

The One Hundred and  
Thirtieth  
Annual Report of the  
Board of Directors of  
The Canada Life  
Assurance Company  
March 3rd, 1977  
Head Office, Toronto,  
Canada





## BOARD OF DIRECTORS

E. H. CRAWFORD  
*President*

A. H. LEMMON  
*Chairman of the Board*

J. G. HUNGERFORD, Q.C.  
*Chairman of the Executive Committee of the Board*

BEVERLEY MATTHEWS, C.B.E., Q.C.  
*Vice-President of the Board*  
Partner  
McCarthy & McCarthy

DAVID W. BARR  
*Vice-President of the Board*  
Chairman of the Board  
Moore Corporation Limited

ARTHUR J. E. CHILD  
President and Chief Executive Officer  
Burns Foods Limited  
Calgary

E. JACQUES COURTOIS, Q.C.  
Courtois, Clarkson,  
Parsons & Tétrault  
Montreal

NATHANAEL V. DAVIS  
Chairman of the Board  
and Chief Executive Officer  
Alcan Aluminium Limited  
Montreal

GRAHAM R. DAWSON  
Chairman and President  
Dawson Construction Limited  
Vancouver

GÉRARD FILION, C.C.  
Montreal

E. C. GILL  
Formerly Vice-Chairman  
and a Past President

L. EDWARD GRUBB  
Chairman and Chief Officer  
Inco Limited

RUSSELL E. HARRISON  
Chairman and  
Chief Executive Officer  
Canadian Imperial  
Bank of Commerce

J. D. LEITCH  
President  
Upper Lakes Shipping Limited

A. J. LITTLE, F.C.A.  
Toronto

JOHN L. MCCARTHY  
Toronto

The Right Honourable  
LORD McFADZEAN, K.T.  
Honorary President  
British Insulated Callender's Cables Limited  
London, England

ELLMORE C. PATTERSON  
Chairman of the Board  
and Chief Executive Officer  
J. P. Morgan & Co., Incorporated  
New York

MRS. A. F. W. PLUMPTRE  
Ottawa

C. E. RITCHIE  
Chairman and President  
The Bank of Nova Scotia

## MANAGEMENT OFFICERS

D. D. DENNIS, O.B.E.  
*Senior Vice-President and General Manager,  
U.K. and Ireland*

D. I. FRASER, F.L.M.I.  
*Vice-President Administration and Secretary*

J. C. MAYNARD, F.S.A., F.C.I.A.  
*Vice-President and Chief Actuary*

J. M. MUNRO  
*Senior Vice-President and Director of Agencies*

R. D. RADFORD, F.L.M.I.  
*Vice-President and Treasurer*

J. B. WALKER, F.S.A., F.C.I.A.  
*Vice-President and Director, United States Division*

W. B. WAUGH, F.S.A., F.C.I.A.  
*Vice-President and Controller*

## HONORARY DIRECTORS

A. C. ASHFORTH

J. GORDON BEATTY, M.C.

J. ROY GORDON

S. M. WEDD

# THE REPORT

Your Directors have pleasure in submitting the 130th annual report including the financial statements for the year ended December 31, 1976. The accompanying financial statements and exhibits consolidate the operating results and financial position of the Company's wholly owned subsidiaries.

New business placed by our marketing organizations during the year totalled \$2,930,889,000 consisting of \$2,647,071,000 of life insurance and \$283,818,000 of annuities.

Business in force totals \$22,793,676,000 excluding re-insurance ceded to other companies. This amount includes \$19,037,304,000 of life insurance and \$3,756,372,000 of annuities.

Total revenue for the year from all sources was \$448,784,000 including \$74,936,000 in amounts received and income earned for segregated annuity funds and after deducting \$29,467,000 premium reductions (policy dividends) allotted.

Payments to policyholders and beneficiaries totalled \$185,034,000.

The assets have been carefully valued and after making ample appropriations, their total is \$2,057,681,000.

Liabilities arising from insurance and annuity contracts amount to \$1,911,005,000 including \$39,586,000 premium reductions (policy dividends) for policyholders in future years.

Surplus and reserve funds total \$113,657,000 of which \$35,000,000 is a general contingency reserve and \$78,657,000 is surplus held as an additional protection for policyholders and beneficiaries.

Mr. L. Edward Grubb was elected a Director in June and Mrs. A. F. W. Plumtre was elected a Director in December.

The Directors express their appreciation to all members of the Canada Life and congratulate them on the year's results.

On behalf of the Board,

A. H. Lemmon  
Chairman of the Board

E. H. Crawford  
President

Toronto, March 3, 1977.

# CONSOLIDATED STATEMENT OF OPERATIONS

## WE RECEIVED

	1976	1975
Gross premiums for insurances and guaranteed annuities . . . . .	<b>\$279,807,000</b>	\$246,903,000
Less premium reductions (policy dividends) allotted . . . . .	<b>29,467,000</b>	28,776,000
Net premiums . . . . .	<b>250,340,000</b>	218,127,000
Amounts received for segregated annuity funds including group transfers . . . . .	<b>40,493,000</b>	36,997,000
Net investment income . . . . .	<b>145,107,000</b>	128,406,000
Profits on sale of assets (including in 1975 recovery of \$1,250,000 previously written off) . . . . .	<b>581,000</b>	2,053,000
Increase in market value of assets held for variable insurances and segregated annuity funds . . . . .	<b>12,263,000</b>	21,750,000
	<b>\$448,784,000</b>	\$407,333,000

## WE PAID OR SET ASIDE FOR FUTURE PAYMENT

	1976	1975
To policyholders and beneficiaries:		
Death benefits . . . . .	<b>\$ 61,068,000</b>	\$ 56,901,000
Disability benefits . . . . .	<b>25,484,000</b>	18,945,000
Matured endowments . . . . .	<b>11,034,000</b>	11,922,000
Annuities . . . . .	<b>30,724,000</b>	27,581,000
Cash surrender options . . . . .	<b>43,436,000</b>	39,896,000
Payments under segregated annuity funds . . . . .	<b>13,288,000</b>	9,469,000
	<b>185,034,000</b>	164,714,000
Interest on amounts left on deposit . . . . .	<b>4,186,000</b>	3,740,000
Increase in actuarial reserves (note 4.) . . . . .	<b>116,761,000</b>	113,350,000
Expenses of administration, sales and service . . . . .	<b>64,264,000</b>	58,671,000
Income, premium and sundry taxes . . . . .	<b>9,909,000</b>	8,749,000
Amount written off assets . . . . .	<b>196,000</b>	803,000
Loss on change in currency translation rates . . . . .	<b>364,000</b>	—
Net increase in segregated annuity funds . . . . .	<b>60,897,000</b>	51,180,000
Addition to general contingency reserve . . . . .	<b>3,000,000</b>	3,000,000
Addition to surplus held as an additional protection for policyholders and beneficiaries . . . . .	<b>4,173,000</b>	3,126,000
Balance at Dec. 31, 1976 . . . . .	\$78,657,000	
Balance at Dec. 31, 1975 . . . . .	\$74,484,000	
	<b>\$448,784,000</b>	\$407,333,000

(See accompanying notes)



# CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 1976

ASSETS	<u>1976</u>	<u>1975</u>	LIABILITIES AND SURPLUS	<u>1976</u>	<u>1975</u>
Bonds:			Actuarial reserves (note 4.) . . . . .	<b>\$1,481,729,000</b>	\$1,395,461,000
Government . . . . .	\$ 154,628,000	\$ 145,979,000	Benefits in course of payment and provision for unreported claims . . . . .	<b>41,310,000</b>	34,150,000
Corporate . . . . .	<b>449,211,000</b>	384,110,000	Policyholders' amounts left on deposit at interest . . . . .	<b>45,160,000</b>	42,960,000
	<b>603,839,000</b>	530,089,000	Provision for future premium reductions (policy dividends) . . . . .	<b>39,586,000</b>	38,603,000
Mortgage Loans . . . . .	<b>607,480,000</b>	593,634,000	Miscellaneous liabilities (including unallo- cated amounts and provision for out- standing taxes and expenses) . . . . .	<b>33,019,000</b>	27,448,000
Stocks:			General contingency reserve . . . . .	<b>35,000,000</b>	32,000,000
Preferred . . . . .	27,456,000	28,052,000	Surplus held as an additional protection for policyholders and beneficiaries . . . . .	<b>78,657,000</b>	74,484,000
Common . . . . .	<b>152,271,000</b>	146,458,000		<b>1,754,461,000</b>	1,645,106,000
	<b>179,727,000</b>	174,510,000		<b>303,220,000</b>	242,323,000
Real Estate:			Funds held for segregated annuities . . . . .	<b>303,220,000</b>	242,323,000
Company premises . . . . .	26,555,000	27,483,000		<b>\$2,057,681,000</b>	\$1,887,429,000
Held for investment . . . . .	<b>82,475,000</b>	74,674,000		<b>\$2,057,681,000</b>	\$1,887,429,000
	<b>109,030,000</b>	102,157,000			
Loans on policies . . . . .	<b>180,658,000</b>	173,410,000			
Cash and interest bearing deposits . . . . .	<b>21,214,000</b>	21,119,000			
Premiums in course of collection . . . . .	<b>13,610,000</b>	15,172,000			
Interest and rents due and accrued . . . . .	<b>25,608,000</b>	23,000,000			
Other assets . . . . .	<b>13,295,000</b>	12,015,000			
	<b>1,754,461,000</b>	1,645,106,000			
Net assets of segregated annuity funds (note 3.(d) ) . . . . .	<b>303,220,000</b>	242,323,000			
	<b>\$2,057,681,000</b>	\$1,887,429,000			

(See accompanying notes)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1976

1. Accounting Policy — The accounting practices followed by the Company are those prescribed or permitted by the Department of Insurance, Canada, as the Company is subject to regulation under the Canadian and British Insurance Companies Act which emphasizes solvency for the protection of policyholders. These financial statements consolidate the operating results and financial position of the Company's wholly owned subsidiaries.

2. Currency Translation — Throughout these statements United States currency is included at the rate of \$1.00 Canadian to the U.S. dollar. British and Irish currencies are included at \$2.10 Canadian to the pound for 1976 (\$2.40 for 1975). As a result of the change in rate the Canadian dollar equivalent of assets and liabilities in pounds was reduced by approximately \$33,000,000. Effective January 1, 1977 the Company adopted a translation rate of \$1.70 Canadian to the pound. If current rates of exchange had been used in the 1976 balance sheet, prior to the application of the investment valuation allowance, assets and liabilities would have been reduced by approximately \$43,000,000 and there would have been no material change in the surplus as shown.

### 3. Valuation of Assets

(a) Assets held for the life insurance business are carried as follows: bonds at amortized cost, stocks at cost, mortgage loans at unpaid principal balance and real estate at cost less accumulated depreciation provided on the sinking fund basis. The carrying value of bonds at December 31, 1976 has been reduced by the investment valuation allowance of \$35,890,000 (\$35,553,000 in 1975). The adjusted carrying value of these assets, in total, is greater than the market values prescribed by the Department of Insurance, Canada, as at December 31, 1976 by \$1,300,000, provision for which is included in the general contingency reserve of \$35,000,000.

(b) Assets held for the health insurance business are carried at market value for bonds and unpaid principal balance for mortgages as follows:

	<u>1976</u>	<u>1975</u>
Bonds:		
Government . . . . .	\$ 2,331,000	\$ 3,559,000
Corporate . . . . .	11,611,000	8,457,000
Mortgage loans . . . . .	13,956,000	8,802,000
	<u>\$ 27,898,000</u>	<u>\$ 20,818,000</u>

(c) Assets held for variable insurance contracts are included at market value as follows:

	<u>1976</u>	<u>1975</u>
Bonds:		
Government . . . . .	\$ 1,239,000	\$ 1,309,000
Corporate . . . . .	2,179,000	2,713,000
Common stocks . . . . .	25,116,000	26,064,000
	<u>\$ 28,534,000</u>	<u>\$ 30,086,000</u>

(d) Net assets held for variable segregated annuity contracts are carried at market value and are analyzed in the following schedule:

	<u>1976</u>	<u>1975</u>
Bonds:		
Government . . . . .	\$ 11,477,000	\$ 4,443,000
Corporate . . . . .	124,290,000	95,919,000
Mortgage loans . . . . .	54,917,000	46,180,000
Stocks:		
Preferred . . . . .	395,000	434,000
Common . . . . .	107,589,000	90,818,000
Cash and interest bearing deposits net of sundry liabilities . . . . .	254,000	1,112,000
Interest due and accrued . . . . .	4,298,000	3,417,000
	<u>\$ 303,220,000</u>	<u>\$ 242,323,000</u>



## ACTUARY'S REPORT

To the Policyholders and Directors of  
The Canada Life Assurance Company:

I have certified that the actuarial reserves exceed the reserves required by the Canadian and British Insurance Companies Act, and in my opinion, these reserves together with the other liabilities shown in the consolidated balance sheet at December 31, 1976, make good and sufficient provision for all unmatured obligations of the Companies under the terms of their policies.

Toronto, Canada  
February 9, 1977.

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

## AUDITORS' REPORT

To the Policyholders and Directors of  
The Canada Life Assurance Company:

We have examined the consolidated balance sheet of The Canada Life Assurance Company as at December 31, 1976 and the consolidated statement of operations for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; the actuarial reserves were determined and certified by the Company's Vice-President and Chief Actuary.

In our opinion, based on our examination and the certificate of the Vice-President and Chief Actuary, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1976 and the results of its operations for the year then ended, in accordance with accounting practices prescribed or permitted by the Department of Insurance, Canada.

Toronto, Canada  
February 9, 1977.

Clarkson, Gordon & Co.  
Chartered Accountants

4. Actuarial Reserves — Actuarial reserves represent the amount required, in addition to future premiums and interest, to provide for future payments under insurances and guaranteed annuities. Reserves for annual premium life insurance and annuity contracts are determined on the net level premium method. Changes during the year are as follows:

	<u>1976</u>	<u>1975</u>
Balance, beginning of year . . . . .	<u>\$1,395,461,000</u>	<u>\$1,282,111,000</u>
Set aside on new and existing business . . . . .	<b>115,248,000</b>	95,823,000
Change due to fluctuations in the market value of assets held for variable insurances . . . . .	<b>(1,367,000)</b>	14,027,000
Set aside for contingent payments . . . . .	<u>2,880,000</u>	<u>3,500,000</u>
	<b>116,761,000</b>	113,350,000
Canadian dollar effect of the change in currency translation rates . . . . .	<b>(30,493,000)</b>	—
Balance, end of year . . . . .	<u><u>\$1,481,729,000</u></u>	<u><u>\$1,395,461,000</u></u>

5. United States Assets — At December 31, 1976, assets included in the accompanying consolidated balance sheet held in trust by The Canada Life Assurance Company (exclusive of its subsidiaries) for the protection of its United States policyholders totalled more than \$233,000,000 which exceeded net liabilities to its United States policyholders at that date.

**1**

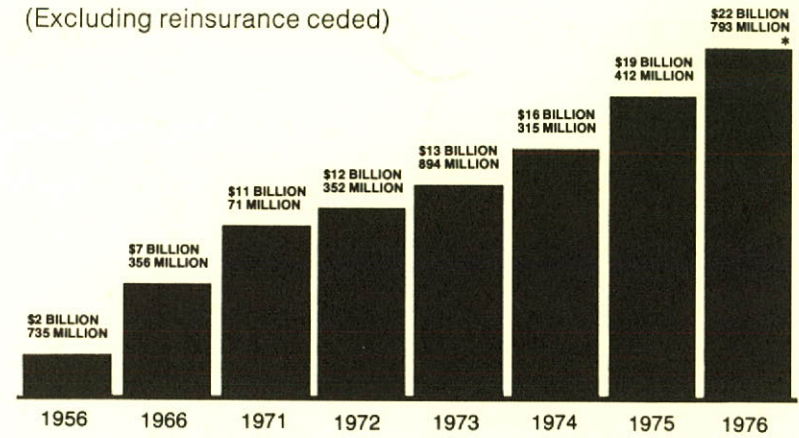
**NEW BUSINESS**

	First Year Premiums (in thousands)	
	1976	1975
<b>Individual</b>		
Insurances .....	\$15,168	\$14,521
Annuities — Annual Premiums .....	2,930	2,676
— Single Premiums .....	31,068	24,766
Health Insurance .....	779	677
Variable Insurances and Annuities .....	7,257	6,143
<b>Total Individual .....</b>	<b>\$57,202</b>	<b>\$48,783</b>
<b>Group</b>		
Insurances .....	\$ 5,385	\$ 5,122
Annuities .....	11,920	4,323
Health Insurance .....	5,186	4,545
Segregated Annuities .....	3,116	2,521
<b>Total Group .....</b>	<b>25,607</b>	<b>\$16,511</b>
<b>Total Individual and Group .....</b>	<b>\$82,809</b>	<b>\$65,294</b>

**2**

**LIFE INSURANCE AND ANNUITIES IN FORCE**

(Excluding reinsurance ceded)



\* Life Insurance — \$ 19 billion, 37 million  
Annuities — \$ 3 billion, 756 million

**3**

**PAYMENTS UNDER POLICY CONTRACTS**

	in millions	
	1976	1975
<b>Death and Disability Benefits .....</b>	<b>\$ 86.6</b>	<b>\$ 75.8</b>
<b>Endowments .....</b>	<b>11.0</b>	<b>11.9</b>
<b>Annuities .....</b>	<b>30.7</b>	<b>27.6</b>
<b>Cash Surrender Options .....</b>	<b>43.4</b>	<b>39.9</b>
<b>Segregated Annuity Funds .....</b>	<b>13.3</b>	<b>9.5</b>
<b>Total .....</b>	<b>\$185.0</b>	<b>\$164.7</b>

**4**

**NET RATE OF INTEREST EARNED 1954 - 1976**

