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1 9 8 8 A N N U A L R E P O R T



**INDUSTRIAL  
ALLIANCE**  
LIFE INSURANCE COMPANY





### **What Does Our Signature Represent?**

Upon close observation, the symbol reveals the letters I and A, the initials of our founding companies, Industrial Life Insurance Company and Alliance Mutual Life Insurance Company.

The rounded shape of the symbol represents the world of life insurance while the “sitting” position symbolizes our Company’s financial strength. The elements of the symbol converge towards the top to represent the moving force behind the integration of financial services, in which we are actively involved.

The colour is a harmonious blend of the colours of our subsidiaries and affiliates’ logotypes. In addition, this blue-green clearly distinguishes us from other companies in the financial institution sector.



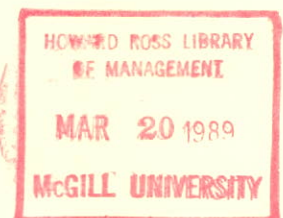
Message to our policyholders .....	3
Board of Directors .....	9
Consolidated Financial Statements .....	11
Information Breakdown .....	21
Management .....	22



Directors and profiles of the Corporation and its Subsidiaries .....	26
Condensed Consolidated Financial Statements .....	28



Directors and profiles of the Corporation and its Subsidiaries .....	32
Condensed Consolidated Financial Statements .....	34





# INDUSTRIAL ALLIANCE

LIFE INSURANCE COMPANY

With its total assets under management adding up to more than \$17.5 billion, including its own consolidated assets of \$9.1 billion, Industrial-Alliance is the most important Canadian life insurance company with head office located in Québec. Through its two downstream holding companies, Industrial-Alliance is very active in the financial services sector throughout Canada and in the western part of the United States.



## ALLIANCE INDUSTRIAL FINANCIAL CORPORATION

Downstream holding company  
Assets: \$5.2 billion  
(wholly-owned subsidiary)



Trust and financial services to individuals and companies.  
Head office: Montréal (63% interest).



Data processing services company.  
Head office: Montréal (80% interest).



General insurance company selling exclusively through brokers.  
Head office: Montréal.



General insurance company selling exclusively through our own representatives.  
Head office: Québec City.



## INDUSTRIAL ALLIANCE LIFE MANAGEMENT CORPORATION

Downstream holding company  
Assets: \$1.5 billion  
(wholly-owned subsidiary)



Life insurance company operating across Canada.  
Head office: Toronto.



Life insurance company operating in Canada and in the Western United States.  
Head office: Vancouver.



Life insurance company operating in the Northwestern United States.  
Head office: Spokane, Washington.



Nowadays, all life insurance companies must pursue strategic objectives to properly position themselves in the rapidly evolving environment of financial institutions.

Industrial-Alliance Life Insurance Company is no exception, having lived through the merger of two companies and the acquisition of General Trustco of Canada Inc. in 1987, followed by three other major moves in 1988.

In April, the Company purchased The National Life Assurance Company of Canada of Toronto from The Continental Corporation of New York. In May, it reached a friendly agreement with Standard Life to end a joint venture in the field of group insurance. This second move allowed our company to recapture a sizable portion of the existing group life and health insurance portfolio, while regaining absolute control of its customer service and of its future operations in this line of business.

Finally, it transferred ownership of its three life insurance subsidiaries to a second downstream holding company, the Industrial-Alliance Life Management Corporation. The corporate chart reproduced on page 2 of this Report outlines the result of this overall restructuring.

Consolidated financial statements have been drawn up to include all companies owned by Industrial-Alliance Life Insurance Company. They are followed by consolidated statements for the downstream holding that owns the life insurance subsidiaries and for the corporation that owns the subsidiaries operating in other fields. Comparative figures for 1987 show, however, some distortions due to the effective dates of the various transactions that occurred over the last two years.

Industrial-Alliance is both a mutual company operating in the life insurance field and the sole owner of two downstream holding companies, including their shares in subsidiaries and affiliated companies.

Corporate moves of recent years towards strategic positioning have essentially been aimed at safeguarding and ensuring the organisation's growth, in the context of the ongoing deregulation that brings new competitors into our traditional fields of activity.

Together with our Company's geographical expansion, the result of such moves is a widespread group of firms encompassing various financial and related services. Moreover, the financial soundness of the entire organization and of each of its components was

never weakened and will be further strengthened as the interactions come into play to produce every possible economy of scale.

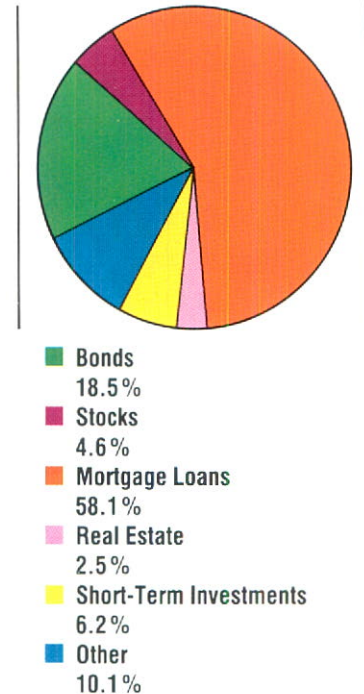
The Company's consolidated assets reached \$9.1 billion at the end of 1988 and, together with another \$8.4 billion of funds under management, add up to \$17.5 billion entrusted to it. This does not make our organization an international financial giant but certainly a very large entity on the Canadian scene and, more particularly so, in Québec.

With accumulated surplus now totalling \$370.9 million, we were able to increase our investments in subsidiaries to \$468.5 million without requiring permanent outside financing. Consolidated revenues were \$1.7 billion in 1988, resulting in a net surplus of \$29.5 million after deducting operating expenses, adequate provisions for future liabilities and minority interests. This year's surplus, like those of future years, is directly transferred to the credit of our mutualist members who collectively and exclusively own what we are as an organization.

### **Industrial-Alliance's Life Insurance Operations**

Our mutual Company once again followed its tradition of rapid growth that has made it the leader among Québec-based

**BREAKDOWN OF ASSETS**



companies. Its total assets now stand at \$2.9 billion, of which \$468.5 million are invested in our two holding companies.

Liabilities are made up mainly of \$2.3 billion in actuarial reserves and \$176.5 million in segregated funds. After providing for all other elements, there remains a policyholders' equity amounting to \$370.9 million.

Two specific initiatives achieved in 1988 should be highlighted here. The first is related to the actuarial reserves where the new methods used are consistent with the various technical documents recently



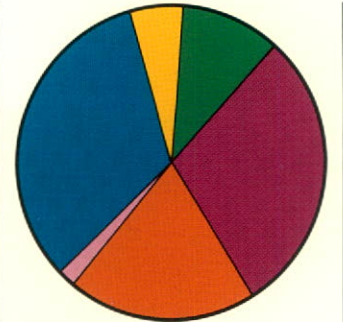
produced by the Canadian Institute of Actuaries. It is useful to point out certain elements affected by these new methods: constraints applicable to lapse-supported products, reinvestment interest rates, unfavourable variations in expected mortality experience and excess mortality to be anticipated due to AIDS. Under this last item, we have set aside a specific provision of \$11.5 million within our actuarial reserves.

The second initiative involves an extensive analysis of matching the most important asset and liability elements over their complete life expectancy through the projection of monetary flows. The effect of variations in interest rates over time was measured in terms of expected gross profit margins.

These two activities will be continued and expanded in 1989 but the conclusions already drawn are that the financial security of our members is absolutely guaranteed.

Total revenues of \$769.6 million for 1988 are 7.4 % above those of 1987 and include premiums of \$493.6 million from the various product lines and \$276.0 million from investment income for a net average yield on all invested assets of 10.6 %.

#### BREAKDOWN OF PREMIUM INCOME IN 1988



■ Group Annuities	\$166.6 million	33.8 %
■ Individual Life Insurance	\$145.6 million	29.5 %
■ Individual Annuities	\$103.6 million	21.0 %
■ Group Health Insurance	\$50.2 million	10.2 %
■ Group Life Insurance	\$22.2 million	4.5 %
■ Other	\$5.4 million	1.0 %

These revenues provided for a \$267.8 million increase in mandatory reserves, \$295.5 million in claim payments to policyholders and beneficiaries, \$43.7 million in commissions and \$65.0 million in general expenses.

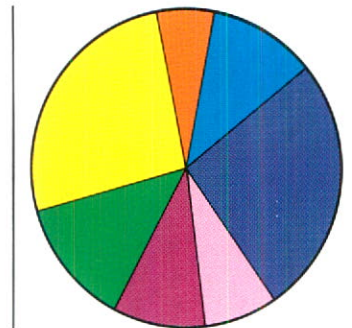
After all other expenses, the resulting earnings from normal operations amounted to \$25.1 million. To this figure must be added the \$4.4 million extraordinary item arising from the sale of a portion of our group insurance portfolio bringing the net profit for the year to \$29.5 million.

Finally, an amount of \$26.8 million was released in early 1988 from excess actuarial reserves, thus increasing our insured members' equity by 19.5 % during the year; it now represents 15.7 % of all liabilities excluding segregated funds.

### The Network's Life Insurance Operations

By adding on the data from the three subsidiaries consolidated into the holding company, Industrial-Alliance Life Management Corporation, to that pertaining to the main operating company referred to above, we get a better picture of the impressive size of the life insurance network established to date.

### BREAKDOWN OF PAYMENTS TO POLICYHOLDERS AND BENEFICIARIES IN 1988



**Surrender Values**  
**\$79.2 million 26.8 %**

- Individual Life Insurance \$31.2 million
- Individual Annuities \$35.7 million
- Group Annuities \$12.3 million

**Annuities**  
**\$78.8 million 26.7 %**

- Individual \$38.1 million
- Group \$40.7 million

**Group Health Insurance**  
**\$41.4 million 14.0 %**

**Transfers Segregated Funds**  
**\$31.4 million 10.6 %**

**Death Claims Individual Life Insurance**  
**\$28.5 million 9.7 %**

**Death Claims Group Life Insurance**  
**\$16.0 million 5.4 %**

**Other**  
**\$20.1 million 6.8 %**



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Total assets thus attain \$4.3 billion, and 1988 revenues were \$1.1 billion, \$722.2 million of which were premiums from the various lines of business and \$412.5 million came from investment income.

The normal increase in actuarial reserves was \$330.0 million, various claims paid \$503.1 million, commissions paid to agents \$70.8 million and general expenses \$103.4 million.

The current vitality and outlook for an organization such as ours are measured primarily by the achievements of its sales force, the attention and efforts directed to its marketing activities and its capacity to retain business.

For the entire network, sales of individual life insurance contracts amounted in 1988 to \$6.7 billion of face value protection, bringing total insurance in force to \$35.8 billion. In the field of group insurance, we resumed our autonomous operation with a portfolio of \$11.6 billion in life insurance in force and \$160.1 million in annual premium income from life and health insurance. In individual and group annuities, the network collected an impressive amount of \$345.7 million during 1988.

We believe that our Company will sustain in 1989 the rate of growth of the preceding years through various initiatives already underway in late 1988, such as: the continued expansion of our

sales force, the complete updating of our portfolio of insurance products and the introduction of new product lines.

Nevertheless, we must all work even harder to face the more intense competition brought on by the profoundly changing environment.

### **Operations of Other Sectors of Activity**

As a downstream holding company, Alliance-Industrial Financial Corporation wholly owns many subsidiaries and is a majority shareholder of others among which General Trustco of Canada Inc. is the most important.

The consolidated assets of the Financial Corporation amounted to \$5.2 billion at the end of 1988 and its revenues from various sources totalled \$639.2 million, while net profits after taxes were \$11.3 million for the year.

With the net equity of its sole shareholder at \$275.0 million, the resulting net yield is 4.1 %, well below the medium-term targeted objectives and the capabilities of this organization.

In keeping with its dividend policy, the Financial Corporation has declared and paid to its shareholder a sum of \$8.2 million, or most of its revenues from its own subsidiaries.

This low yield is due mainly to the significant reduction in the net earnings of General Trustco, which resulted from the simultaneous effects of increased expenses to improve the branch office

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network and the behavior of the financial markets that sharply reduced capital gains and narrowed the profit margins.

By changing the name of Sterling Trust in Ontario to General Trust Corporation, General Trustco sought to better harmonize its Canadian image and to stress its sixth ranking among trust companies in Canada.

As for general insurance, it is often subject to excessively variable cycles. In 1988, the entire industry experienced a difficult year and we were no exception. The sharp increase in car theft and the rapid growth of average claim costs have become prominent problems that must be better controlled to bring back reasonable profit levels while protecting the consumer.

Finally, the data processing subsidiary, IST, has continued to significantly improve its financial performance while maintaining its high-level technological presence to face the very rapid changes common to this sphere of activity.

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The year 1988 was a hectic period in our development and mobilized our entire organization's human resources. All our employees and associates, whether in direct contact with our clientele, at head office in Québec City, at the main office in Montréal, at the Financial Corporation, or

in the various offices of our subsidiaries, really made an all-out effort. They are fully entitled to share our pride in our achievements and our enthusiasm towards the future.

It is within this context that Mr. Raymond Garneau joined our ranks and, early in 1989, became President and Chief Operating Officer of Industrial-Alliance Life Insurance Company. We extend a warm welcome and assure him of our full and active cooperation in helping him in his new role.

At the same time, Mr. Hervé Belzile, whose service record is most remarkable, became Chairman of the Board of the Life Management Corporation and offered that the undersigned be appointed Chairman of the Board of Industrial-Alliance Life Insurance Company while retaining his duties as Chief Executive Officer.

Finally, heartfelt thanks are offered to the directors of each company for having fully cooperated in achieving this great collective success dedicated to the well-being of our community.

For the Board of Directors,



Robert Bégin, F.S.A.  
Chairman of the Board  
and Chief Executive Officer



- ◆★ **Robert Bégin, F.S.A.**  
Chairman of the Board of the Company  
Chief Executive Officer  
Industrial-Alliance Life Insurance Company
- ◆★ **Jean Denis Vincent**  
Vice-Chairman of the Board of the Company  
President and Chief Executive Officer  
Alliance-Industrial Financial Corporation
- ◆★ **Raymond Garneau, M.Sc.C., L.Sc.É.**  
President and Chief Operating Officer of the Company  
Industrial-Alliance Life Insurance Company
  
- ◆◆★ **Hervé Belzile, F.C.A.**  
Chairman of the Board, Industrial-Alliance Life Management Corporation
- ◆ **Marc Bourgie**  
Chairman of the Board and Chief Executive Officer, Urgel Bourgie Ltd.
- ◆ **J. Marcel Boyer, C.A.**  
Executive Vice-President and Assistant to the President  
Industrial-Alliance Life Insurance Company
- ◆◆ **Pierre Brunet, C.A.**  
President and Chief Executive Officer, Lévesque, Beaubien Inc.
- ◆ **Marcel Cazavan, F.C.A.**  
Chairman of the Board, General Trustco of Canada Inc.
- ◆◆★ **André Charron, Q.C., C.M.**  
Chairman of the Board, Alliance-Industrial Financial Corporation
- ◆ **Camille A. Dagenais, C.C.**  
Consultant, Groupe S N C
- ◆ **Normand D. Hébert**  
President and Chief Executive Officer, Groupe Park Avenue Inc.
- ◆★ **Roger Lachapelle**  
President and Chief Executive Officer, Les Distilleries Corby Ltée
- ★ **G. Yves Landry, M.Sc.C.**  
General Manager (Import Division), Chrysler Motors Corporation
- ◆ **David Morton, M.A.**  
Chairman of the Board and Chief Executive Officer, Alcan Aluminium Ltd.
- ◆ **P.-Émile Reinhardt, CFA**  
Vice-President and General Manager, Investments  
Industrial-Alliance Life Insurance Company
  
- Georges Smith, LL.L.**  
Secretary of the Board

- Executive Committee
- Investment Committee
- ◆ Audit Committee
- ★ Human Resources Committee



*Eighteen months before Mr. Pierre Paul Lévesque died in an accident, he had purchased a renewable five-year term insurance policy with an accidental death and dismemberment benefit. With the proceeds from this policy, Mrs. Monique Cloutier-Lévesque's future was secure and she was able to take over the management of her husband's company, thereby saving 12 jobs.*







Consolidated Income .....	12
Consolidated Surplus .....	13
Consolidated Balance Sheet .....	14
Notes to Financial Statements .....	16
Valuation Actuary's Report .....	19
Auditors' Report .....	19
Management's Report .....	20

# Consolidated Income

Year ended December 31, 1988 (in thousands of dollars)

<b>INCOME</b>	<b>1988</b>	<b>1987</b>
	<b>\$</b>	<b>\$</b>
Insurance and annuity premiums .....	752 607	551 383
Investment income .....	881 753	399 450
Fees and real estate brokerage .....	60 052	17 276
Other .....	54 590	54 757
	<b>1 749 002</b>	<b>1 022 866</b>
 <b>APPROPRIATION OF INCOME</b>		
Normal increase in policy reserves .....	329 954	166 074
Claims incurred .....	527 556	386 733
Interest .....	409 020	106 220
Dividends and group experience refunds .....	27 535	16 916
Commissions .....	98 790	66 473
Taxes, licences and fees .....	8 628	5 833
General expenses .....	250 307	154 701
Segregated funds and miscellaneous .....	57 983	85 677
	<b>1 709 773</b>	<b>988 627</b>
Net income before income taxes, minority interest and extraordinary item .....	39 229	34 239
Income taxes .....	(2 154)	(1 437)
Minority interest .....	(11 908)	(3 768)
Extraordinary item (note 8) .....	4 372	
Net income for the year	<b>29 539</b>	<b>29 034</b>



# Consolidated Surplus

Year ended December 31, 1988 (in thousands of dollars)

<b>APPROPRIATED SURPLUS (note 2)</b>	<b>1988</b>	<b>1987</b>
	\$	\$
Balance at beginning .....	85 126	112 986
Changes in additional reserves .....	(1 458)	(2 280)
Changes in valuation reserve for stocks and deferred capital gains and losses realized on bonds and stocks .....	4 035	(25 580)
Balance at end	<b>87 703</b>	85 126

## **UNAPPROPRIATED SURPLUS**

Balance at beginning .....	225 361	197 969
Net income for the year .....	29 539	29 034
Changes in valuation of policy reserves .....	26 822	(3 922)
Transfer from appropriated surplus for additional reserves .....	1 458	2 280
Balance at end	<b>283 180</b>	225 361

# Consolidated Balance Sheet

As of December 31, 1988 (in thousands of dollars)

## ASSETS

### INVESTMENTS

	1988	1987
	\$	\$
Bonds (note 3) .....	1 687 296	1 416 427
Stocks (note 3) .....	421 137	493 107
Mortgage loans .....	5 309 872	3 901 389
Other loans .....	235 509	167 662
Real estate (note 4) .....	226 127	170 208
Policy loans .....	91 184	78 027
Short-term investments and cash .....	563 232	395 171
	<b>8 534 357</b>	6 621 991

### OTHER ASSETS

Investment income due .....	50 649	34 871
Fixed assets (note 4) .....	55 598	37 954
Miscellaneous (note 5) .....	296 002	214 300
Segregated funds .....	199 936	207 040
	<b>602 185</b>	494 165
	<b>9 136 542</b>	7 116 156

On behalf of the Board:  
 Hervé Belzile, Director  
 Robert Bégin, Director



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**LIABILITIES**

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**ACTUARIAL LIABILITIES****1988**

1987

	\$	\$
Policy reserves .....	3 283 992	2 268 108
Provision for dividends and group experience refunds .....	91 663	19 820
Employees' pension fund .....	118 323	82 317
	<b>3 493 978</b>	2 370 245

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**OTHER LIABILITIES**

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Guaranteed deposits (note 6) .....	4 486 508	3 771 262
Long-term debts (note 7) .....	189 890	118 113
Premiums paid in advance and amounts on deposit .....	81 632	63 514
Provision for unreported and unsettled claims .....	51 486	21 264
Unearned premiums .....	17 750	16 180
Other contractual liabilities .....	17 315	12 994
Accounts payable and accrued expenses .....	77 357	55 307
Bank overdrafts and loans .....	12 060	21 111
Deferred income taxes .....	11 941	13 415
Miscellaneous .....	13 759	20 933
Segregated funds .....	193 478	207 034
	<b>5 153 176</b>	4 321 127

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Minority interest .....	118 505	114 297
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**POLICYHOLDERS' EQUITY**

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Surplus — appropriated (note 2) .....	87 703	85 126
— unappropriated .....	283 180	225 361
	<b>370 883</b>	310 487
	<b>9 136 542</b>	7 116 156

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1.

## ACCOUNTING POLICIES

This mutual life insurance company was incorporated under the Act respecting Insurance (Québec). The consolidated financial statements have been prepared in accordance with the specific principles and rules applying to each of the various entities included in the consolidation, namely:

- life insurance companies governed by the laws of Québec or Canada;
- general insurance companies;
- trust companies.

Such principles are as follows:

### Consolidation principles

The consolidated financial statements include the accounts of the Company and its subsidiaries. Investments other than portfolio investments in common and preferred stocks are recorded using the following methods:

- the accounts of subsidiaries are consolidated;
- the 20.5 % holding in an associated company is accounted for by the equity method.

### Bonds

Bonds are recorded at cost, adjusted by amortization of premiums and discounts. However, those held by companies governed by the Canadian and British Insurance Companies Act are recorded at amortized cost, plus or minus the unamortized portion of gains and losses realized on the sale of such securities.

Gains and losses realized on the sale of such securities by the life insurance company governed by the Act respecting Insurance (Québec) are carried in the appropriated surplus account and transferred to income using the straight-line method over a ten-year period.

Gains and losses on securities held by general insurance companies or trust companies are entered directly in the income statement.

Gains and losses on securities held by the company governed by the Canadian and British Insurance Companies Act are amortized to income over the life of the securities or twenty years, whichever is shorter.

### Stocks

Stocks held in the Company's portfolio are recorded at market value, as required by the Act respecting Insurance (Québec). Realized and unrealized gains and losses are recorded in the appropriated surplus account and transferred to income using the straight-line method over a ten-year period.

Stocks held by general insurance companies or trust companies are recorded at cost. Gains and losses realized on the sale of such stocks are carried directly to the income statement.

The stocks held in the portfolio of the subsidiary which is governed by the Canadian and British Insurance Companies Act are recorded at cost plus or

minus the unamortized portion of gains and losses realized on the sale of such securities. Gains and losses are amortized over a period of approximately seven years, taking into account the difference between market value and cost.

### Mortgage loans

Mortgage loans are presented at the amount of the capital balance receivable.

### Real estate

Real estate is recorded at cost, net of accumulated depreciation and related mortgage borrowings in the case of that held by insurance companies. Depreciation is calculated principally by the sinking fund method at rates varying from 5% to 12.8%.

### Policy loans

Policy loans are recorded at cost and are fully covered by the cash surrender value of insurance policies.

### Fixed assets

Fixed assets are recorded at historical cost less accumulated depreciation. Depreciation is calculated from the date of acquisition by the straight-line method or the diminishing balance method at annual rates varying from 15% to 30%.

### Miscellaneous assets

This item includes deferred costs of certain subsidiaries relative to the development of programmed products, the establishment of branches and their financing. These costs are principally amortized by the straight-line method over periods not exceeding seven years and over the term of the reimbursement of the debts.

It also includes goodwill resulting from the excess of cost of the shares of the subsidiaries over the book value of the net assets acquired; this goodwill is amortized by the straight-line method over periods not exceeding forty years.

### Segregated funds

Funds from certain group or individual pension plans are invested in separate portfolios. Their value is determined according to the market value of the securities contained in these portfolios.

### Policy reserves

Policy reserves represent the amount which, together with future premiums and investment income, provides for all Company commitments under contracts in force. The policy reserves are established after deducting acquisition expenses which are deferred and amortized over the respective terms of the contracts.

### Income taxes

Income taxes are provided for on a "taxes payable" basis for companies insuring persons and under the



deferral method for the other companies in the group.

#### Foreign currencies

All items in U.S. dollars are translated into Canadian dollars at rates determined at the beginning of the year, using an estimated average rate. The exchange rate on U.S. currency set on January 1, 1988 is CAN\$1.20 (\$1.30 in 1987). Gains and losses resulting from a change in the exchange rates are carried to income.

#### Investment income

Investment income is shown net of related expenses.

#### Retirement plan

The charge to operations is principally determined in relation to the contribution paid during the year.

### 2. APPROPRIATED SURPLUS

	1988	1987
	\$	\$
Additional reserve for negative reserves and interest deficiency .....	11 053	17 011
Reserve for fluctuations in market value of investments .....	27 500	23 000
Valuation reserve for stocks and deferred capital gains and losses realized on bonds and stocks .....	49 150	45 115
	<b>87 703</b>	85 126

### 3. BONDS AND STOCKS

	1988	1987
	\$	\$
<b>Bonds</b>		
Book value .....	1 687 296	1 416 427
Market value .....	1 718 873	1 448 521
<b>Stocks</b>		
Book value .....	421 137	493 107
Market value .....	423 214	478 501

### 4. REAL ESTATE AND FIXED ASSETS

Real estate, totalling \$302 149 (\$231 431 in 1987) is presented net of \$17 309 (\$12 844 in 1987) in accumulated depreciation, \$6 165 of which is attributable to the current year (\$2 848 in 1987).

The principal fixed asset categories are furniture and fixtures, data processing equipment and leasehold improvements. Their cost is \$118 220 (\$85 834 in 1987) and accumulated depreciation amounts to \$62 622 (\$47 880 in 1987) of which \$9 981 is attributable to the current year (\$8 509 in 1987).

### 5. MISCELLANEOUS ASSETS

This item consists of the following assets, related to the subsidiaries:

	1988	1987
	\$	\$
Goodwill .....	170 207	129 662
Deferred expenses .....	21 072	12 923
Other .....	104 723	71 715
	<b>296 002</b>	214 300

Amortization for the year amounts to \$6 508 (\$3 668 in 1987).



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6. **GUARANTEED DEPOSITS**

As of December 31, 1988, investments in the amount of \$4 486 508 (\$3 771 262 in 1987) are held expressly to guarantee these deposits.

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7. **LONG-TERM DEBTS**

These debts are related to subsidiaries and comprise the following:

	1988	1987
	\$	\$
Subordinated notes, "C" and "D" Series, variable rates, maturing in 1995 and 2010, redeemable or convertible under certain conditions .....	50 000	50 000
Debentures, 9½%, maturing in January 1992, subject to a 7-year extension at 9½% ...	49 500	49 500
Debentures, 10¼%, maturing in March 1993 .....	75 000	
Mortgage loan, 9%, reimbursable in monthly instalments, maturing in 1996 .....	9 069	9 186
Obligations under capital leases and other .....	3 024	5 361
Advances, prime rate less 1%, from the minority shareholder of a subsidiary, subject to subordination in favor of a bank, without fixed term of repayment .....	2 320	3 570
Balance of purchase price, 12%, secured by mortgage, maturing in March 1989 .....	977	496
	<b>189 890</b>	<b>118 113</b>

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8. **EXTRAORDINARY ITEM**

Following an agreement dated May 13, 1988, between the Company and The Standard Life Assurance Company, their joint venture was dissolved. Consequently certain fixed assets and part of the portfolio of group life and health insurance were disposed of, thereby creating a profit.

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9. **BUSINESS COMBINATION**

During the year, through one of its subsidiaries, the Company purchased the common shares of The National Life Assurance Company of Canada.

This acquisition, accounted for by the purchase method, since March 1988, was recorded as follows:

Assets acquired .....	1 161 957
Liabilities assumed .....	(1 020 407)
Amount paid, of which \$41 150 represents goodwill .....	<b>141 550</b>

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10. **COMMITMENT**

The Company and its subsidiaries are committed, up to \$20 000, for a 40 % participation in a real estate development. The subsidiaries engaged in life insurance have appropriated part of their retained earnings in order to conform with the applicable regulations.

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11. **COMPARATIVE FIGURES**

Certain figures for the preceding year have been reclassified for comparison with those of the current year.



# Valuation Actuary's Report

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I have made the valuation of the actuarial liabilities of Industrial-Alliance Life Insurance Company for the purpose of its consolidated balance sheet as of December 31, 1988, and its consolidated statement of income for the year then ended. In my opinion, the valuation for Industrial-Alliance Life Insurance Company conforms to the Recommendations of the Canadian Institute of Actuaries for Insurance Company Financial Reporting. I have relied upon the valuation made by the actuary of The North West Life Assurance Company of Canada, the valuation made by the actuary of North West Life Assurance Company of America and the valuation of the actuary of The National Life Assurance Company of Canada.

In my opinion,

- i) the amounts for actuarial liabilities make proper provision for the future payments under the Companies' contracts;
- ii) proper charges on account of those actuarial liabilities have been made in the consolidated statement of income, and
- iii) the amount of surplus appropriated for policies whose reserves are negative and for policies whose cash value exceeds the actuarial liability held for them is proper.



**Léon Mondoux, F.S.A., F.C.I.A.**

Vice-President and Valuation Actuary

Montréal, February 10, 1989

# Auditors' Report

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To policyholders,

We have examined the consolidated balance sheet of Industrial-Alliance Life Insurance Company as of December 31, 1988 and its consolidated statements of income and surplus for the year then ended. 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 consolidated financial statements, as to the amount of the actuarial liabilities.

In our opinion and according to the opinion of the valuation actuary, these consolidated financial statements present fairly the financial position of the Company as of December 31, 1988 and the results of its operations for the year then ended in accordance with the accounting policies described in note 1, applied on a basis consistent with that of the preceding year.



Chartered Accountants

Québec, February 10, 1989



The consolidated financial statements of Industrial-Alliance 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 policies 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 consolidated financial statements are properly prepared and assets well protected.

The Board of Directors carries out its responsibility in regard to the consolidated 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, F.S.A., F.C.I.A.**  
Chairman of the Board and Chief Executive Officer

Québec, February 27, 1989

# Information Breakdown

(in thousands of dollars)

OPERATIONS FOR THE YEAR	Life Insurance		General Insurance		Trust		Data Processing		Adjustments*		Consolidated	
	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987
	<b>INCOME</b>											
From business	722 188	524 705	33 740	30 255	60 185	17 410	60 101	58 325	(8 965)	(7 259)	867 249	623 416
From investments												
— in other activities	11 018	5 959							(11 018)	(5 959)		
— portfolio	401 463	276 021	2 938	3 913	484 661	125 333	161	338	(7 470)	(6 155)	881 753	399 450
	<b>1 134 669</b>	<b>806 685</b>	<b>36 678</b>	<b>34 148</b>	<b>544 846</b>	<b>142 743</b>	<b>60 262</b>	<b>58 663</b>			<b>1 749 002</b>	<b>1 022 866</b>
<b>APPROPRIATION OF INCOME</b>												
Operating	764 211	600 211	37 056	32 927	116 430	32 391	57 085	55 778	(12 611)	(10 807)	962 171	710 500
Provision increase	329 954	166 074									329 954	166 074
Financing	6 492	4 584			401 738	100 795	1 895	1 973	(1 105)	(1 132)	409 020	106 220
Taxes and income taxes	8 845	6 782	(200)	(724)	1 741	898	149	314	247		10 782	7 270
Minority interests					11 833	3 970	302	180	(227)	(382)	11 908	3 768
	<b>1 109 502</b>	<b>777 651</b>	<b>36 856</b>	<b>32 203</b>	<b>531 742</b>	<b>138 054</b>	<b>59 431</b>	<b>58 245</b>			<b>1 723 835</b>	<b>993 832</b>
Net income before extraordinary item	25 167	29 034	(178)	1 945	13 104	4 689	831	418			25 167	29 034
Extraordinary item	4 372										4 372	
<b>NET INCOME</b>	<b>29 539</b>	<b>29 034</b>	<b>(178)</b>	<b>1 945</b>	<b>13 104</b>	<b>4 689</b>	<b>831</b>	<b>418</b>			<b>29 539</b>	<b>29 034</b>
<b>FINANCIAL POSITION</b>												
	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987
<b>ASSETS</b>												
Investment												
— in other activities	263 107	260 245							(263 107)	(260 245)		
— portfolio	3 634 290	2 506 567	33 494	33 592	4 875 028	4 090 899	775	324	(9 230)	(8 500)	8 534 357	6 622 882
Fixed assets	11 341	7 533	239	299	34 117	21 066	9 901	9 056			55 598	37 954
Goodwill	46 242	3 235			5 635	5 703			118 330	120 724	170 207	129 662
Segregated funds	199 936	207 040									199 936	207 040
Miscellaneous	117 160	67 791	9 267	7 210	31 109	22 201	23 319	24 270	(4 411)	(2 854)	176 444	118 618
	<b>4 272 076</b>	<b>3 052 411</b>	<b>43 000</b>	<b>41 101</b>	<b>4 945 889</b>	<b>4 139 869</b>	<b>33 995</b>	<b>33 650</b>			<b>9 136 542</b>	<b>7 116 156</b>
<b>LIABILITIES AND POLICYHOLDERS' EQUITY</b>												
Actuarial liabilities	3 493 978	2 370 245									3 493 978	2 370 245
Long-term debts and deposits	91 676	73 196			4 666 508	3 876 262	10 288	15 125	(10 442)	(11 694)	4 758 030	3 952 889
Segregated funds	193 478	207 034									193 478	207 034
Miscellaneous	122 061	91 449	26 140	23 935	46 005	38 508	12 855	10 418	(5 393)	(3 106)	201 668	161 204
Minority interest					118 314	115 926	2 941	2 221	(2 750)	(3 850)	118 505	114 297
Surplus	370 883	310 487	16 860	17 166	115 062	109 173	7 911	5 886	(139 833)	(132 225)	370 883	310 487
	<b>4 272 076</b>	<b>3 052 411</b>	<b>43 000</b>	<b>41 101</b>	<b>4 945 889</b>	<b>4 139 869</b>	<b>33 995</b>	<b>33 650</b>			<b>9 136 542</b>	<b>7 116 156</b>

Investment income from other sectors is included in the "Life Insurance" column.

\* The adjustments eliminate all inter-sectoral transactions as well as all double counting.





**INDUSTRIAL  
ALLIANCE**  
LIFE INSURANCE COMPANY

**Robert Bégin, F.S.A.**

Chairman of the Board and Chief Executive Officer

**Raymond Garneau, M.Sc.C.**

President and Chief Operating Officer

**J. Marcel Boyer, C.A.**

Executive Vice-President and Assistant to the President

**Yvon Côté, CFA**

Vice-President and General Manager and Assistant to the President

**Alex Langlois, F.S.A.**

Vice-President and General Manager, Actuarial

**Jacques Laverdure, C.A.**

Senior Vice-President, Investments

**André Mailhot, LL.L.**

Vice-President and General Manager, Human Resources

**Normand Pépin, F.S.A.**

Vice-President and General Manager, Marketing

**P.-Émile Reinhardt, CFA**

Vice-President and General Manager, Investments

**Adrien Bordua, LL.L.**

Vice-President, Legal Affairs

**P.-E. Burelle**

Vice-President, Sales, Career Agencies

**Yvon Charest, F.S.A.**

Vice-President, Corporate Affairs

**Marcel Gagné, F.S.A.**

Vice-President, Group Insurance

**Michel Gauthier, C.M.A.**

Vice-President, Data Processing

**Maurice Germain, F.S.A.**

Vice-President, Actuarial Services

**Donald C. Harding**

Vice-President, Sales, Ontario

**Cyrille Jutras, F.S.A.**

Vice-President, Administration

**Jacques Lorange, C.A.**

Vice-President, Control

**Léon Mondoux, F.S.A.**

Vice-President and Valuation Actuary

**Rémi Normand, F.S.A.**

Vice-President, Group Pensions

**Yvon Sauvageau, M.Sc.Écon.**

Vice-President, Securities

**Gaëtan Audet, C.L.U.**, Director, Agents' Training

**Daniel Bannon, A.S.A.**, Director, Group Pensions

**Bernard Bazinet**, Director, Agencies Administrative Services

**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, Administration, Group Insurance

**Roland Bonenfant**, Director, Regional Administration Offices, Montréal

**Jean-Pierre Boutin, I.R.C.**, Senior Director, Human Resources and Technical Operations

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

**Gaëtan Chalifoux, C.G.A.**, Director, Accounting



**INDUSTRIAL  
ALLIANCE**  
LIFE INSURANCE COMPANY

**Paul-H. Chrétien, C.M.A.**, Director, Accounting  
**Gilles Cloutier, B.Sc.A.**, Director, General and Group Insurance Systems  
**Rodrigue Cloutier**, Director, Supportive Administrative Services  
**Kevin Conroy**, Director, Group Pensions, Montréal  
**Denis De Bellefeuille, C.M.A.**, Director, Sales, Group Insurance  
**Patrick Desormeau**, Director, Claims, Group Insurance  
**Réjean Devin, B.Sc.Phys.**, Director, Technical Services and Production Control  
**Robert Dionne**, Director, Regional Administration Offices, Québec  
**Raymond Donnelly**, Senior Director, Regional Administrative Offices and Agencies  
Administrative Services  
**Jean Dorion, C.App.**, Senior Director, Mortgage Loans  
**Gilles Duchesneau, M.B.A.**, Senior Director, General Insurance  
**Louis Duclos, M.B.A.**, Assistant Vice-President, Communications and Administrative  
Services  
**Claude E. Dufresne**, Senior Director, Internal Auditing  
**Michel Dyotte**, Superintendent, Sales  
**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, M.Sc.C.**, Senior Director, Accounting Services  
**Jocelyne Gaudet**, Director, Contracts, General Insurance  
**Laurent Gilbert**, Director, Underwriting, Mortgage Loans  
**Jocelyne Guay Gravel**, Director, Underwriting, General Insurance  
**Paul Grimes, B.A.**, Superintendent, Sales, Ontario  
**Noël Guilbault, C.Adm.**, Director, Mortgage Loans, Montréal and Toronto  
**François Harvey, C.A.**, Director, Internal Auditing  
**Madeleine Jacob, D.D.N.**, Associate Legal Counsel  
**Richard Jalbert**, Superintendent, Sales  
**Liliane Kvarv**, Director, Regional Administration Office, Toronto  
**Marc Lalonde**, Superintendent, Sales  
**Jean-Marc Lavoie, F.L.M.I.**, Senior Director, Sales Personnel Remuneration  
**Yvon Lavoie, L.Sc.Adm.**, Director, Individual Life Systems  
**Claude Lemieux**, Director, Underwriting  
**André Marceau**, Director, Sales Secretariat  
**Daniel Marceau, F.S.A.**, Director, Actuarial Department  
**Georges Marcotte**, Superintendent, Sales  
**Bertin Michaud**, Superintendent, Sales  
**Hermann Morissette, A.S.A.**, Director, Taxation  
**Joe O'Farrell, C.M.A.**, Senior Director, Human Resources  
**Jean-Pierre Papineau, C.L.U.**, Senior Director, Securities Portfolio  
**Marc Pelletier**, Director, Sales Management Training  
**Yves Piette, M.D.**, Medical Director  
**Guy Pilote**, Director, Policy Contracts, Individual Insurance  
**François Plante, B.Sc.Adm.**, Superintendent, Sales  
**Sheila Quinn, F.S.A.**, Actuary, Employees' Benefit Plans  
**Marc Renaud**, Senior Director, Office and Supportive Administrative Services  
**Gaston Rivard**, Director, Agencies Administrative Services  
**Stéphane Rivard, LL.L.**, Associate Legal Counsel  
**Jacques Simard**, Director, Sales Personnel Remuneration  
**Pierre Simard, M.Sc.C.**, Director, Internal Auditing  
**Richard St-Laurent, C.A.**, Director, Taxation  
**Jacques Taché, LL.L.**, Senior Director, Legal Affairs  
**Claude Tessier, B.Sc.A.**, Assistant Vice-President, Real Estate  
**Jean Trahan, C.App.**, Director, Mortgage Loans, Québec  
**Raymond Tremblay, M.Sc.C.**, Assistant Vice-President, Group Insurance  
**Michel Turcotte, F.S.A.**, Senior Director, Annuities  
**Richard Watier, L.Sc.Adm.**, Senior Director, Research and Development, Marketing  
**Raynald Winstall, C.L.U.**, Director, Group Pensions, Québec



*On July 24, 1987, H  l  ne Simard lost the use of her legs in an automobile accident. Before this, sports had been an important part of her life. H  l  ne, a young woman, optimistic and energetic by nature, used part of the accident insurance benefit she received to purchase the special sports equipment she needs to remain physically active.*







**INDUSTRIAL  
ALLIANCE**  
LIFE MANAGEMENT CORPORATION





**INDUSTRIAL  
ALLIANCE**  
LIFE MANAGEMENT CORPORATION

Industrial-Alliance Life Management Corporation is a downstream holding company which oversees the life insurance subsidiaries located outside of Québec.

Its mandate consists in coordinating the operations between the life insurance company and these subsidiaries with regard to the development and marketing of financial products and in assuring their profitability.

The Life Management Corporation plays an important role in the life insurance sector, owning The National Life Assurance Company of Canada (Toronto), The North West Life Assurance Company of Canada (Vancouver), and North West Life Assurance Company of America (Spokane, Washington).

With consolidated assets of \$1.5 billion, the Corporation's 1988 revenues totalled \$374.1 million. Its net income of \$11.9 million for the year brought the shareholder's equity to \$193.5 million, or 14.5 % of its liabilities excluding the segregated funds.

**BOARD OF DIRECTORS**

- Hervé Belzile, F.C.A.**, Chairman of the Board of the Company  
Industrial-Alliance Life Management Corporation
- ◆ **Robert Bégin, F.S.A.**, Chairman of the Board and Chief Executive Officer  
Industrial-Alliance Life Insurance Company
- ◆ **André Charron, Q.C., C.M.**, Chairman of the Board  
Alliance-Industrial Financial Corporation
- John B. Gill, M.B.A.**, President and Chief Executive Officer  
The North West Life Assurance Company of Canada
- S. Ross Johnson, C.L.U.**, President and Chief Executive Officer  
The National Life Assurance Company of Canada
- ◆ **Jean Denis Vincent**, President and Chief Executive Officer  
Alliance-Industrial Financial Corporation

**SENIOR MANAGEMENT**

- Robert Bégin**, President of the Company
- Georges Smith**, Secretary of the Board

- ◆ Audit Committee

**NATIONAL LIFE  
OF CANADA**  
Since 1899



Founded in 1897, The National Life Assurance Company of Canada has always operated out of Toronto. Although particularly well established in Ontario, it is also very active in the rest of Canada.

National Life offers individual life insurance, group life and health insurance as well as group and individual annuities. In 1988, its revenues totalled \$323.5 million, its net income \$10.1 million and its assets close to \$1.1 billion.

National Life has 375 employees in its Toronto head office and 50 more in its 15 career agencies and its three regional group insurance offices. Individual life insurance sales are made through two distribution networks: on one hand, an important general agency, the P.P.I. Financial Group of Companies, and on the other hand, 180 career agents.

**BOARD OF DIRECTORS**

- ◆ **Robert Bégin, F.S.A.**, Chairman of the Board of the Company  
Chairman of the Board and Chief Executive Officer  
Industrial-Alliance Life Insurance Company
- ◆ **Charles T.P. Galloway, F.S.A.**, Vice Chairman of the Board of the Company  
Director of Companies
- ◆ **S. Ross Johnson, C.L.U.**, President and Chief Executive Officer of the Company  
The National Life Assurance Company of Canada
- ◆ **Hervé Belzile, F.C.A.**, Chairman of the Board  
Industrial-Alliance Life Management Corporation
- ◆ **Ronald C. Brown, Q.C.**, Blake, Cassels & Graydon
- ◆ **André Charron, Q.C., C.M.**, Chairman of the Board  
Alliance-Industrial Financial Corporation
- ◆ **Robert G. Dale**, Director of Companies
- ◆ **Christine A. Fagan**, Chalker, Green & Rowe
- ◆ **Donald S. O'Sullivan**, President, O'Sullivan Resources Ltd.
- ◆ **Jack H. Scott**, President and Chief Executive Officer, General Foods Inc.
- ◆ **Jean Denis Vincent**, President and Chief Executive Officer  
Alliance-Industrial Financial Corporation

**SENIOR MANAGEMENT**

**S. Ross Johnson**, President and Chief Executive Officer; **G. Mervyn Lloyd**, Senior Vice-President, General Manager, Individual Operations; **Robin E. Buckingham**, Vice-President, Personnel Administration; **David H. Creswell**, Vice-President, General Counsel and Secretary; **Tom L. Dea**, Vice-President General Manager, Investment Operations; **Herb Huck**, Vice-President, Taxation; **David E. Kent**, Vice-President, Group; **Wilfried O. Loewrigkeit**, Vice-President, Systems; **Ross A. Morton**, Vice-President General Manager, New Business and Systems; **Rein Tabur**, Vice-President, Investment; **Vincent P. Tonna**, Vice-President General Manager, Finance and Group; **René E. Trudeau**, Vice-President and Chief Actuary; **W. Arthur Young**, Vice-President, Special Sales.

- ◆ Executive Committee
- ◆ Investment Policy Committee
- ◆ Audit Committee
- ★ Public Policy and Human Resources Committee



**North West Life**  
ASSURANCE COMPANY OF CANADA



**North West Life**  
ASSURANCE COMPANY OF AMERICA

Operating out of its Vancouver head office, The North West Life Assurance Company of Canada distributes individual life insurance and annuity products mainly in Western Canada and 15 western U.S. states. The firm's operations are closely linked to those of its sister company, North West Life Assurance Company of America, whose head office is located in Spokane, Washington. This company also sells individual life insurance and annuity products in seven northwestern U.S. states. With combined assets totalling \$424.6 million, these two companies posted a total income of \$77.2 million and net earnings of \$3.0 million in 1988.

THE NORTH WEST LIFE ASSURANCE COMPANY OF CANADA  
BOARD OF DIRECTORS

- ♦ **Robert Bégin, F.S.A.**, Chairman of the Board of the Company  
Chairman of the Board and Chief Executive Officer  
Industrial-Alliance Life Insurance Company
- ♦ **André Charron, Q.C., C.M.**, Vice-Chairman of the Board of the Company  
Chairman of the Board  
Alliance-Industrial Financial Corporation
- ♦ **John B. Gill, M.B.A.**, President and Chief Executive Officer of the Company  
The North West Life Insurance Company of Canada
- ♦ **Harvey J. Grey**, Harper Grey Easton
- ♦ **Dr. Ernest A. Johnson**
- ♦ **C. Frank Murphy**, Farris, Vaughan, Wills and Murphy  
**Jean-Paul Pouliot, M.Sc.C.**, Director of Companies  
**H. Curtis Reed**, President, LaJolla Associates Ltd.
- ♦ **P.-Émile Reinhardt, CFA**, Vice-President and General Manager, Investments  
Industrial-Alliance Life Insurance Company

SENIOR MANAGEMENT

**John B. Gill**, President and Chief Executive Officer; **Donald R. Francis**, Executive Vice-President and Chief Actuary; **Ronald W. Pepper**, Senior Vice-President, Marketing; **Hugh J. McKay**, Vice-President, Finance; **Arthur W. Putz**, Vice-President, Investments and Secretary; **Zul Mohamed**, Vice-President, Actuarial and Data Processing Services; **Dennis C. Sallaway**, Assistant Vice-President, Underwriting; **Herbert A. Bell**, Regional Vice-President, Marketing; **Fred R. Stainbrook**, Regional Vice-President, Marketing.

- Executive Committee
- Investment Committee
- ♦ Audit Committee

NORTH WEST LIFE ASSURANCE COMPANY OF AMERICA  
BOARD OF DIRECTORS

- ♦ **John B. Gill, M.B.A.**, Chairman of the Board of the Company
- ♦ **Robert Bégin, F.S.A.**, Chairman of the Board and Chief Executive Officer  
Industrial-Alliance Life Insurance Company
- ♦ **Henri L. Jamieson**, Chairman of the Board, The Franklin Group Funds
- ♦ **Thomas C. Kearns**, Director of Companies
- ♦ **George H. Kellog**, Director of Companies
- ♦ **Grant L. Kimer**, Attorney
- ♦ **Rom Markin**, Dean of the College of Business and Economics  
Washington State University
- ♦ **Frank Niessner Jr.**, President, Sunfresh, Inc.  
**H. Curtis Reed**, President, LaJolla Associates Ltd.  
**Dr. Owen Wiley**, Dentist

SENIOR MANAGEMENT

**John B. Gill**, President and Chief Executive Officer; **Ronald W. Pepper**, Senior Vice-President; **Fred R. Stainbrook**, Vice-President, Marketing; **Donald R. Francis**, Actuary; **Grant L. Kimer**, Secretary; **Arthur W. Putz**, Assistant Secretary;

- Executive Committee
- Investment Committee
- ♦ Audit Committee



# Condensed Consolidated Financial Statements

## Consolidated Income

Year ended December 31, 1988 (in thousands of dollars)

<b>INCOME</b>	<b>1988</b>	<b>1987</b>
	\$	\$
Insurance and annuity premiums .....	225 347	42 251
Investment income .....	148 365	40 173
Other .....	368	750
	<b>374 080</b>	83 174
<b>APPROPRIATION OF INCOME</b>		
Normal increase in policy reserves .....	62 160	15 426
Claims incurred .....	207 608	48 442
Interest .....	1 466	
Dividends and group experience refunds .....	19 362	5 891
Commissions .....	27 069	6 713
Taxes, licences and fees .....	3 948	383
General expenses .....	38 440	7 487
Segregated funds and miscellaneous .....	1 781	(333)
	<b>361 834</b>	84 009
Net income (loss) before income taxes .....	12 246	(835)
Income taxes .....	(339)	75
Net income (loss) for the year	<b>11 907</b>	(760)

## Consolidated Retained Earnings

Year ended December 31, 1988 (in thousands of dollars)

<b>RETAINED EARNINGS</b>	<b>1988</b>	<b>1987</b>
	\$	\$
Balance at beginning .....	(644)	116
Net income (loss) for the year .....	11 907	(760)
Balance at end	<b>11 263</b>	(644)



## Consolidated Balance Sheet

As of December 31, 1988 (in thousands of dollars)

<b>ASSETS</b>	<b>1988</b>	1987
	\$	\$
Bonds .....	511 483	93 772
Stocks .....	4 608	576
Mortgage loans .....	738 800	242 710
Real estate .....	38 661	7 737
Policy loans .....	57 010	42 166
Short-term investments and cash .....	65 873	31 359
Mutual funds .....	698	891
Fixed assets .....	4 244	416
Investment income due .....	19 774	6 538
Outstanding premiums .....	7 850	729
Amounts receivable .....	19 396	35
Goodwill .....	46 242	3 235
Income taxes recoverable .....	1 560	
Miscellaneous .....	4 219	2 348
Segregated funds .....	23 474	729
	<b>1 543 892</b>	<b>433 241</b>
<b>LIABILITIES</b>		
Policy reserves .....	1 128 411	355 415
Provision for dividends and group experience refunds .....	82 519	7 662
Premiums paid in advance and amounts on deposit .....	22 731	4 100
Employees' pension funds .....	28 608	
Provision for unsettled and unreported claims .....	29 422	7 032
Other contractual liabilities .....	12 176	4 669
Accounts payable .....	13 270	1 900
Bank overdrafts and loans .....	9 609	32 721
Miscellaneous .....	6 587	1 383
Segregated funds .....	17 016	723
	<b>1 350 349</b>	<b>415 605</b>
<b>SHAREHOLDER'S EQUITY</b>		
Capital stock .....	182 280	18 280
Retained earnings (deficit) .....	11 263	(644)
	<b>193 543</b>	<b>17 636</b>
	<b>1 543 892</b>	<b>433 241</b>

## Auditors' Report

To policyholders,

As auditors of Industrial-Alliance Life Management Corporation, we have examined its consolidated financial statements as of December 31, 1988, and have issued, on February 10, 1989, an unqualified report on these statements. We have relied on the opinions of the subsidiary companies' valuation actuaries as to the amount of the actuarial liabilities.

The consolidated balance sheet of the Company as of December 31, 1988 and its consolidated statements of income and retained earnings for the year then ended, are extracted from the Company's consolidated financial statements and present fairly the figures they contain.

**Samson  
Bélair** Chartered Accountants

Québec, February 10, 1989



*Jean Aumais and Richard Martin are two General Trust advisers who organize information sessions on estate planning and settlement. They explain how proper estate planning helps maintain harmony in the family and generally leads to tax savings when settling the estate.*







**ALLIANCE  
INDUSTRIAL**  
FINANCIAL CORPORATION





**ALLIANCE  
INDUSTRIAL**  
FINANCIAL CORPORATION

Alliance-Industrial Financial Corporation acts as downstream holding company for the life insurance firm in sectors other than life insurance. Its twofold mandate consists of holding its subsidiaries and associated companies and assisting in their development as well as allowing the various distribution networks that comprise the group to profit from its operations.

The Financial Corporation operates mainly in the trust sector through General Trustco of Canada Inc., in information technology through Industrial Life-Technical Services Inc. and in general insurance through Equitable General Insurance Company and Industrial-Alliance General Insurance Company.

The Financial Corporation owns consolidated assets of \$5.2 billion. In 1988, it posted revenues of \$639.2 million and generated net profits of \$11.3 billion. The Financial Corporation is a major component of the Industrial-Alliance group serving present and future consumers.

BOARD OF DIRECTORS

- ★ **André Charron, Q.C., C.M.**, Chairman of the Board of the Company  
Alliance-Industrial Financial Corporation
- ★ **Robert Bégin, F.S.A.**, Vice-Chairman of the Board of the Company  
Chairman of the Board and Chief Executive Officer  
Industrial-Alliance Life Insurance Company
- ◆◆ **Jean Denis Vincent**, Vice-Chairman of the Board of the Company  
President and Chief Executive Officer  
Alliance-Industrial Financial Corporation
- ★ **Ernest G. Ayers**, President, Ayers Limited
- ◆★ **Hervé Belzile, F.C.A.**, Chairman of the Board  
Industrial-Alliance Life Management Corporation
- ◆ **Jean Deschamps, L.Sc.Com.**, Director of Companies
- ★ **André Dion, C.A.**, President, Groupe RO-NA
- ◆ **Réginald K. Groome, O.C.**, Chairman of the Board and President  
Hilton Canada Inc.
- ◆ **Pierre Laurin, O.C.**, Senior Vice-President and General Manager for Québec  
Merrill Lynch Canada Inc.
- ◆ **Jean Marier, LL.M.**, Partner of Stein, Monast, Pratte and Marseille, Advocates  
**Maurice Myrand, F.C.A., I.A.F.**, President and Chief Executive Officer  
General Trustco of Canada Inc.
- ◆ **J.-Robert Quimet**, President and General Manager, Quimet-Cordon Bleu Inc.
- ★ **J.-Frank Roberts**, Director of Companies
- ◆ **Raymond Sirois, M.Sc.C.**, Chairman of the Board, President and  
Chief Executive Officer, Québec-Téléphone

SENIOR MANAGEMENT

**Jean Denis Vincent**, President and Chief Executive Officer; **Georges Smith**, Senior Vice-President; **Adrien Bordua**, Secretary of the Board.

- ◆ Executive Committee
- ◆ Audit Committee
- ★ Human Resources Committee



**INDUSTRIAL  
ALLIANCE**  
GENERAL INSURANCE COMPANY

**THE EQUITABLE**  
GENERAL INSURANCE COMPANY

Equitable General Insurance Company and Industrial-Alliance General Insurance Company offer various general insurance products to the public, mainly in the personal insurance sector.

With a combined gross income of \$33.7 million, 193 employees and 338 associated brokers, these companies enjoy a modest share of this market sector. Although 1988 results did not meet expectations, the group will continue to expand in this area.

BOARD OF DIRECTORS

- ◆ **Jean Denis Vincent**, Chairman of the Board of the Company  
President and Chief Executive Officer  
Alliance-Industrial Financial Corporation
- ◆ **Ernest G. Ayers**, President, Ayers Limited
- ◆ **Robert Bégin, F.S.A.**, Chairman of the Board and Chief Executive Officer  
Industrial-Alliance Life Insurance Company
- ◆ **Jacques Chabot, C.A.**, Vice-President, Control  
Equitable General Insurance Company
- ◆ **Alex Langlois, F.S.A.**, Vice-President and General Manager, Actuarial  
Industrial-Alliance Life Insurance Company
- ◆ **Réal Payette, A.I.I.C.**, Vice-President, Marketing  
Equitable General Insurance Company
- ◆ **Georges Smith, LL.L.**, Senior Vice-President  
Alliance-Industrial Financial Corporation

SENIOR MANAGEMENT

**Jean Denis Vincent**, President and Chief Executive Officer; **Georges Smith**, President and Chief Operating Officer (by interim) and Secretary of the Board; **Jacques Chabot**, Vice-President, Control, Equitable General Insurance Company; **Réal Payette**, Vice-President, Marketing, Equitable General Insurance Company; **Gilles Duchesneau**, Senior Director, Industrial Alliance General Insurance Company.

- ◆ Audit Committee





General Trustco of Canada Inc. is listed on all major Canadian stock exchanges and operates as the parent company for various firms in the trust, financial services, investment management and real estate sectors.

General Trust of Canada, operating in Québec with assets of \$3.1 billion, General Trust Corporation, operating in Ontario with assets of \$1.3 billion, and Sherbrooke Trust, operating in Québec's Eastern Townships with assets of \$347 million, form a trust and financial services network of companies that ranks sixth in Canada.

General Trust Realtor and Natco Developments Ltd. operate in the real estate sector. Natco owns more than \$62 million in property distributed throughout various regions of Québec.

Gentrust acts as an investment counsellor. Managing assets valued at \$1.2 billion, it completes the range of services offered by General Trust of Canada.

Together, these companies offer 88 service outlets, including 59 in Québec and 29 in Ontario, and provide more than 1 600 jobs. The value of corporate assets and assets under management total \$13.4 billion.

- Executive Committee
- ◆ Audit Committee
- ★ Human Resources Committee

#### BOARD OF DIRECTORS

- **Arthur Simard, Q.C.**, Honorary Chairman of the Board of the Company General Trustco of Canada Inc.
- **Marcel Cazavan, F.C.A.**, Chairman of the Board of the Company General Trustco of Canada Inc.
- **Marcel Piché, O.C., Q.C.**, Vice Chairman of the Board of the Company Senior Partner, Piché, Emery, Advocates
- ★ **Jean Denis Vincent**, Vice Chairman of the Board of the Company President and Chief Executive Officer Alliance-Industrial Financial Corporation
- **Maurice Myrand, F.C.A., F.T.I.**, President and Chief Executive Officer of the Company General Trustco of Canada Inc.
- **Robert Bégin, F.S.A.**, Chairman of the Board and Chief Executive Officer Industrial-Alliance Life Insurance Company
- ◆ **Hervé Belzile**, Chairman of the Board Industrial-Alliance Life Management Corporation
- ◆ **J. Marcel Boyer, L.Sc.Com., C.A.**, Executive Vice-President and Assistant to the President, Industrial-Alliance Life Insurance Company
- **André Charron, Q.C., C.M.**, Chairman of the Board Alliance-Industrial Financial Corporation
- **Claude Dalphond**, Administrator, Régime de rentes de la S.T.C.U.M.
- ★ **Jean Deschamps, L.Sc.Com.**, Director of Companies
- **Alastair S. Fernie**, President, Canadian Operations The Standard Life Assurance Company
- ◆ **Robert Fréchette, M.Sc.Com.**, President, BBF, Société Immobilière Inc.
- **Claude Garcia, F.S.A., F.C.I.A.**, Senior Vice-President and Actuary The Standard Life Assurance Company
- ◆ **Paule Gauthier, P.C., LL.M.**, Stein, Monast, Pratte and Marseille, Advocates
- **Norman D. Hébert**, President and Chief Executive Officer Groupe Park Avenue Inc.
- **René Paquet, B.A., LL.L.**, Jolin, Fournier, Morisset, Advocates
- **Jean R. Perrette**, President and Chief Executive Officer, Worms & Co. Inc.
- ★ **Georges A. Pouliot, Q.C.**, Senior Partner Pouliot, Mercure and Associates, Advocates
- ★ **Raymond Sirois, M.Sc.C.**, Chairman of the Board and Chief Executive Officer Québec-Téléphone

#### SENIOR MANAGEMENT

**Maurice Myrand**, President and Chief Executive Officer; **Pierre Comtois**, Group Vice-President, Finances; **Richard Halley**, Group Vice-President, Agencies and Marketing; **Jean-Louis Hamel**, Group Vice-President, Real Estate, Mortgage and Trust Services; **Louise Jolicoeur**, Corporate Secretary.



Over the years, Industrial Life-Technical Services Inc. has become a major, profitmaking and skilled firm in information technology. Its revenues total \$60 million, with less than 20% generated through its association with the Industrial-Alliance group.

Industrial Life-Technical Services Inc. has chosen to concentrate on three main sectors: data processing, consulting, and the development of expertise specific to the health sector.

With 656 employees, Industrial Life-Technical Services Inc. plans to develop further and to increase its profitability in the coming years.

- ◆ Audit Committee
- ★ Human Resources Committee
- Executive Committee

#### BOARD OF DIRECTORS

- ★ **Jean Denis Vincent**, Chairman of the Board of the Company, President and Chief Executive Officer, Alliance-Industrial Financial Corporation
- **Paul Dolan**, Vice Chairman of the Board of the Company Chairman of the Board and Chief Executive Officer, Les Coopérants
- **André Thompson**, President of the Company Industrial Life-Technical Services Inc.
- **Ernest G. Ayers**, President, Ayers Limited
- ★ **Robert Bégin, F.S.A.**, Chairman of the Board and Chief Executive Officer Industrial-Alliance Life Insurance Company
- ★ **André Charron, Q.C., C.M.**, Chairman of the Board Alliance-Industrial Financial Corporation
- ◆ **Marcel Jobin**, Director of Companies
- ◆ **P.-Émile Reinhardt, CFA**, Vice-President and General Manager, Investments Industrial-Alliance Life Insurance Company
- ◆ **Pierre Shooner**, President and Chief Operating Officer, Les Coopérants
- ◆ **Georges Smith, LL.L.**, Senior Vice-President Alliance-Industrial Financial Corporation

#### SENIOR MANAGEMENT

**André Thompson**, President; **Paul Pleau**, Senior Vice-President; **Jacques Rancourt**, Vice-President, Corporate Services; **Gerard Milandre**, Vice-President, Information Management, Montréal; **Georges Smith**, Secretary of the Board.



# Condensed Consolidated Financial Statements

## Condensed Consolidated Balance Sheet

As of December 31, 1988 (in thousands of dollars)

<b>ASSETS</b>	<b>1988</b>	<b>1987</b>
	<b>\$</b>	<b>\$</b>
Cash and short-term investments .....	451 602	359 793
Securities		
Bonds .....	426 144	671 470
Stocks .....	285 540	283 036
Mortgage loans .....	3 450 200	2 604 954
Other loans .....	235 097	167 662
Real estate held for sale .....	15 387	16 702
Properties .....	66 932	43 410
Amounts receivable .....	36 159	34 151
Fixed assets .....	44 257	30 421
Goodwill .....	123 965	126 427
Other items .....	29 152	20 680
	<b>5 164 435</b>	<b>4 358 706</b>
<b>LIABILITIES</b>		
Guaranteed deposits .....	4 486 508	3 771 262
Other items		
Bank loan .....	4 180	2 270
Amounts payable and accrued liabilities .....	52 215	41 217
Unearned premiums .....	17 750	16 180
Long-term debt and subordinated notes .....	195 611	124 317
Deferred income taxes .....	11 941	13 415
Minority interest .....	121 255	118 147
	<b>4 889 460</b>	<b>4 086 808</b>
<b>SHAREHOLDER'S EQUITY</b>		
Capital stock .....	224 664	218 616
Contributed surplus .....	33 305	39 353
Retained earnings .....	17 006	13 929
	<b>274 975</b>	<b>271 898</b>
	<b>5 164 435</b>	<b>4 358 706</b>

On behalf of the Board:  
 André Charron, Director  
 Jean Denis Vincent, Director



## Condensed Consolidated Income

Year ended December 31, 1988 (in thousands of dollars)

REVENUES	1988	1987
	\$	\$
Securities .....	116 264	50 621
Loans .....	369 973	84 974
Fees .....	32 463	8 614
Real estate commissions .....	27 722	8 796
Net premiums .....	33 740	30 235
Data processing services, consultations and other revenues .....	59 042	57 633
	<b>639 204</b>	240 873
<hr/>		
EXPENSES		
Interest .....	403 225	102 351
Salaries and other employee benefits .....	74 751	41 021
Commissions .....	28 053	12 818
Premises and equipment expenses .....	21 147	11 297
Provision for losses .....	1 596	757
Claims and settlements .....	25 062	21 590
Other operating expenses .....	60 330	35 756
	<b>614 164</b>	225 590
<hr/>		
Income before income taxes, minority interest and extraordinary item .....	25 040	15 283
Income taxes .....	(2 000)	(556)
Minority interest .....	(12 135)	(4 075)
Extraordinary item .....	390	1 388
Net income	<b>11 295</b>	12 040

## Auditors' Report

To the policyholders of Industrial-Alliance Life Insurance Company,

At the request of the shareholder, we have examined the consolidated balance sheet of the Alliance-Industrial Financial Corporation as at December 31, 1988 and the consolidated statements of earnings, contributed surplus, retained earnings and changes in cash resources for the year then ended, in accordance with generally accepted auditing standards, and, in our report dated February 3, 1989, we have expressed an unqualified opinion on these financial statements.

In our opinion, the information contained in the condensed financial statements, hereto attached, is in accordance with the above-mentioned financial statements from which it was taken.

The condensed financial statements should be read in the light of the annual audited financial statements in order to better understand the financial position of the Corporation, the results of its operations and the changes in its financial position for the year ended December 31, 1988.

**Raymond, Chabot, Martin, Paré**

Chartered Accountants

February 3, 1989







**This report was produced by  
the Communications Department  
of Industrial-Alliance  
Life Insurance Company  
1080 St-Louis Road  
Sillery, Québec  
G1K 7M3**

Si vous désirez recevoir un exemplaire  
de la version française de ce rapport,  
veuillez communiquer avec:

**Service des Communications  
L'Industrielle-Alliance  
Compagnie d'Assurance sur la Vie  
1080, chemin St-Louis  
Sillery, Québec  
G1K 7M3  
Tél.: (418) 684-5316**

**Legal Deposit, 1st quarter 1989  
Bibliothèque nationale du Québec**

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

Annual Meeting:  
Head Office  
1080 St-Louis Road  
Sillery, Québec G1K 7M3  
March 13, 1989



