well as unrealized gains and losses on stocks are recorded in the appropriated surplus account from where they are amortized to operation on a straight-line basis over a period of 10 years.

2. Bonds

Bonds are carried at amortized cost.

3. Stocks

Stocks are valued at their market value as required by the Québec Insurance Act.

	1981	1980
Market Value	\$41,466,218	\$34,460,812
Cost	\$34,378,488	\$21,837,014

4. Real Estate

Real estate held for investment purposes is net of mortgage debts.

	COST	ACCUMULATED DEPRECIATION	NET VALUE 1981	NET VALUE 1980
Real estate held for investment	\$68,671,192	\$2,718,296	\$65,952,896	\$61,526,712
Mortgage debts	(25,366,027)		(25,366,027)	(25,624,213)
	\$43,305,165	\$2,718,296	\$40,586,869	\$35,902,499
Head Office building	6,608,059	1,846,712	4,761,347	4,838,371
	\$49,913,224	\$4,565,008	\$45,348,216	\$40,740,870

Depreciation is principally computed by the sinking fund method. \$533,737 for the year (\$486,908 in 1980).

5. Miscellaneous assets

	COST	ACCUMULATED DEPRECIATION	NET VALUE 1981	NET VALUE 1980
Equipment for leasing	\$ 207,265	\$ 62,180	\$ 145,085	\$ 182,393
Furniture	1,458,253	609,014	849,239	756,718
	\$1,665,518	\$671,194	\$ 994,324	\$ 939,111
Advances to agents			1,015,789	1,295,392
			\$2,010,113	\$2,234,503

Depreciation is computed on the straight-line basis at the annual rate of 20%: \$249,617 for the year (\$214,052 in 1980).

6. Actuarial reserve

The actuarial reserve as of December 31, 1981 according to the net level premium method amounts to \$751,110,352. Deferred acquisition expenses in the amount of \$24,327,245 have been deducted and the net actuarial reserve amounts to \$726,783,107.

The net actuarial reserve determined in accordance with the method prescribed in sections 113 and 114 of the general regulation of the Québec Insurance Act amounts to \$702,455,862.

7. Transfers and appropriation

	BALANCE AT BEGINNING	TRANSFERS AND APPROPRIATION	BALANCE AT END
Reserve for group life insurance mortality fluctuations	\$ 868,774	\$ 95,439	\$ 964,213
Reserve for accident and sickness fluctuations	3,192,435	902,349	4,094,784
Additional reserve for negative reserves	3,209,786	(644,895)	2,564,891
Reserve for fluctuations in market value of investments	32,441,114	2,862,628	35,303,742
Valuation reserve for stocks and deferred capital gains and losses realized on bonds and stocks	5,570,567	(23,579,729)	(18,009,162)
Appropriated surplus	\$45,282,676	\$(20,364,208)	\$ 24,918,468

8. Net investment income

Investment income is shown net of related expenses of \$7,428,287 (\$6,795,607 in 1980) and includes profits (losses) from subsidiaries in the amount of \$481,035 (\$972,198 en 1980).

9. Subsidiaries

Investments in subsidiaries, accounted for at their equity value, are as follows:

	NET EQUITY VALUE	NET PROFIT (LOSS) OF YEAR
Industrial Life Technical Services Inc.	\$15,291,504	\$1,188,482
The Equitable General Insurance Company	1,587,103	(905,458)
M.I.C.R. Systems Ltd.	1,789,378	205,211
Industrial General Insurance Company	1,340,072	87,478
Industrial Life, Real Estate Services Inc.	66,639	3,601
Les Services d'information IST-COPA Inc.	(71,279)	(98,279)
	\$20,003,417	\$481,035

10. Transactions with subsidiaries

The Company paid its subsidiaries for services rendered during the normal course of their operations the following amounts:

Industrial Life-Technical Services Inc.	\$2,534,683
M.I.C.R. Systems Ltd.	240,896
	\$2,775,579

Valuation actuary's report

Auditors' report to policyholders

I have made the valuation of the actuarial liabilities of Industrial Life Insurance Company for its balance sheet as of December 31, 1981 and its summary of operations for the year then ended. In my opinion,

- i) the valuation conforms to the Recommendations for Insurance Company Financial Reporting of the Canadian Institute of Actuaries;
- ii) the amounts of the actuarial liabilities make proper provision for the future payments under the Company's contracts;
- iii) a proper charge on account of those liabilities has been made in the summary of operations, and
- iv) the amount of surplus appropriation for policies whose reserves are negative is proper.

A. Langlois, F.S.A., F.C.I.A.
Vice-President and Chief Actuary

Sillery, January 29, 1982

We have examined the statements of income and surplus of Industrial Life Insurance Company for the year ended December 31, 1981 and its balance sheet at that date. We have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances; we have relied on the opinion of the Company's actuary as to the amount of the actuarial obligations described in his report.

In our opinion and according to the opinion of the actuary responsible for the valuation, according to the best of our information and the explanations given to us and as shown by the books of the Company, these financial statements present fairly the results of operations of the Company for the year ended December 31, 1981 and a true and correct view of the state of its affairs at that date in accordance with the accounting policies described in note 1, applied on a basis consistent with that of the preceding year.

Québec, January 29, 1982

SAMSON, BÉLAIÉ & ASSOCIÉS
Chartered accountants

