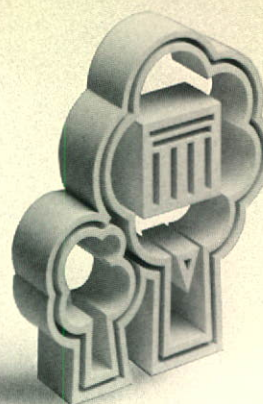


1985 Annual Report



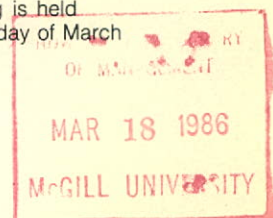
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Annual Meeting:
Head Office
1080 St-Louis Road
Sillery, Québec G1K 7M3
March 10, 1986.

The Annual Meeting is held
on the second Monday of March
each year.





A Word from the Chairman of the Board

The Canadian economy performed rather well in 1985 as evidenced by preliminary data available which indicate that the Gross National Product grew by 4.5 % in real terms, as compared to 1984. Contrary to the expectations of some, the Consumer Price Index was contained to a moderate increase of only 4 %, while long-term interest rates fell by 125 basis points, closing the year at 10 %. Moreover, corporate profits have increased by more than 20 % over 1984 and Canadian equity markets have gained an impressive 21 %.

Despite very sharp competition, Industrial Life Insurance Company has outperformed the industry by reporting once again an increase in its surplus margins ensuring absolute security of all its obligations towards its clientele. Unfortunately, a few Canadian financial institutions were seriously affected by unfavourable events, with the result that consumer confidence was somewhat shaken. However, such was not the case for our Company since it pursued successfully its marketing drive, thus confirming that Canadian consumers maintained their total confidence in Industrial Life's financial soundness.

It is certainly not easy to forecast economic results for 1986 but we can expect an acceptable growth in business activities, although somewhat below that of 1985. Inflation should remain at roughly 4 % despite some uncertainty as to the effect on the Consumer Price Index of a sustained drop in the value of the Canadian dollar.

It appears, however, that the current year will be marked by regional differences as the economic performance differs between provinces whose economy relies heavily on petroleum resources and those where the basic economy is more diversified, such as Québec and Ontario.

The private sector will undoubtedly be the driving force of economic growth in 1986. Planned investments already made public are evidence to this effect. Moreover, we believe that the Canadian consumer will maintain a degree of confidence similar to that of the past year, thus keeping an adequate spending level.

Industrial Life, like every other financial institution, must obviously take into account such forecasts while studying present and future consumer needs for its services and instruments. At the same time, it must keep abreast of those legislative and regulatory developments which will have a direct influence on the choice of the avenues it may wish to explore on the financial services market, both immediately and in a foreseeable future.

I am convinced that Industrial Life, your Company, possesses all the human and financial resources necessary to meet the many new challenges it will encounter in pursuing its objectives and that it will achieve repeated success over the coming years.

André Charron
Chairman of the Board

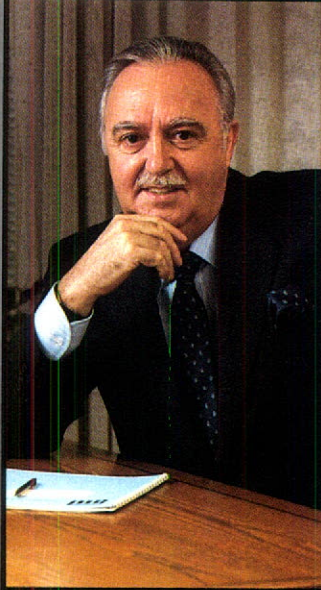
Yvon Côté, L.Sc. Adm.
Vice-President and General
Manager
Administration



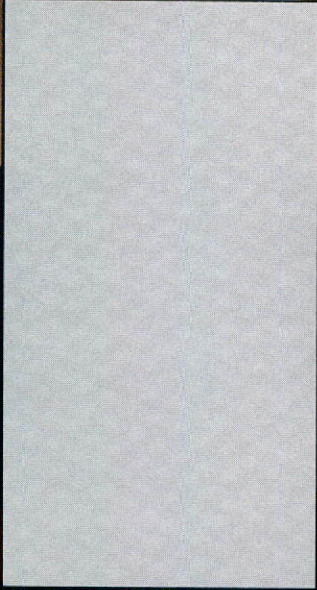
Alex Langlois, F.S.A.
Vice-President and General
Manager
Actuarial and Group



Normand Pépin, F.S.A.
Vice-President and General
Manager
Marketing



P-Émile Reinhardt, C.F.A.
Vice-President and General
Manager
Investments



Georges Smith, LL.L.
Vice-President and General
Manager
Corporate Affairs



Operational Review



Robert Bégin
President and Chief Executive Officer

The year 1985 has been one of record performances in several areas of activities for Industrial Life Insurance Company. The excellent results revealed by its financial statements are primarily due to the efforts of its management team to increase the overall productivity of all personnel, to its skilled and dynamic sales force, and to its ability to offer insurance and pension products that meet the needs of the consumer. They also result from the confidence generated in the public at large by the unquestionably sound financial situation of our Company.

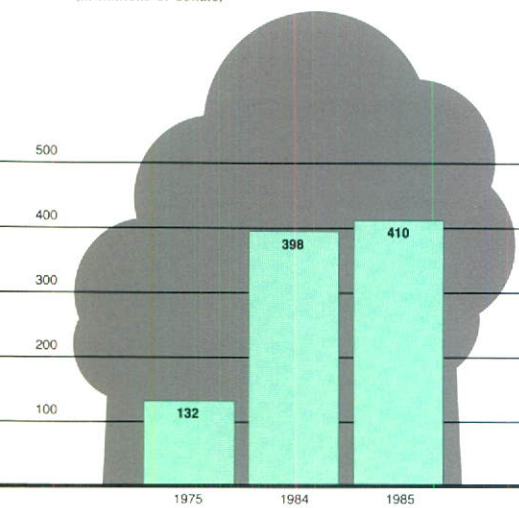
It is appropriate to point out first at the impressive effort of the more than 800 people in our administrative staff at Head Office and in the branch offices, who are constantly improving their productivity. In fact, while their numbers have increased by only 20 % since 1975, Industrial Life's total income over the same period has more than tripled, reaching \$410.3 million in 1985. Similarly, mention must be made of the magnificent performance achieved by our sales personnel against fierce competition in a very difficult market. Our sales force includes over 2,000 people working out of 59 branches headed by directors with an enviable professional reputation. More than 650 members of our sales force work exclusively for our Company, while almost 1,250 are associated with Industrial Life under a broker's contract.

Our Company continues to place a high priority on developing products that can satisfy the constantly evolving needs of consumers. In keeping with this philosophy, our Company introduced in 1985 a term insurance plan with guaranteed premiums for 15 years, a single premium insurance plan with variable face amount, and extended to the Ecoflex plan the monthly premium payment system by pre-authorized cheques.

However, Industrial Life's growth over the past year can best be gauged by the financial data. Once again, our sales force outdid itself, surpassing the sales record set in 1984 for individual life insurance by 24.7 % with a total sum insured in excess of \$5 billion. The total amount of such individual life insurance in force, allowing for terminations during the year, thus stands at \$14.815 billion as of December 31, 1985, an increase of 22.4 % over the previous year. As total group life insurance in force now stands at \$2.756 billion resulting from a net increase of \$170 million in 1985, Industrial Life's overall insurance in force amounts at year end to \$17.571 billion.

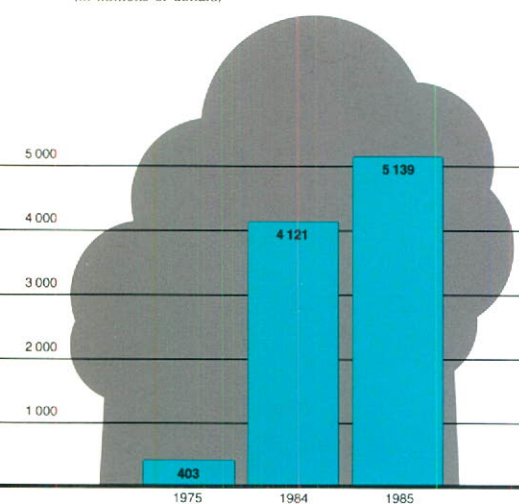
Our Company also recorded the highest surplus ever attained in a year, rising by 7 % in 1985 to \$21.8 million before income taxes. Net investment income registered a noteworthy gain of 16 %, due in part to the sizable 12.6 % increase in total assets which stand at \$1.454 billion as of December 31, 1985. Growth in accumulated surplus was even more impressive, as it posted a rise of 16.7 % over 1984, and now amounts to \$180.7 million, or 12.4 % of total assets. The increase in accumulated surplus of almost \$26 million is significantly greater than the net operating results and is largely due to an appreciation of roughly \$9 million in our stock portfolio during 1985. It is also very satisfying to note that the market value of our bond portfolio stands at 111 % of its acquisition cost, thus providing additional security for our insureds. A further source of satisfaction is the improvement in the average net rate of return on all our investments, which reached 11.58 % despite the decreasing trend of interest rates.

Total income
(in millions of dollars)



During 1985, Industrial Life gave further evidence of its intention to become more actively involved in real estate investments. The Faubourg Laudance project was launched early last summer. This is a half-residential, half-commercial development in Ste-Foy of which the initial phase already under way involves an investment of \$16 million. This project follows closely on the heels of the construction in Montréal, in association with First Québec Corporation, of the Industrial Life Tower, a prestige office building of which we are very proud and that already pleases Montrealers; its official opening is scheduled for the spring of 1986.

New life insurance
(in millions of dollars)



The significantly higher net investment income and a moderate rise in the overall appropriation of income produced a surplus for 1985 above the one for the previous year in spite of a slightly lower total premium income. Such decrease was in fact the result of a sharp drop of 32.7 % in individual annuity premiums not quite compensated by increases of 31.3 % in group annuity premiums, 8.2 % in individual life insurance premiums and 8.6 % in group accident and health premiums. This setback in the individual annuity field reflects the fierce competition in this particular market where margins often become too thin to allow for a reasonable profit.

Although growth in overall disbursements was effectively controlled, we must note increases in claims incurred as well as in general expenses. The 15 % rise in incurred claims is largely due to a significant increase in death benefits paid to beneficiaries under individual life insurance policies which were 32.3 % higher than in 1984. Also, annuity payments under both individual and group plans were up 28 %. The sum of \$154.5 million paid in benefits during 1985 brings the total payments made by Industrial Life under various forms to its

policyholders and their beneficiaries since it was founded in 1905 to \$1.386 billion. These impressive figures are strong evidence that Industrial Life's first concern is to service its policyholders. On the other hand, a decrease of almost 25 % in payments due to surrender of individual life insurance policies should be noted. Nonetheless, persistency remains an acute problem both for Industrial Life and the insurance industry as a whole.

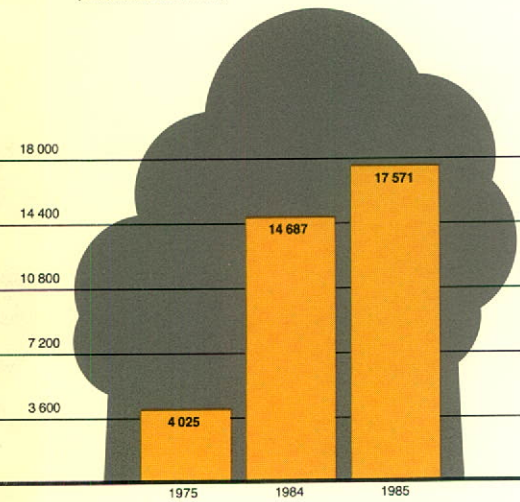
As stated in the preceding paragraph, general expenses have increased considerably over 1984, due in large part to the additional costs related to the much higher volume of new business and to the great number of policy replacements or modifications requested by our policyholders. It is also due in part to the more widespread use of electronic data processing in our various operations where implementation and start-up usually produce temporary duplication of expenses. The 11 % increase in salaries paid results from increased recruiting of professionals, temporary staffing of a one-time operation involving the microfilming of all hard copy policy files and overtime work necessary due to outside decisions beyond our control.

Industrial Life Insurance Company is also the cornerstone of a growing financial group. The combined assets of our Company's wholly owned subsidiaries and of those in which it has a controlling interest amount to \$380 million, bringing the consolidated assets of The Industrial Life Group of Companies to \$1.834 billion as of December 31, 1985, for an increase of 12.4 % over the previous year.

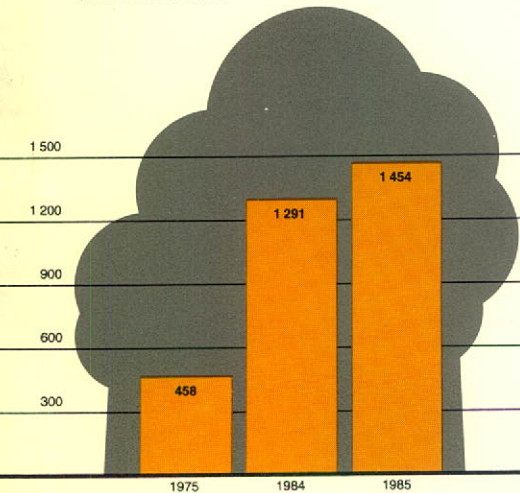
During 1985, Industrial Life, through its wholly owned subsidiary of Vancouver, The North West Life Assurance Company of Canada, completed the acquisition of The North West Life Assurance Company of America, whose Head Office is in Spokane, Washington State, and which had been operating until then as The Life Insurance Company of the Northwest. This acquisition is an indication of Industrial Life's intention to expand the territory in which it does business and of its active interest in the U.S. market. The consolidation of The North West Life's results with those of its U.S. subsidiary, through Industrial Life Management Company Inc., produced a profit of \$658,117 for 1985.

On the other hand, M.I.C.R. Systems Ltd. was sold during 1985 to financial interests who agreed to protect the jobs of this company's staff, while normal business relations are continued with Industrial Life.

Insurance in force
(In millions of dollars)

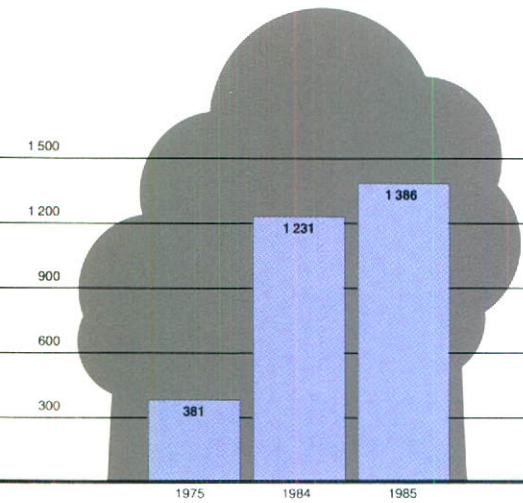


Total assets
(In millions of dollars)



Moreover, our wholly owned subsidiaries in the general insurance field, The Equitable and Industrial-General, report net profits of \$287,624 and \$393,841 respectively for the year, despite the unfavourable climate in this sector of activities. Indeed, it appears that companies reporting losses may be outnumbering those reporting a profit. The management of these two subsidiaries remains vigilant and is constantly taking new steps to avoid any hazards that may crop up in order to return as quickly as possible to the excellent profitability they had enjoyed for many years.

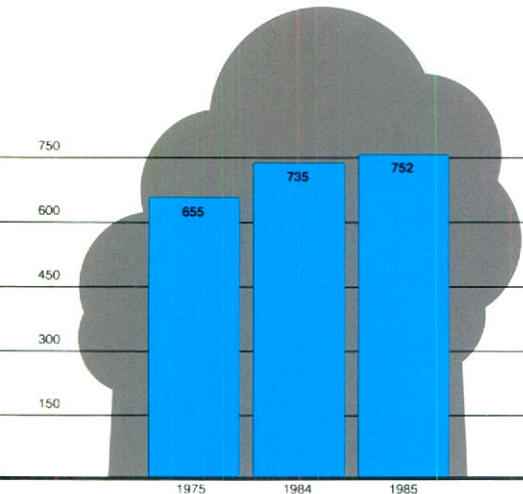
Payments to policyholders and their beneficiaries since 1905
(In millions of dollars)



The subsidiaries in which Industrial Life owns an 80 % interest, Industrial Life-Technical Services Inc. (IST) and Cogena, report profits of \$332,496 in total. It must be specified, however, that these figures take into account the consolidation of their affiliated companies' results, Informathèque and Healthcomp, and, especially, extraordinary expenses of \$1,696,629 incurred for the full write down of obsolete software and an accelerated rate of depreciation of rental improvements to their present facilities. They are, in fact, in the process of moving into quarters specially adapted to their particular needs within a new building we own in a technological park located on Crémazie Boulevard in Montréal, which will also be officially opened this spring. Meanwhile, their combined income rose almost 10 % in 1985, totaling \$48.9 million, a result leading to our expectation of a period of continued growth.

The results of all our subsidiaries have been consolidated within those of Industrial Life at shareholders' equity value in accordance with the practice followed in previous years. The only exceptions to this rule are our two subsidiaries primarily involved in real estate development which are consolidated at cost.

Number of policyholders
(In thousands)



We are indeed very satisfied and quite justifiably proud to present these results. They confirm our Company as a leader in the field of insurance in Québec, and indeed more and more throughout Canada. There can be no doubt that these results will enable us to gain ground within the industry, and that our entire staff will be encouraged to continue in this vein with renewed efforts.

For the Management,

Robert Bégin

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

Ronald C. Brown, Q.C.

Partner of Blake, Cassels & Graydon,
Advocates

Pierre Brunet, C.A.

President and Chief Operating Officer
Lévesque, Beaubien Inc.

André Charron, Q.C.

Chairman of the Board and
Chief Executive Officer
Lévesque, Beaubien Inc.

Camille A. Dagenais

Chairman of the Board and
Chief Executive Officer
Groupe S N C

C. John Jackson

Chairman of the Board
Mussens Equipment Ltd.

*** Jean Marier, LL.M.**

Partner of Stein, Monast, Pratte
& Marseille, Advocates

David Morton, M.A.

President and Chief Executive Officer
Aluminum of Canada Ltd.

J. Robert Ouimet

President and Chief Executive Officer
Groupe Ouimet — Cordon Bleu

P.-Émile Reinhardt, C.F.A.

Vice-President and General Manager,
Investments
Industrial Life Insurance Company

J. Frank Roberts

Raymond Sirois, M.Sc.C.

President
Québec Téléphone Inc.

* Secretary of the Board



Board Committees

Executive Committee

Robert Bégin
André Charron
Jean Marier
P.-Émile Reinhardt
J. Frank Roberts

Investment Committee

Ernest G. Ayers
Robert Bégin
André Charron
C. John Jackson
P.-Émile Reinhardt

Audit Committee

Camille A. Dagenais
Jean Marier
Raymond Sirois

Human Resources Committee

Pierre Brunet
J. Robert Ouimet
J. Frank Roberts



André Charron, Q.C.
Chairman of the Board

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

Yvon Côté, L.Sc.Adm.
Vice-President and General
Manager, Administration

Alex Langlois, F.S.A.
Vice-President and General
Manager, Actuarial and Group

Normand Pépin, F.S.A.
Vice-President and General
Manager, Marketing

P.-Émile Reinhardt, C.F.A.
Vice-President and General
Manager, Investments

Georges Smith, L.L.L.
Vice-President and General
Manager, Corporate Affairs

Paul-Émile Burelle
Vice-President, Sales
Combination Section

Simon Dompierre, F.S.A.
Vice-President,
General Insurance

Marcel Dumas, F.S.A.
Vice-President, Sales
Ordinary Section

Michel Gauthier, B.Sc.Math.
Vice-President,
Data Processing

Cyrille Jutras, F.S.A.
Vice-President,
Actuarial Division

Robert Mailloux
Vice-President,
Real Estate Investments

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

Management

Charles-Edouard Angers, C.L.U.
Director, Employee Insurance and Pension Plans

Gaëtan Audet, C.L.U.
Director, Instruction Programs

Bernard Bazinet
Director, Branch Office Administrative Services

André Blais
Director, Claims, Group Insurance

Roger Blais, F.L.M.I.
Director, Life and Health Claims

André Blouin
Director, Claims, General Insurance

Pierre Blouin, L.Sc.Adm.
Superintendent, Sales

Clément Boivin, A.S.A.
Director, Group Insurance Underwriting

Roland Bonenfant
Director, Montréal Regional Administration Office

Andrée Brunet, B.Sc.Adm.
Director, Real Estate Development and Promotion

Yvon Charest, F.S.A.
Assistant Vice-President, Corporate Affairs

Paul-H. Chrétien, R.I.A.
Director, Accounting

Gilles Cloutier, B.Sc.A.
Director, General and Group Insurance Systems

Rodrigue Cloutier
Director, Special Projects

Hervey Côté, C.L.U.
Superintendent, Sales

Réjean Devin, B.Sc.Phys.
Director, Technical Services and Production Control

Robert Dionne
Director, Québec Regional Administration Office

Raymond Donnelly
Senior Director, Regional Administration Offices

Jean Dorion, C.App.
Senior Director, Mortgage Loans

Gilles Duchesneau, M.B.A.
Senior Director, Individual Insurance Services

Louis Duclos, M.B.A.
Assistant Vice-President, Human Resources

Louis Falardeau, C.F.A.
Director, Securities

Lucienne Forbes, LL.B.
Associate Legal Counsel

Jean-Guy Fortier, F.L.M.I.
Director, Policy Records and Premium Collection

Jean-Baptiste Fortin, F.L.M.I.
Director, Administration, Mortgage Loans

Valmont Garneau, B.Com.
Senior Director, Accounting Services

Jocelyne Gaudet
Director, Contracts, General Insurance

Laurent Gilbert
Director, Underwriting, Mortgage Loans

Jocelyne G. Gravel
Director, Underwriting, General Insurance

François Harvey, C.A.
Director of Internal Auditing

Jean-Marc Lavoie, F.L.M.I.
Senior Director, Sales Personnel Remuneration

Yvon Lavoie, L.Sc.Adm.
Director, Individual Life Systems

Marcel Légaré, F.A.S.G.
Director, Real Estate Construction

Claude Lemieux
Director, Underwriting

André Marceau
Director, Sales Secretariat

Daniel Marceau, F.S.A.
Director, Actuarial Department

Hermann Morissette, A.S.A.
Director of Taxation

Joe O'Farrell, R.I.A.
Senior Director, Personnel

René Paré, F.L.M.I.
Superintendent, Sales

Laurent Perreault, F.L.M.I.
Director, Administration, Group Insurance

Guy Pilote
Director, Policy Contracts, Individual Insurance

François Plante, B.Sc.Adm.
Superintendent, Sales

Sheila Quinn, F.S.A.
Actuary, Individual Insurance

Marcel Racine
Director, Supportive Administrative Services

Marc Renaud
Senior Director, Office and Supportive Administrative Services

Gaston Rivard
Director, Branch Office Administrative Services

Jacques Simard
Director, Sales Personnel Remuneration

Jacques Taché, LL.L.
Legal Counsel

Claude Tessier, B.Sc.A.
Assistant Vice-President, Real Estate

Adrien Toulouse, C.L.U.
Superintendent, Sales

Raymond Tremblay, B.Com.
Senior Director, Marketing, Group Insurance

Michel Turcotte, F.S.A.
Senior Director, Group Pensions



Service Network

PROVINCE OF QUÉBEC

Abitibi-Témiscamingue	20 Gamble St. W., Rouyn J9X 2R2
Chicoutimi Alma Dolbeau Jonquière	1212 Talbot Blvd., Chicoutimi G7H 4B7 425 Sacré-Coeur St. W., Alma G8B 1M4 335 8th Avenue, Dolbeau G8L 3E4 2310 St-Dominique St., Jonquière G7X 6L8
Granby St-Jean	183 Principale St., Granby J2G 2V5 320 du Séminaire Blvd., St-Jean J3B 5K9
Hull-Ottawa	768 St-Joseph Blvd., Hull J8Y 4B8
Labelle	11 Principale St. N., L'Annonciation J0T 1T0
L'Estrie	3395 King St. W., Sherbrooke J1L 1P8
Mauricie Grand-Mère Louiseville	4320 Royal Blvd., Shawinigan G9N 7X7 555 7th Street, Grand-Mère G9T 4N1 255 St-Laurent St., Louiseville J5V 1K2
Rouillard-Spécial	155 125th St., Shawinigan South G9P 3T5
St-Hyacinthe Beloil Sorel	600 Casavant Blvd. W., St-Hyacinthe J2S 7S3 535 Laurier Blvd., Beloil J3G 5E9 67 Georges St., Sorel J3P 1C2
St-Jérôme Duvernay	222 St-Georges St., St-Jérôme J7Z 4Z9 3100 de la Concorde Blvd., Duvernay H7E 2B8
Sherbrooke	2910 Portland Blvd., Sherbrooke J1L 1T1
Thetford-Mines Drummondville Victoriaville	222 Smith Blvd. S., Thetford-Mines G6G 6N7 220 Brock St., Drummondville J2C 1M3 17A De Coursol St., Victoriaville G6T 3Y9
Trois-Rivières	300 Barkoff St., Cap-de-la-Madeleine G8T 2A3
Valleyfield Châteauguay Cornwall Pincourt	9 Nicholson St., Valleyfield J6T 4M4 65 St-Jean-Baptiste Blvd., Châteauguay J6J 3H5 4 Montréal Rd., Cornwall K6H 1B2 95 5th Avenue, Pincourt J7V 5K8

• DIRECTORS •• GENERAL AGENTS

- Benoit Côté
- P.-H. Tremblay, C.L.U.
- Roger Champagne, C.L.U.
- Robert Gagnon, C.L.U.
- Richard Lefebvre
- Léon Gaudreault
- Robert Ménard
- Adelphas Rouillard, C.L.U.
- Roger Landry, C.L.U.
- Claude Beauchamp
- Réjean Fortier
- Viateur Landry
- Michel Morrissette, C.L.U.
- Jules E. Charbonneau

METROPOLITAN MONTRÉAL

Anjou	5800 Louis-Hyppolite Lafontaine, Anjou H1M 1S7	•• Serge Aubry, C.L.U.
Beaubien	4570 Jean-Talon St. E., Saint-Léonard H1S 1K2	• Bernard St-Jacques
Beaugrand Joliette	5125 du Trianon St., Montréal H1M 2S5 28 chemin du Golf, Joliette J6E 2B4	• Raymond Moreau, C.L.U.
Cartier	1079 chemin Chambly, Longueuil J4H 3M7	• Michel Pelletier, C.L.U.
Champlain	1680 Provencher Blvd., Brossard J4W 2Z7	• J. René Désy
Langelier	7077 Beaubien St. E., Anjou H1M 2Y2	• Michel Carrière
Laval	1717 St-Martin Blvd. W., Laval H7S 1N2	• Gilles Beauchamp
Le Laurentien	2525 Daniel Johnson Blvd., Laval H7T 1S9	•• Édouard Montpetit, C.L.U.
Lemoyne	6185 Taschereau Blvd., Brossard J4Z 1A6	•• Jacques L'Écuyer, C.L.U.
Mercier	2074 Thierry St., LaSalle H8N 1H7	• Richard Jalbert
Mont-Royal	50 Place Crémazie W., Montréal H2P 2T6	•• Marcel Alarie, C.L.U.
Montréal-Maisonneuve	1212 Jean-Talon St. E., Montréal H2R 1W2	•• David Suissa, C.L.U.
St-Denis	1115 Louvain St. E., Montréal H2M 2E6	• Charles E. Levesque
St-Lambert	475 Victoria St., St-Lambert J4P 2J1	•• Claude Dufresne
Seymour Socransky & Ass. Ltd.	785 Plymouth Ave., Town of Mount-Royal H4P 1B3	•• Seymour Socransky
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
Lévis	91 St-Georges St. W., Lévis G6V 4K8	• Jean-Paul Deschênes
Québec-Centre	2835 Chemin Gomin, 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 Chemin Ste-Foy, Ste-Foy G1X 1R4	• Raymond Deschênes, C.L.U.

PROVINCE OF NEW BRUNSWICK

Madawaska	25 St-Joseph St., St-Jacques, N.B. E0L 1K0	•• Jeannot Turgeon
Maritimes	661 Mountain Road, Moncton E1C 2P4	•• Michel Migneault

PROVINCE OF ONTARIO

J.C. Gauthier Ins. Broker & Ass. Inc.	428 Rideau St., Ottawa K1N 5Z2	•• J.C. Gauthier
Mississauga	3650 Kaneff Crescent St., Mississauga L5A 4A1	•• John Beaupré
Niagara	206 Richmond St., Thorold L2V 4L8	•• Rick Smolak
Roy & Hamon Enr.	775 St-Joseph St., Rockland K0A 3A0	•• Serge Roy & André Hamon
Timmins	7 Balsam St. S., Timmins P4N 2C7	•• Roger L. Piquette

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	•• Murray Tenebaum, C.L.U.

GROUP INSURANCE AND PENSIONS

Montréal	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

Montréal	625 Président Kennedy Ave., Montréal H3A 1K2	• Richard Beauchemin, C.App.
Québec	1080 St-Louis Road, Sillery G1K 7M3	• Jean Trahan, C.App.

REGIONAL ADMINISTRATION OFFICES

Montréal	3170 Beaubien St. E., Montréal H1Y 1H4	• Roland Bonenfant
Québec	1080 St-Louis Road, Sillery G1K 7M3	• Robert Dionne
Toronto	90 Eglinton Ave. E., Toronto M4P 2Y3	

BRANCH OFFICE ADMINISTRATIVE SERVICES

Montréal	7077 Beaubien St. E., Anjou H1M 2Y2	• Bernard Bazinet
Québec	1080 St-Louis Road, Sillery G1K 7M3	• Gaston Rivard

Financial Statements



Industrial Life Tower
2000 McGill College Avenue
Montréal, Québec
H3A 3H3



Income

Year ended December 31, 1985
(in thousands of dollars)

INCOME	1985	1984
	\$	\$
Premiums	257 426	266 260
Net investment income (note 4)	149 711	128 886
Contributions to employees' pension fund	3 208	2 777
	410 345	397 923
APPROPRIATION OF INCOME		
Normal increase in actuarial reserve	115 937	138 683
Claims incurred	154 945	135 434
Dividends and group experience refunds	7 010	6 749
Interest credited to amounts on deposit	1 588	1 675
Commissions	40 392	41 316
Taxes, licences and fees	3 145	2 926
General expenses	34 549	29 211
Payments from and increase in employees' pension fund	8 003	6 693
Miscellaneous	23 013	14 900
	388 582	377 587
Net income before income taxes	21 763	20 336
Income taxes	2 465	1 720
Net income for the year	19 298	18 616

Surplus

Year ended December 31, 1985
(in thousands of dollars)

APPROPRIATED SURPLUS (note 5)	1985	1984
	\$	\$
Balance at beginning	26 029	28 662
Changes in additional reserves	(1 184)	(2 870)
Changes in valuation reserve for stocks and deferred capital gains and losses realized on bonds and stocks	7 206	237
Balance at end	32 051	26 029

UNAPPROPRIATED SURPLUS

Balance at beginning	128 817	108 343
Net income for the year	19 298	18 616
Changes in valuation of actuarial reserve	17	(919)
Transfer from appropriated surplus for additional reserves	1 184	2 870
Non-amortizable capital gains (losses)	(645)	(93)
Balance at end	148 671	128 817



Balance Sheet

As of December 31, 1985
(in thousands of dollars)

Assets

INVESTMENTS	1985	1984
	\$	\$
Bonds (note 2)	471 664	446 470
Stocks (note 3)	114 644	50 078
Mortgage loans	603 071	560 561
Real estate (note 8)	49 787	43 211
Policy loans	21 316	23 798
Term deposits and cash	28 255	45 087
Subsidiaries (note 6)	85 155	54 668
	1 373 892	1 223 873

OTHER ASSETS		
Investment income due and accrued	19 435	19 196
Outstanding premiums	5 738	6 198
Amounts receivable	1 184	1 201
Miscellaneous (note 9)	2 913	2 296
Segregated funds	50 883	38 356
	80 153	67 247
	1 454 045	1 291 120

On behalf of the Board: André Charron, Director
Robert Bégin, Director

Liabilities

ACTUARIAL LIABILITIES	1985	1984
	\$	\$
Actuarial reserve (note 7)	1 102 727	986 806
Provision for dividends and group experience refunds	5 844	7 020
Provision for unreported claims	7 897	6 995
Employees' pension fund	42 382	35 796
	1 158 850	1 036 617

OTHER LIABILITIES

Amounts on deposit	23 764	26 009
Premiums paid in advance	6 560	4 931
Other contractual liabilities	3 547	2 348
Unsettled claims	5 775	3 908
Accounts payable and accrued expenses	7 237	4 813
Bank overdrafts and loans	2 434	555
Income taxes payable	2 945	1 493
Miscellaneous	11 328	17 244
Segregated funds	50 883	38 356
	114 473	99 657

POLICYHOLDERS' EQUITY

Surplus — appropriated (note 5)	32 051	26 029
— unappropriated	148 671	128 817
	180 722	154 846
	1 454 045	1 291 120



Notes to Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

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

- Income taxes are provided for on a "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 and amortized to operations on a straight-line basis over a period of 10 years.

2. BONDS

Bonds are carried at cost, adjusted by amortization of premiums and discounts.

	1985	1984
	\$	\$
Cost after amortization	471 664 135	446 470 072
Market Value	522 652 704	447 615 150

3. STOCKS

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

	1985	1984
	\$	\$
Market Value	114 644 078	50 078 531
Cost	87 570 694	32 110 742

4. NET INVESTMENT INCOME

Investment income is shown net of related expenses of \$11 037 234 (\$10 464 727 in 1984). Furthermore, it includes a variation of \$1 393 525 in the book value of subsidiaries' stocks (\$645 074 in 1984).

5. APPROPRIATED SURPLUS

	1985	1984
	\$	\$
Reserve for mortality and morbidity fluctuations under group contracts	—	7 087 896
Additional reserve for negative reserves	15 067 424	10 643 431
Reserve for fluctuations in market value of investments	13 904 440	12 424 563
Valuation reserve for stocks and deferred capital gains and losses realized on bonds and stocks	3 078 999	(4 126 718)
Appropriated surplus	32 050 863	26 029 172

6. SUBSIDIARIES (Investments in subsidiaries are as follows:)

	Value	Variation in book value of stocks
	\$	\$
At equity value		
M.I.C.R. Systems Ltd.	—	(220 765)
Industrial Life-Technical Services Inc.	39 462 104	225 823
Cogena (1980) Inc.	1 255 118	40 175
The Equitable General Insurance Company	8 523 460	287 624
Industrial General Insurance Company	4 454 270	394 253
Industrial Life, Real Estate Services Inc.	57 260	8 298
Industrial Life, Management Company Inc.	20 802 101	658 117
At cost		
2170-5835 Québec Inc.	7 725 148	—
2325-1044 Québec Inc.	2 875 010	—
	85 154 471	1 393 525

Through its subsidiary 2170-5835 Québec Inc., Industrial Life is committed in the construction of the "Industrial Life Tower", an office building situated in Montréal, held in joint ownership; termination of this construction is expected in 1986. Moreover, the Company is jointly and severally responsible with its co-owner up to a limit of \$20 million for the borrowings related to this building.

7. ACTUARIAL RESERVE

As of December 31, 1985, the actuarial reserve, calculated under the net level premium method, amounts to \$1 172 035 953. Deferred acquisition expenses in the amount of \$69 309 258 have been deducted, leaving a net reserve of \$1 102 726 695.

8. REAL ESTATE

	Cost	Accumulated Depreciation	Net value 1985	Net value 1984
	\$	\$	\$	\$
Real estate held for investment	73 468 915	5 076 373	68 392 542	62 387 078
Related mortgage debts	24 070 823	—	24 070 823	24 439 006
	49 398 092	5 076 373	44 321 719	37 948 072
Repossessed properties	105 747	—	105 747	35 012
Head Office building	7 642 131	2 282 400	5 359 731	5 228 165
	57 145 970	7 358 773	49 787 197	43 211 249

Depreciation is principally computed on a sinking fund basis.

Depreciation for the year is \$742 062 (\$749 304 in 1984).

The Company is committed for \$8 524 000, of which \$4 066 000 is already incurred, for the realization of Faubourg Laudance, a residential and commercial development situated in Ste-Foy, Québec.

9. MISCELLANEOUS ASSETS

	Cost	Accumulated Depreciation	Net value 1985	Net value 1984
	\$	\$	\$	\$
Equipment for leasing	207 265	207 265	—	33 161
Furniture	3 660 454	1 930 887	1 729 567	1 199 281
	3 867 719	2 138 152	1 729 567	1 232 442
Advances to agents			1 183 734	1 063 779
			2 913 301	2 296 221

Depreciation is principally computed on a diminishing balance basis at annual rates of 20 % and 30 %.

Depreciation for the year is \$532 401 (\$377 261 in 1984).

10. RELATED PARTY TRANSACTIONS

In the normal course of business, the company entered into certain transactions with its subsidiaries. In 1985, such purchases of services amounted to \$5 142 075 (\$4 405 864 in 1984) while the sum of \$3 261 583 (\$3 776 520 in 1984) was recovered from the subsidiaries as their portion of the administrative and financial expenses. As at December 31, 1985, a balance of \$356 692 remains owing to the Company under this item.



Valuation Actuary's Report

I have made the valuation of the actuarial liabilities of Industrial Life Insurance Company for the purpose of its balance sheet as of December 31, 1985 and its statement of income for the year then ended. In my opinion,

- i) the valuation conforms to the Recommendations of the Canadian Institute of Actuaries for Insurance Company Financial Reporting;
- ii) the amounts for actuarial liabilities make proper provision for the future payments under the Company's contracts;
- iii) proper charges have been made in the statement of income, and
- iv) the amount of surplus appropriated for policies whose reserves are negative is proper.

Cyrille Jutras, F.S.A., F.C.I.A.
Valuation Actuary

Québec, February 6, 1986.

Auditors' Report

We have examined the statements of income and surplus of Industrial Life Insurance Company for the year ended December 31, 1985 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 valuation actuary, formulated in his report joined to the financial statements, as to the amount of the actuarial liabilities.

In our opinion and according to the opinion of the valuation actuary, 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, 1985 and a true and correct view of the state of its affairs at that date in accordance with the accounting principles described in note 1, applied on a basis consistent with that of the preceding year.

Chartered Accountants

Québec, February 6, 1986.

Management's Report

The financial statements of Industrial Life Insurance Company and the financial information contained in this Annual Report are the responsibility of the Company's Management and have been approved by the Board of Directors. These financial statements have been prepared in accordance with the accounting principles described in the accompanying notes and, in certain cases, contain amounts based on best judgment and estimates.

The Company employs an adequate system of internal controls and auditing, within acceptable cost limits. The purpose of these mechanisms is to provide a reasonable degree of certainty that financial transactions are properly recorded and executed with the required authorizations, that the financial statements are properly prepared and assets well protected.

The Board of Directors carries out its responsibility in regard to the financial statements contained in this Annual Report primarily through its audit committee. This committee is made up exclusively of Directors from outside the Company and meets periodically with Management and the internal and external auditors. The latter may, as they see fit, meet with the audit committee, with or without Management, to discuss matters affecting the audit and financial information.

On behalf of Management,

Robert Bégin
President and
Chief Executive Officer

Québec, February 6, 1986.

Subsidiaries

THE NORTH WEST LIFE

Ronald W. Pepper

Senior Vice-President, Marketing

John B. Gill

President and Chief Executive Officer

Donald R. Francis

Executive Vice-President and Chief Actuary

THE EQUITABLE

Réal Payette

Vice-President, Marketing

Jacques Chabot

Vice-President and Controller

Simon Dompierre

Vice-President and Chief Operating Officer

INDUSTRIAL GENERAL

Simon Dompierre

Vice-President and Chief Operating Officer

IST AND COGENA

Jacques Rancourt

Vice-President, Corporate Services

Arthur Gélinas

Vice-President, Québec Région and Eastern Canada

André Thompson

President

Richard Gervais

Vice-President, Business Development

W. Brian Edwards

Senior Vice-President, Marketing



The North West Life

Condensed Financial Statements as of December 31, 1985



Head Office
595 Howe Street, 12th Floor
Vancouver, B.C.
V6C 2T5

INCOME

	\$
Premiums	40 730 893
Net investment income	36 572 906
	<hr/> 77 303 799 <hr/>
Claims incurred	28 491 223
Increase in actuarial reserve	38 386 364
Commissions	3 053 032
Administrative expenses and taxes	5 385 002
Income taxes	241 200
	<hr/> 75 556 821 <hr/>
Net profit before extraordinary items	1 746 978
Write down and losses on sales of investments	(98 812)
Decrease in book value of subsidiary company	(717 558)
Net income	<hr/> 930 608 <hr/>

BALANCE SHEET

Bonds	96 819 923
Stocks	2 554 472
Mortgage loans	157 197 455
Policy loans	34 174 086
Term deposits	38 792 891
Other assets	21 404 316
Total assets	<hr/> 350 943 143 <hr/>
Actuarial liabilities	294 403 260
Other liabilities	35 867 572
Capital stock	8 767 082
Retained earnings	11 905 229
Total liabilities and equity	<hr/> 350 943 143 <hr/>

The Equitable

Condensed Financial Statements as of December 31, 1985

INCOME

	\$
Net earned premiums	15 830 706
Net investment income	1 563 559
	<hr/> 17 394 265 <hr/>
Claims and expenses	11 698 427
Commissions	2 620 002
Administrative expenses and taxes	3 019 236
Income taxes	(231 024)
	<hr/> 17 106 641 <hr/>
Net income	<hr/> 287 624 <hr/>

BALANCE SHEET

Bonds	4 066 861
Stocks	10 085 874
Term deposits	4 669 354
Other assets	3 472 467
Total assets	<hr/> 22 294 556 <hr/>
Unsettled claims	4 539 209
Unearned premiums	7 731 054
Other liabilities	1 500 833
Capital stock	1 000 000
Retained earnings	7 523 460
Total liabilities and equity	<hr/> 22 294 556 <hr/>

Head Office
200 St-Jacques Street
Montréal, Québec
H2Y 1M2

Industrial General

Condensed Financial Statements as of December 31, 1985

INCOME

	\$
Net earned premiums	8 972 787
Net investment income	1 006 679
	<hr/> 9 979 466 <hr/>
Claims and expenses	6 480 858
Commissions	1 341 077
Administrative expenses and taxes	1 854 993
Income taxes	(91 303)
	<hr/> 9 585 625 <hr/>
Net income	393 841

BALANCE SHEET

Bonds	3 005 751
Stocks	4 503 025
Term deposits	1 190 760
Other assets	2 060 180
Total assets	<hr/> 10 759 716 <hr/>
Unsettled claims	1 624 246
Unearned premiums	4 100 761
Other liabilities	580 439
Capital stock	1 000 000
Retained earnings	3 454 270
Total liabilities and equity	<hr/> 10 759 716 <hr/>

Head Office
1080 St-Louis Road
Sillery, Québec
G1K 7M3



I.S.T. Head Office
 1611 Crémazie Blvd., East
 Montréal, Québec
 H2M 2P2

Cogena Head Office
 333 St-Antoine Street East
 Montréal, Québec
 H2X 1R9

I.S.T. and Cogena

Condensed Financial Statements as of November 30, 1985

INCOME	IST	COGENA
	\$	\$
Data processing services	35 767 530	5 104 629
Management and consulting fees	5 884 247	534 647
Other income	1 619 833	44 029
	43 271 610	5 683 305
Operation	34 021 908	5 458 083
Depreciation	8 967 424	175 004
	42 989 332	5 633 087
Net income	282 278	50 218

BALANCE SHEET

Current assets	11 376 465	911 557
Fixed assets	8 999 934	122 063
Investments	2 086 661	5 398 323
Other assets	10 085 879	—
Total assets	32 548 939	6 431 943
Current liabilities	5 319 482	933 495
Current portion of long-term debt	2 371 012	360 000
Long-term liabilities	15 291 881	3 569 551
Capital stock	14 476 873	2 000 100
Deficit	(4 910 309)	(431 203)
Total liabilities and equity	32 548 939	6 431 943

*This report was produced by
the Communications Department
of Industrial Life.*

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