

The One Hundred
and Thirty-First
Annual Report of the
Board of Directors of
The Canada Life
Assurance Company

March 2nd, 1978
Head Office, Toronto,
Canada

HOWARD ROSS LIBRARY
OF MANAGEMENT
NOV 8 1978
MCGILL UNIVERSITY

BOARD OF DIRECTORS

E. H. CRAWFORD
President

A. H. LEMMON
Chairman of the Board

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

BEVERLEY MATTHEWS, C.B.E., Q.C.
Vice-President of the Board
Partner
McCarthy and 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, O.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
Former Chairman and Chief Officer
of Inco Limited

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

J. D. LEITCH
President
Upper Lakes Shipping Limited

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 Executive Committee
J. P. Morgan & Co. Incorporated
New York

MRS. A. F. W. PLUMPTRE
Ottawa

C. E. RITCHIE
Chairman of the Board,
President and Chief Executive Officer
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.
Senior 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.
Executive 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 131st annual report including the financial statements for the year ended December 31, 1977. 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 \$3,443,516,000 consisting of \$2,960,879,000 of life insurance and \$482,637,000 of annuities.

Business in force totals \$26,238,016,000 excluding re-insurance ceded to other companies. This amount includes \$21,658,332,000 of life insurance and \$4,579,684,000 of annuities.

Total revenue for the year from all sources was \$569,538,000 including \$107,695,000 in amounts received and income earned for segregated annuity funds.

Payments to policyholders and beneficiaries totalled \$234,608,000.

The assets have been carefully valued and after making ample appropriations, their total is \$2,279,045,000.

Liabilities arising from insurance and annuity contracts amount to \$2,119,185,000 including \$38,811,000 policy dividends for policyholders in future years.

Surplus and reserve funds total \$121,742,000 of which \$38,000,000 is a general contingency reserve and \$83,742,000 is surplus held as an additional protection for policyholders and beneficiaries.

Mr. A. J. Little, F.C.A., resigned as a Director in June.

The Directors convey their appreciation to all members of the Canada Life who contributed to the continued progress of the Company during 1977.

On behalf of the Board,

A. H. Lemmon
Chairman of the Board

E. H. Crawford
President

Toronto, March 2, 1978.

CONSOLIDATED STATEMENT OF OPERATIONS

WE RECEIVED

WE PAID OR SET ASIDE FOR FUTURE PAYMENT

	<u>1977</u>	<u>1976</u>
Premiums for insurances and guaranteed annuities	\$314,582,000	\$279,807,000
Amounts received for segregated annuity funds	74,113,000	40,493,000
Net investment income	164,807,000	145,107,000
Profits on sale of assets	1,577,000	581,000
Increase in market value of assets held for variable insurances and segregated annuity funds	14,459,000	12,263,000
	\$569,538,000	\$478,251,000

	<u>1977</u>	<u>1976</u>
To policyholders and beneficiaries:		
Death benefits	\$ 68,275,000	\$ 61,068,000
Disability benefits	31,989,000	25,484,000
Matured endowments	10,139,000	11,034,000
Annuities	36,237,000	30,724,000
Cash surrender options	44,119,000	43,436,000
Policy dividends allotted	29,861,000	29,467,000
Payments under segregated annuity funds	13,988,000	13,288,000
	234,608,000	214,501,000
Interest on amounts left on deposit	4,260,000	4,186,000
Increase in actuarial reserves (note 4.)	145,938,000	116,761,000
Expenses of administration, sales and service	71,392,000	64,264,000
Income, premium and sundry taxes	11,018,000	9,909,000
Amount written off assets	500,000	196,000
Loss on currency translation and transactions	939,000	364,000
Net increase in segregated annuity funds	92,798,000	60,897,000
Addition to general contingency reserve	3,000,000	3,000,000
Addition to surplus held as an additional protection for policyholders and beneficiaries	5,085,000	4,173,000
Balance at Dec. 31, 1977	\$83,742,000	
Balance at Dec. 31, 1976	\$78,657,000	
	\$569,538,000	\$478,251,000

(See accompanying notes)

CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 1977

ASSETS	<u>1977</u>	<u>1976</u>	LIABILITIES AND SURPLUS	<u>1977</u>	<u>1976</u>
Bonds:			Actuarial reserves (note 4.)	\$1,583,436,000	\$1,481,729,000
Government	\$ 173,287,000	\$ 154,628,000	Benefits in course of payment and provision for unreported claims	50,977,000	41,310,000
Corporate	485,108,000	449,211,000	Policyholders' amounts left on deposit at interest	49,943,000	45,160,000
	<u>658,395,000</u>	603,839,000	Provision for future policy dividends	38,811,000	39,586,000
Mortgage loans	655,781,000	607,480,000	Miscellaneous liabilities (including unallocated amounts and provision for outstanding taxes and expenses)	38,118,000	33,019,000
Stocks:			General contingency reserve	38,000,000	35,000,000
Preferred	27,218,000	27,456,000	Surplus held as an additional protection for policyholders and beneficiaries	83,742,000	78,657,000
Common	163,315,000	152,271,000		<u>1,883,027,000</u>	1,754,461,000
	<u>190,533,000</u>	179,727,000	Funds held for segregated annuities	396,018,000	303,220,000
Real Estate:				<u>\$2,279,045,000</u>	<u>\$2,057,681,000</u>
Company premises	25,407,000	26,555,000			
Held for investment	84,272,000	82,475,000			
	<u>109,679,000</u>	109,030,000			
Loans on policies	183,974,000	180,658,000			
Cash and interest bearing deposits	26,324,000	21,214,000			
Premiums in course of collection	16,860,000	13,610,000			
Interest and rents due and accrued	28,818,000	25,608,000			
Other assets	12,663,000	13,295,000			
	<u>1,883,027,000</u>	1,754,461,000			
Net assets of segregated annuity funds (note 3.(d))	396,018,000	303,220,000			
	<u>\$2,279,045,000</u>	<u>\$2,057,681,000</u>			

(See accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1977

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 \$1.70 Canadian to the pound for 1977 (\$2.10 for 1976). As a result of the change in rate the Canadian dollar equivalent of assets and liabilities in pounds was reduced by approximately \$49,000,000. Effective January 1, 1978 the Company adopted a translation rate of \$2.00 Canadian to the pound. If current rates of exchange had been used for all currencies in the 1977 balance sheet, prior to the application of the investment valuation allowance, assets would have increased by approximately \$100,098,000 and surplus would have increased by approximately \$6,578,000.

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, 1977 has been reduced by the investment valuation allowance of \$36,728,000 (\$35,890,000 in 1976). The valuations of these assets prescribed by the insurance law of Canada, in total, are greater than the adjusted carrying value.

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

	<u>1977</u>	<u>1976</u>
Bonds:		
Government	\$ 2,333,000	\$ 2,331,000
Corporate	12,043,000	11,611,000
Mortgage loans	22,779,000	13,956,000
	<u>\$ 37,155,000</u>	<u>\$ 27,898,000</u>

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

	<u>1977</u>	<u>1976</u>
Bonds:		
Government	\$ 1,070,000	\$ 1,239,000
Corporate	2,140,000	2,179,000
Common stocks	30,968,000	25,116,000
	<u>\$ 34,178,000</u>	<u>\$ 28,534,000</u>

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

	<u>1977</u>	<u>1976</u>
Bonds:		
Government	\$ 11,881,000	\$ 11,477,000
Corporate	163,539,000	124,290,000
Mortgage loans	85,055,000	54,917,000
Stocks:		
Preferred	566,000	395,000
Common	130,172,000	107,589,000
Cash and interest bearing deposits	1,382,000	1,610,000
Interest due and accrued	5,735,000	4,298,000
Amounts owed investment dealers and others	(2,312,000)	(1,356,000)
	<u>\$ 396,018,000</u>	<u>\$ 303,220,000</u>

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>1977</u>	<u>1976</u>
Balance, beginning of year	<u>\$1,481,729,000</u>	<u>\$1,395,461,000</u>
Set aside on new and existing business	137,061,000	115,248,000
Change due to fluctuations in the market value of assets held for variable insurances	7,537,000	(1,367,000)
Set aside for contingent payments	1,340,000	2,880,000
	<u>145,938,000</u>	<u>116,761,000</u>
Canadian dollar effect of the change in currency translation rates	(44,231,000)	(30,493,000)
Balance, end of year	<u><u>\$1,583,436,000</u></u>	<u><u>\$1,481,729,000</u></u>

5. United States Assets — At December 31, 1977, 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 \$235,000,000 which exceeded net liabilities to its United States policyholders at that date.

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, 1977, make good and sufficient provision for all unmatured obligations of the Companies under the terms of their policies.

Toronto, Canada
February 8, 1978.

J. C. Maynard, F.S.A., F.C.I.A.
Senior 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, 1977 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 Senior Vice-President and Chief Actuary.

In our opinion, based on our examination and the certificate of the Senior Vice-President and Chief Actuary, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1977 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 8, 1978.

Clarkson, Gordon & Co.
Chartered Accountants

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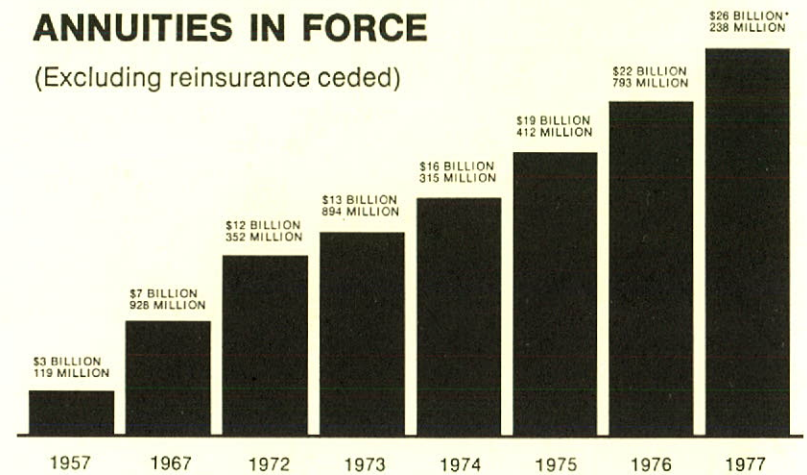
NEW BUSINESS

	First Year Premiums (in thousands)	
	1977	1976
Individual		
Insurances	\$ 15,371	\$15,168
Annuities — Annual Premiums	2,757	2,930
— Single Premiums	48,537	31,068
Health Insurance	1,087	779
Variable Insurances and Annuities	8,273	7,257
Total Individual	<u>\$ 76,025</u>	<u>\$57,202</u>
Group		
Insurances	\$ 7,094	\$ 5,385
Annuities	8,594	11,920
Health Insurance	6,576	5,186
Segregated Annuities	32,384	3,116
Total Group	<u>54,648</u>	<u>25,607</u>
Total Individual and Group	<u>\$130,673</u>	<u>\$82,809</u>

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LIFE INSURANCE AND ANNUITIES IN FORCE

(Excluding reinsurance ceded)



*Life Insurance — \$ 21 billion, 658 million
Annuities — \$ 4 billion, 580 million

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PAYMENTS UNDER POLICY CONTRACTS

	in millions	
	1977	1976
Death and Disability Benefits	\$100.3	\$ 86.6
Endowments	10.1	11.0
Annuities	36.2	30.7
Cash Surrender Options	44.1	43.4
Policy Dividends	29.9	29.5
Segregated Annuity Funds	14.0	13.3
Total	<u>\$234.6</u>	<u>\$214.5</u>

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NET RATE OF INTEREST EARNED 1954 - 1977

