
Ætna Casualty/Excelsior Life

Annual Reports 1979

**Ætna Casualty Company of Canada
The Excelsior Life Insurance Company**

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The Excelsior Life Insurance Company is one of Canada's oldest – and most innovative – life insurance organizations.

The company began business in Ontario in 1890 and by the turn of the century had opened life insurance offices across Canada under provincial licenses. In 1897 the company became licensed federally. In 1951, Excelsior Life entered the group insurance field and nine years later became affiliated with Ætna Life & Casualty of Hartford, Connecticut. Ætna now holds 100 per cent of the issued shares of Excelsior Life.

Early in 1961, Excelsior Life began offering accident and sickness insurance to Canadians as part of a comprehensive range of insurance products. In 1972, Excelsior Life established a national brokerage operation to expand growth and service potential. Since that time, the company has grown substantially, due to the effort of its more than 1600 employees, sales representatives and brokers located in over 50 offices and agencies.

Recognizing the trend toward integrated life and property-casualty operations, Excelsior Life works closely with its Canadian affiliate Ætna Casualty Company of Canada.

Ætna Casualty Company of Canada is an integrated part of worldwide Ætna Life & Casualty operations offering Canadians a full range of general insurance products.

And while the company as it's now named was incorporated ten years ago, its roots as an organization providing insurance products to Canadians go back more than 125 years.

Ætna began in business in Canada in 1853 as the Ætna Life Insurance Company. (Life insurance operations are now conducted by The Excelsior Life Insurance Company).

In 1919, the company began to offer property-casualty insurance through The Ætna Casualty and Surety Company, an identity which has been maintained for nearly 60 years. In 1977, the general insurance business was transferred from the Canadian branch of The Ætna Casualty and Surety Company to Ætna Casualty Company of Canada – a full-fledged Canadian operating property-casualty insurance company.

Working co-operatively with Excelsior Life, Ætna Casualty continues to take an innovative approach to meeting the general insurance needs of Canadian consumers.

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The President's Message

I am pleased to report that Aetna Casualty/Excelsior Life together achieved strong growth in 1979, reflecting increasing acceptance by both consumers and agents of the companies' unique multiple-line capacity to market well-designed insurance products and services.

Excelsior Life had an outstanding year. Sales increased a full 14 per cent over the 1978 record to more than \$39 million. Total revenue rose to more than \$280 million, 18 per cent higher than the previous year.

1979 was an expansionary year for Aetna Casualty. Written premiums were up a full 44 per cent over 1978 to \$46 million.

What makes these achievements all the more significant is that they were accomplished in a turbulent economic climate – and in the face of some unfavourable developments affecting the insurance industry.

Rates for personal lines insurance sold by Aetna Casualty were frozen at 1978 levels by the Anti-Inflation Board. Claims under automobile insurance increased in both numbers and amounts.

Just as importantly, interest rates reached an all time high. And inflation ran at nearly 10 per cent.

This high inflation rate was doubly difficult for the insurance industry because it increased costs substantially – and in many cases, induced consumers to "spend now" rather than to set aside money for the future. Inflation appears likely to continue and at Aetna Casualty/Excelsior Life specific plans have been adopted to combat its effects. With our Penflex and New Money Life products, we have taken major steps toward development of a full range of inflation-related products that are responsive to changes in prevailing rates of interest.

The companies have also invested in sophisticated new data processing systems which, in addition to improving service to policyholders, will also reduce unit cost in processing contracts and claims.

In the face of negative developments in 1979, our companies' achievements are a testimony to the teamwork of over 2,000 effective and dedicated Aetna Casualty and



Excelsior Life employees and agents across Canada.

At Excelsior Life, 1979 was a record year. Sales of both the Life and Group Divisions were exceptional. Earnings increased to \$11,522,000 from \$7,785,000 the previous year on sharply higher revenues. Investment income grew 24.4 per cent to \$80.3 million. The yield on our Life Fund assets of 10.18 per cent is one of the highest in the industry.

At Aetna Casualty, results were good when considered in the light of the rate freeze, a general deterioration in loss ratios experienced in the property and casualty business – and the expansion expenses incurred in the broadening of the company's base of operations. New offices were opened in Halifax and London, operations in Calgary were augmented, and, throughout the company, new systems were installed.

The very strong growth in written premiums for Aetna Casualty during the year, was achieved by a broad-based aggressive marketing program. The full effect of this strong growth will not be felt in earned premiums – which were up 20 per cent to \$37.7 million – until the 1980 calendar year. In the face of a higher claims ratio and the expansion which was planned in order to better serve agents and customers, net income of \$103,000 was a creditable performance for 1979.

For the overall Aetna Casualty/Excelsior Life organization, more than \$261 million was provided for payments to Canadian policyholders. At the end of the year, the companies' assets of more than \$855 million, and equity of more than \$81 million, reflected our strong position as one of the leaders in the Canadian insurance industry.

Looking ahead to the decade of the 1980's, I am optimistic:

- the companies' commitment to the consumer – as reflected in its plain English homeowner policies, the Privacy Code, and inflation-responsive products – will strengthen and expand traditional market positions.
- as a result of improved data processing systems, the companies' traditionally high levels of customer service will be strengthened.
- momentum developed during 1979 will continue into the '80's and, coupled with cost control measures and innovative marketing, will help the companies achieve the superior results to which all Aetna Casualty/Excelsior Life people have committed themselves.

During the year, we were fortunate in having Arne E. Nielsen, President of Canadian Superior Oil Co., join our Board of Directors. Mr. Nielsen replaces Frank D. Lace who retired from our Boards and who made important contributions to the progress of the companies.

I am grateful to the people of Aetna Casualty/Excelsior Life for their efforts which made possible the strong progress made in 1979. As we enter this new decade of the 80's, I thank them, and the members of the Board, for their continuing commitment to excellence in all of our activities.

Gordon N. Farquhar
President

February 13, 1980

Life Division

During 1979, new products and marketing initiatives contributed to a strong performance for the Life Division.

Total sales during the year were \$8.0 million, up 11 per cent over 1978. Total life premium income increased by eight per cent over the previous year to \$48.7 million. Dividends and benefits paid to policyholders during the year totalled \$30.4 million.

Important factors in Life Division performance were the new Family Life Protection and New Money Life products which were introduced in 1979 – and which received broad acceptance in the marketplace. In combination with the Group Plus and Single Premium Deferred Annuity products, these new policies contributed to a strong consumer-oriented package.

The major development in effectively placing this product package before the insurance consumer was the inauguration of a joint marketing venture with the Casualty operation in Toronto, Montreal, Quebec and Calgary. This co-operative thrust, aimed at providing “one stop shopping” for the insurance consumer, is expected to yield important long-term results.

Management programs, including Accelerated Sales Development, continued to emphasize the development and retention of career agents. At the same time, there was substantial growth within the brokerage network – a trend which is expected to continue.

For the Life Division, service is the watchword for the '80s. The regional service centre opened in Calgary during the year – and Lifeline 80, a new administrative system, is on target for implementation in 1980. The future, in an increasingly “consumer-oriented” marketplace looks bright.

Group Division

New sales and profitable growth, these are key objectives for any organization. And the Group Division made outstanding achievements in these areas in 1979.

New sales of \$31.3 million represented an increase of 15 per cent

over 1978, while premium revenue increased by 18 per cent to \$160.0 million. In addition, payments from client funds made by the Division, under new service contract and split funding plans, increased four fold to more than \$8.4 million. Benefits paid to policyholders increased 25 per cent to \$108.3 million.

Significantly, nearly 70 per cent of new sales during 1979 were to “first time” policyholders. And although new life premiums fell short of 1978's record figures, both health and pension totals exceeded last year's results. The trustee welfare market continued to be a major source of new business and accounted for 45 per cent of the Division's new sales.

As a result of strong co-operative marketing programs involving group representatives, service representatives, and head office personnel, major new life and health programs were initiated on behalf of the Graphic Arts International Union, the Alberta International Brotherhood of Electrical Workers, the Ontario Truckers Association and Ford of Canada.

Reflecting the companies' commitment to service, the Group Division initiated participating provider networks to deliver drug, vision and hearing aid benefits.

Based on continuation of an upward trend which has seen sales quintuple in the last five years, future prospects are extremely positive for the Group Division.

Casualty Operations

In a year of expansion, rate freezes and high claims ratios across the industry, the performance of Aetna Casualty Company of Canada was more than acceptable and bodes well for the future.

On the positive side, written premiums were \$46.0 million, up 44 per cent over 1978. But counterbalancing this, claims and adjustment expenses totalled \$25.7 million, also an increase of 44 per cent.

Overall, on total revenues of \$41.9 million, net income was \$103,000. This total does not, however, do justice to the substantial growth in written premiums achieved on a much broader geographical base, largely as a result of the inaugura-

tion of full-fledged branch casualty operations in Halifax, London and Calgary offices.

From a marketing standpoint, Aetna Casualty is well positioned to take advantage of prevailing trends in the industry. Its “plain English” residence policies, for example, were developed specifically to meet the needs of today's homeowner – and to respond to the overall “consumer consciousness” in the marketplace. And working in tandem with Excelsior Life, casualty and life products are being marketed jointly as an integrated product package which clearly meets the needs of today's insurance consumer.

Investment Operations

In a year marked by extreme volatility in financial markets, the companies' investment activities continued to provide consistently high standards of performance.

For Excelsior Life, gross investment revenue increased by \$15.7 million to \$80.3 million during the year. This 24.4 per cent increase in revenue was caused by an increase in assets coupled with the truly impressive 10.18 per cent net rate of investment income earned in the Life Fund, up from 9.66 per cent in 1978.

Realized capital gains during the year totalled \$3.0 million. Of this, a full \$2 million was generated from sales of real estate. In general, profit from real estate subsidiaries were excellent. In fact, Excelsior Life's share of the total profits of three subsidiary real estate companies totalled \$0.9 million compared with \$0.4 million in the previous year.

Total Life and Health Fund invested assets at the end of the year were \$516 million compared with \$465 million at the end of the previous year. In addition, Separate Fund assets, increased by \$47 million to \$238 million at the end of 1979.

Gross investment revenue for Aetna Casualty increased by 49 per cent to \$4.3 million. Approximately half of this increase, or \$700,000, was a direct result of higher yields achieved on assets held. Realized gains on the sale of stock during the year amounted to \$613,000 with total invested assets growing from \$31.9 million to \$43.2 million.

Service Functions

Ætna Casualty/Excelsior Life strongly believes that prompt and efficient service to policyholders is the hallmark of a successful insurance company. The service divisions have long been devoted to achieving this principle and will continue to make their contribution in the 1980's by providing innovative and reliable back-up to the divisional field offices and sales personnel and by providing effective corporate guidelines in our increasingly complex and competitive industry.

During the year, the companies' service divisions continued to provide strong support for Ætna Casualty/Excelsior Life revenue-generating activities.

Corporate Systems Services played a key role in new Financial and Personnel Division systems development and also provided key resources and support to the operating divisions. The Casualty Division is installing a major new system to administer and control our casualty insurance operations. Homeowners business is now "live" on this system and other lines will be phased in over the next two years. The Group Division has three large systems projects on the go: a data base for life and health products now virtually completed; a system for the administration and control of our pension products – and a new system network for the payment of health claims, a key element of our Group business – both to be completed over the next two years. The Life Division is now installing a major new system for the administration and control of all aspects of our individual business with completion

scheduled for late 1980.

The **Financial Division** completed the installation of a comprehensive financial information system that will provide more effective financial reporting and control.

Medical Services continued an ongoing program of liaison with the medical profession. This Division maintains contact with hundreds of practitioners and specialists across Canada who assist in obtaining and assessing information necessary for underwriting and claims administration. It also operates a staff health service for all head office employees, and, during 1979, continued to promote physical fitness among Ætna Casualty/Excelsior Life people.

The **Office of the Corporate Secretary** (law services, linguistic services, public affairs) maintained a high level of involvement during the year, including establishment and promotion of a written corporate Privacy Code. It used its capability to co-ordinate such diverse activities as: social responsibility, compliance, legal review, linguistic services, corporate secretarial functions, public relations, advertising, conference and travel services and government relations.

In 1979, the **Personnel Division** completed the major portion of installing a new employee information system that will provide the companies with the best available data on its key resource – its people. Last year also marked the retirement of James A. Kerr, Vice President, Administration Division. His career spanned 40 years with Excelsior Life and his contributions to the development and growth of the company were invaluable. On July 1, Walter C. Jones was appointed Vice President, Personnel, assuming the responsibility for developing our human resources in the upcoming decade.

Meeting Customer Expectations

During the year, Ætna Casualty and Excelsior Life combined to continue to play a leading role in providing products and services which meet the complete needs and concerns of Canadian insurance consumers.

Ætna Casualty's new residence insurance policies, for example, go far beyond the simplified "plain English" approach to include broad new coverage for home and condominium owners and those who rent.

Similarly, Excelsior Life's Penflex and New Money Life policies are significant steps toward the development of a full range of life products which take into account both inflation and interest rate fluctuations.

Support systems that improve claims service to policyholders are also an essential component of the companies' program to better serve the insurance consumer. In this regard, 1979 was the second year in a four year program in which substantial investments are being made in electronic data processing capabilities – with the aim of improving efficiency.

As a foundation for products and services, Ætna Casualty and Excelsior Life have continued to demonstrate a broad policy commitment to consumer expectations.

The companies' commitment to fitness, for example, was exempli-

fied by the advertisement, "We're Just Exercising Our Rights . . . And Our Lefts", which appeared in a number of major national publications in support of company-sponsored fitness programs and the broader objectives of the Canada-wide PARTICIPaction program.

On another theme, the companies took an historic step during the year by adopting a corporate

Privacy Code which formally sets forth existing commitments to protection of confidential information. Stating these commitments categorically, the advertisement, "Personal Privacy. It's as important to us as it is to our customers.", effectively underscored the companies' role as leaders in developing voluntary controls on the use of information collected in the course of

day-to-day insurance operations.

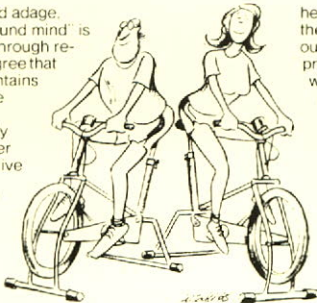
Overall, Aetna Casualty/Excelsior Life made important strides toward cementing strong relationships with the independent agents and brokers and career representatives who market the companies' products and services . . . and toward making their respective names synonymous with value and service in the eyes of the Canadian insurance consumer.

We're just exercising our rights... and our lefts.

We believe the old adage, "sound body... sound mind" is sound thinking. Through research, experts agree that a person who maintains an above-average level of physical fitness is generally a happier, healthier and more productive employee.

At Aetna Casualty/Excelsior Life, we've taken that premise one step further. Because life insurance and health are so closely related, we consider it our responsibility to provide the facility for our head office employees to exercise their right to personal fitness programs.

That's why we designed, installed and operate a fitness centre at our Toronto



headquarters for the exclusive use of our people. It has proven to be a most worthwhile investment in the quality of business life. We also encourage our branch staffs and representatives across Canada to develop and maintain their own fitness plans. In fact, we urge all Canadians to

make fitness a way of life. We salute the PARTICIPaction program in particular because we've proven to ourselves that "fitness now" is not just another pointless exercise.

Aetna Casualty/Excelsior Life

Personal Privacy.

It's as important to us as it is to our customers.

When Canadians buy insurance protection from Aetna Casualty Company of Canada or The Excelsior Life Insurance Company they get another kind of protection along with it: protection against unwarranted invasion of privacy.

To start with, when people apply for insurance with us, we don't ask for unnecessary per-

sonal information. Just what we really need to do our job.

Nor do we go behind anyone's back for information. We'll say up front what we're after, how we'd like to get it and from whom. And, most importantly, ask the customer's permission first.

If people are turned down for a policy, all they have to do is

ask and we'll tell them why. And if the reason will be a good one, if we've been misinformed, we'll reinvestigate—and respond.

Protecting our customers' privacy is as important a policy as any insurance coverage we offer at Aetna Casualty/Excelsior Life.

We don't betray confidence. We earn it.

Aetna Casualty/Excelsior Life

The Excelsior Life Insurance Company

Statement of Net Income

For the Year Ended December 31, 1979
(with comparative figures for 1978 as restated – Note 2)
(thousands of dollars)

	<u>1979</u>	<u>1978</u>
Revenue		
Premium income	\$208,753	\$181,231
Investment income	80,285	64,556
	<u>289,038</u>	<u>245,787</u>
Benefits and expenses		
Current and future benefits	234,949	199,451
Operating expenses	33,996	28,944
Investment expenses	8,715	9,021
Premium and other taxes	2,878	2,551
	<u>280,538</u>	<u>239,967</u>
Net operating earnings before undernoted items	8,500	5,820
Net capital gains on the sale of real estate and health branch investments	3,022	183
Capital gain on the sale of a head office property to an affiliated company	—	1,782
Net income	<u>\$ 11,522</u>	<u>\$ 7,785</u>
Net income by account:		
Participating policyholders' account net income before dividends	\$ 3,960	\$ 3,611
Dividends to participating policyholders	3,258	2,962
Participating policyholders' net income	702	649
Shareholders' net income	10,820	7,136
Net income	<u>\$ 11,522</u>	<u>\$ 7,785</u>

See accompanying notes to financial statements

The Excelsior Life Insurance Company

Statement of Retained Earnings

For the Year Ended December 31, 1979

(with comparative figures for 1978 as restated – Note 2)

(thousands of dollars)

	Participating Policyholders' Account	Non- Participating and Shareholders' Account	1979 Total	1978 Total
Unappropriated				
Balance, beginning of year	\$10,387	\$23,941	\$34,328	\$28,425
Net income	702	10,820	11,522	7,785
Dividends to shareholders	—	(25)	(25)	(50)
Transfer from (to) appropriate retained earnings	2,078	(2,572)	(494)	(1,832)
Balance, end of year	<u>\$13,167</u>	<u>\$32,164</u>	<u>\$45,331</u>	<u>\$34,328</u>
Appropriated				
Balance, beginning of year as previously reported	\$ 8,698	\$14,871	\$23,569	\$21,409
Restatement of additional reserve (note 2)	—	2,946	2,946	3,274
Balance, beginning of year as restated	8,698	17,817	26,515	24,683
Transfer (to) from retained earnings	(2,078)	2,572	494	1,832
Balance, end of year	<u>\$ 6,620</u>	<u>\$20,389</u>	<u>\$27,009</u>	<u>\$26,515</u>

See accompanying notes to financial statements

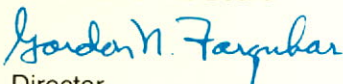
The Excelsior Life Insurance Company

Balance Sheet

December 31, 1979
(with comparative figures for 1978 as restated – Note 2)
(thousands of dollars)

	<u>1979</u>	<u>1978</u>
Assets		
Cash and short term investments	\$ 42,265	\$ 73,046
Bonds and debentures (note 3)	127,401	66,497
Stocks – common and preferred (note 3)	25,271	23,989
Mortgage loans (note 3)	282,727	247,683
Investment real estate (note 4)	28,824	43,029
Property occupied by the company (note 4)	5,546	6,584
Investment in subsidiaries	3,906	3,845
Policy loans	22,239	20,429
Investment income due and accrued	8,786	7,127
Other assets	12,601	8,672
Separate fund assets (note 5)	238,459	190,825
	<u>\$798,025</u>	<u>\$691,726</u>
Liabilities and Capital and Retained Earnings		
Policy liabilities	\$373,912	\$334,280
Policy and contract claims	60,712	49,604
Policyholders' funds left with company	17,177	15,717
Policyholders' dividends and refunds	17,906	14,276
Actuarial liabilities	469,707	413,877
Mortgages on real estate	6,460	17,940
Accrued expenses and other liabilities	10,809	7,991
Separate fund liabilities (note 5)	238,459	190,825
	<u>725,435</u>	<u>630,633</u>
Capital and Retained Earnings		
Capital stock (note 6)	250	250
Appropriated retained earnings	27,009	26,515
Retained earnings	45,331	34,328
	<u>72,590</u>	<u>61,093</u>
	<u>\$798,025</u>	<u>\$691,726</u>

On behalf of the Board


Director


Director

See accompanying notes to financial statements

The Excelsior Life Insurance Company

Statement of Changes in Invested Resources

For the Year Ended December 31, 1979

(with comparative figures for 1978 as restated – Note 2)

(thousands of dollars)

	<u>1979</u>	<u>1978</u>
Funds provided:		
From operations		
Net income	\$ 11,522	\$ 7,785
Depreciation and amortization	1,226	1,489
Increase in policyholder liabilities	55,830	62,623
Other	<u>(2,959)</u>	<u>(5,094)</u>
	65,619	66,803
Bonds sold or matured	10,736	26,041
Stocks sold	11,753	7,599
Real estate sold	14,085	3,127
Mortgage and policy loans repaid	28,501	38,417
Decrease in cash and short term investments	<u>30,781</u>	<u>—</u>
Total funds provided	<u>\$161,475</u>	<u>\$141,987</u>
Funds applied:		
Bonds purchased	\$ 71,519	\$ 20,511
Stocks purchased	13,096	3,499
Real estate purchased	—	203
Mortgage and policy loans disbursed	65,355	81,282
Repayment of borrowed money	11,480	217
Dividends to shareholders	25	50
Increase in cash and short term investments	<u>—</u>	<u>36,225</u>
Total funds applied	<u>\$161,475</u>	<u>\$141,987</u>

See accompanying notes to financial statements

The Excelsior Life Insurance Company

Notes to Financial Statements

For the year ended December 31, 1979

The Excelsior Life Insurance Company is incorporated under the laws of Canada, is registered under the Canadian and British Insurance Companies Act and is a subsidiary of Aetna Life and Casualty Company of Hartford, Connecticut, U.S.A. It is licensed to write life and accident and sickness insurance in all provinces and territories in Canada.

1. Summary of significant accounting policies:

The financial statements reflect the financial position and results of operations as at December 31, 1979. The accounting policies of the company conform with the requirements for filing with the Department of Insurance of Canada. The significant policies are:

- a) The financial statements combine the life and health insurance branches of the company.
- b) Investments in bonds, debentures and mortgages (debt securities) are carried at amortized cost. The difference between the proceeds on the sale after January 1, 1978 of a bond, debenture or mortgage in the life fund and its amortized cost is considered to be an adjustment of future portfolio yield, deferred on the balance sheet and amortized over the shorter of 20 years or the period to maturity of the security sold, but in the health branch the completed transaction basis is used.
- c) Investments in stocks (equity securities) are carried at cost. Gains and losses on the sale of stock in the life fund during the year and the difference between cost and market value of the life fund stocks at the end of the year are recognized in income through a formula that, in effect, amortizes the realized and unrealized gains and losses over a period of up to 15 years. Gains and losses in the health branch are recognized on the completed transaction basis.
- d) Investment real estate and property occupied by the company are carried at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over terms of 20 to 40 years.
- e) Investments in subsidiary companies are carried on the equity basis.
- f) Policy loans are carried at their unpaid balance and are fully secured by the cash surrender values of the policies on which the respective loans are made.
- g) Investments held for separate funds are carried at market value.
- h) The policy liabilities represent the amount required, together with future premiums and interest to provide for future benefits determined on insurance and annuity contracts. The policy liabilities are calculated on the 1978 Canadian method using interest, mortality and withdrawal assumptions appropriate for the policies in force. Costs of acquiring policies are deferred and amortized over the policy premium paying period. An amount of \$23,075,000, \$20,249,000 for 1978, representing unamortized deferred costs has been deducted in arriving at the net policy liabilities.
- i) Net income is allocated among the various funds included in unappropriated retained earnings on the basis of a complex formula. Earnings considered applicable to shareholders include interest earned on the shareholders' fund, the net earning of the health branch and the non-participating policyholders' fund and a percentage as restricted by law, currently 10%, of the net earnings of the participating policyholders' fund allocated for distribution.
- j) Appropriated retained earnings are required by the Canadian and British Insurance Companies Act and are in respect of several items, the major ones being an appropriation for investment valuation reserve and an appropriation for cash value deficiencies and amounts of negative reserves.
- k) Income taxes are provided on the taxes payable method. No income tax is payable in respect of 1979 due to timing differences between financial statement income and income reported for tax purposes. Such differences relate primarily to unclaimed tax actuarial reserves.

2. Changes in accounting policies:

As a result of a change in accounting practice in 1979, previously reported appropriated retained earnings have been credited with health fund additional reserves previously shown in policy liabilities. This increased appropriated retained earnings by \$2,946,000 at December 31, 1978 and \$3,274,000 at December 31, 1977. Net income for 1978 was reduced by \$328,000 by this change. In addition, the presentation of certain items of income and expense have been changed to conform to accounting classifications adopted in 1979.

The Excelsior Life Insurance Company

3. Bonds, stocks and mortgage loans:

	(thousands of dollars)			
	1979		1978	
	Cost or Amortized Cost	Government Market Value	Cost or Amortized Cost	Government Market Value
Bonds and debentures	\$127,401	\$111,095	\$ 66,497	\$ 63,870
Stocks – common	15,725	19,707	19,219	23,313
Stocks – preferred	9,546	9,633	4,770	5,061
Mortgage loans	282,727	257,641	247,683	240,180
	<u>\$435,399</u>	<u>\$398,076</u>	<u>\$338,169</u>	<u>\$332,424</u>

4. Real estate:

	(thousands of dollars)					
	1979			1978		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
Investment real estate	\$32,551	\$3,727	\$28,824	\$46,459	\$3,430	\$43,029
Property occupied by the company	8,288	2,742	5,546	9,178	2,594	6,584
	<u>\$40,839</u>	<u>\$6,469</u>	<u>\$34,370</u>	<u>\$55,637</u>	<u>\$6,024</u>	<u>\$49,613</u>

5. Separate fund assets:

Separate fund assets are shown at market values and increased during the year as follows:

	(thousands of dollars)	
	1979	1978
Market value at beginning of year	\$190,825	\$140,129
Transfer from general funds being net deposits by contract holders and investment income less expenses	57,540	52,904
Realized and unrealized appreciation (depreciation) of investments	(6,982)	1,836
Payment to contract holders	(2,924)	(4,044)
	<u>\$238,459</u>	<u>\$190,825</u>

6. Capital stock:

The company has authorized 250,000 redeemable preference shares of the par value of \$100 each and 100,000 common shares of the par value of \$5 each. At December 31, 1979, 50,000 common shares had been issued.

7. Pension plan:

The company has non-contributory pension plans covering substantially all employees and employee-agents. Provision for pension costs in 1979 and 1978 were \$1,206,000 and \$977,000 respectively. There remains an unfunded past service liability based on the 1975 valuation of \$1,301,000 at December 31, 1979 which will be funded by charges to operations over the next eight years.

The Excelsior Life Insurance Company

Auditors' Report

To the shareholders and participating policyholders of The Excelsior Life Insurance Company:

We have examined the balance sheet of The Excelsior Life Insurance Company as at December 31, 1979 and the statements of net income, retained earnings, and changes in invested resources 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.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and changes in its invested resources for the year then ended in accordance with the basis of accounting described in note 1 to the financial statements which, after giving effect to the retroactive change described in note 2 to the financial statements, has been applied on a basis consistent with that of the preceding year.



Peat, Marwick, Mitchell & Co.
Chartered Accountants

Toronto, Canada
February 11, 1980

Actuary's Certificate and Report

I have made the valuation of the actuarial liabilities of The Excelsior Life Insurance Company for its balance sheet at 31 December 1979 and its statement of net income for the year then ended. In my opinion, (i) the valuation conforms to the Recommendations for Insurance Company Financial Reporting of the Canadian Institute of Actuaries, (ii) the amount of the actuarial liabilities makes proper provision for the future payments under the company's policies, (iii) a proper charge on account of those liabilities has been made in the statement of net income and (iv) the amount of appropriated surplus for policies whose cash value exceeds the actuarial liability is proper.

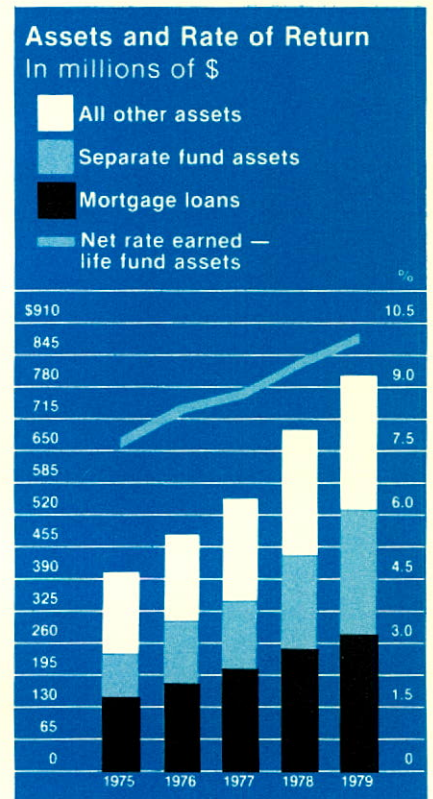
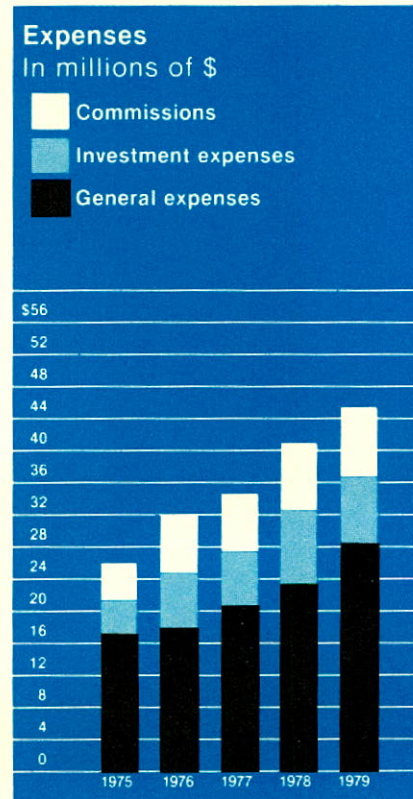
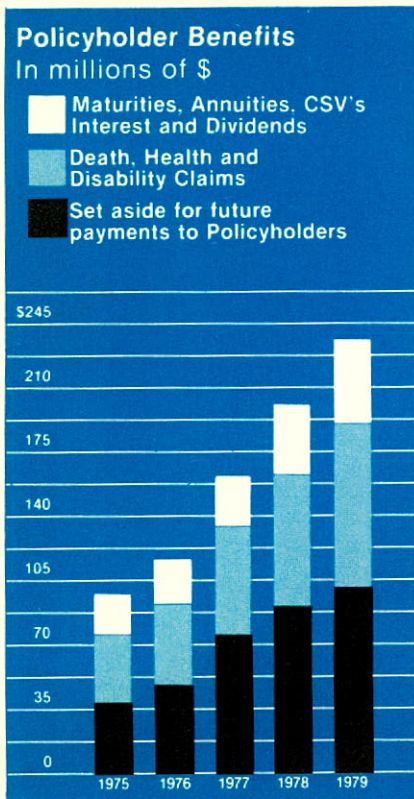
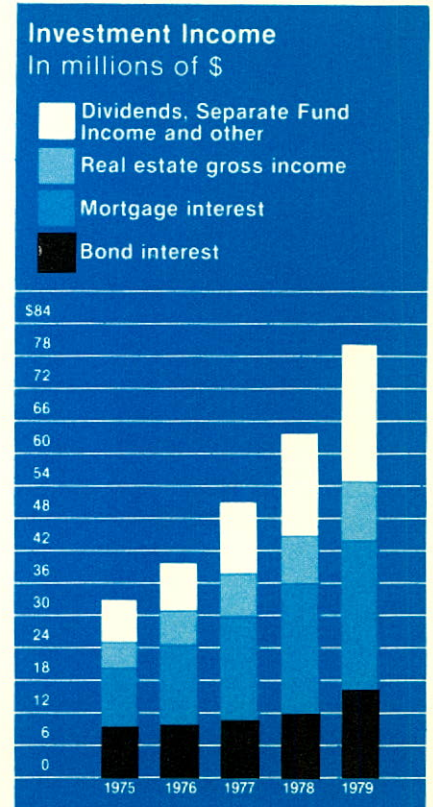
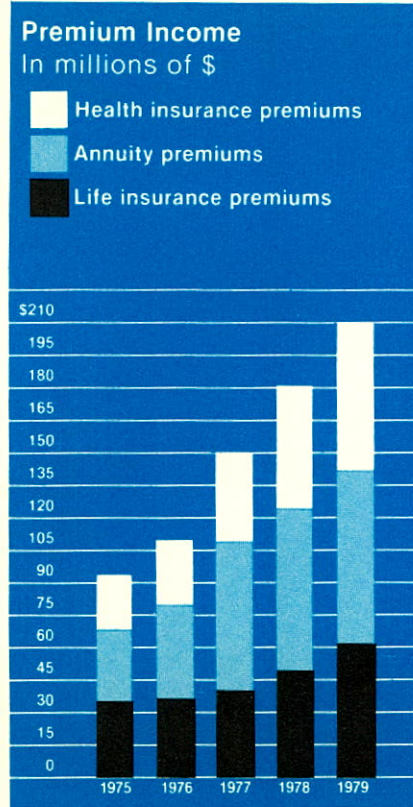
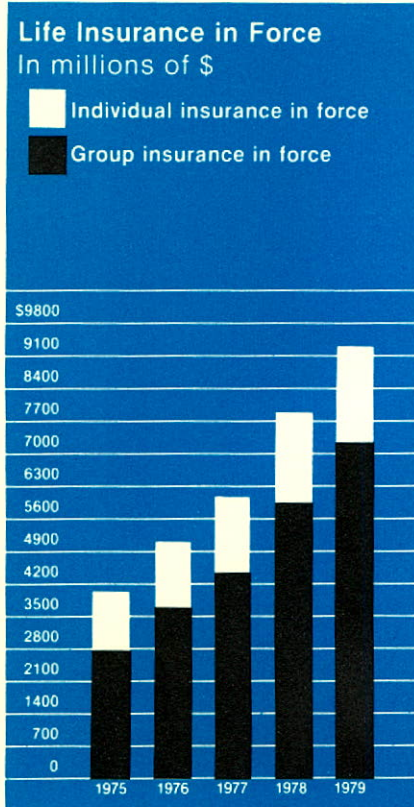


Donald F. Duncan, F.S.A., F.C.I.A.
Senior Vice-President and
Valuation Actuary

February 11, 1980

The Excelsior Life Insurance Company

Our progress at a glance



Aetna Casualty Company of Canada

Statement of Net Income

For the Year Ended December 31, 1979

(with comparative figures for 1978)

(thousands of dollars)

	<u>1979</u>	<u>1978</u>
Revenue		
Premiums earned	\$37,696	\$31,422
Investment income	4,277	2,864
	<u>41,973</u>	<u>34,286</u>
Claims and Expenses		
Claims incurred and adjustment expenses	25,728	17,860
Acquisition expenses	9,417	7,031
General expenses	7,646	6,176
Investment expenses	537	287
	<u>43,328</u>	<u>31,354</u>
Net operating income (loss) before income taxes	(1,355)	2,932
Income taxes recovery (provision)	845	(1,223)
Net operating income (loss)	(510)	1,709
Net realized capital gains (net of applicable taxes of \$179,000, 1978 – Nil)	613	76
Net income	<u>\$ 103</u>	<u>\$ 1,785</u>

See accompanying notes to financial statements

Statement of Retained Earnings

For the Year Ended December 31, 1979

(with comparative figures for 1978)

(thousands of dollars)

	<u>1979</u>	<u>1978</u>
Unappropriated:		
Balance – beginning of year	\$2,169	\$ 330
Net income	103	1,785
Transfer (to) from appropriated retained earnings	(1,292)	54
Balance – end of year	<u>\$ 980</u>	<u>\$2,169</u>
Appropriated:		
Balance – beginning of year	\$ 668	\$ 722
Transfer from (to) retained earnings	1,292	(54)
Balance – end of year	<u>\$1,960</u>	<u>\$ 668</u>

See accompanying notes to financial statements

Aetna Casualty Company of Canada

Balance Sheet

December 31, 1979
(with comparative figures for 1978)
(thousands of dollars)

	<u>1979</u>	1978
Assets		
Cash and short term investments	\$17,333	\$ 8,980
Bonds and debentures (note 3)	2,541	1,529
Stocks (note 3)	4,340	4,127
Mortgage loans (note 3)	16,485	14,777
Amounts due from agents	10,325	5,101
Property occupied by the company (note 4)	2,461	2,492
Furniture and fixtures (note 4)	432	423
Other assets	1,430	1,242
Deferred acquisition expenses	2,567	2,658
	<u>\$57,914</u>	<u>\$41,329</u>
Liabilities and Shareholders' Equity	<u>1979</u>	1978
Insurance and other liabilities		
Provision for unpaid claims	\$19,217	\$13,705
Unearned premiums	23,930	15,549
Insurance taxes payable	746	124
Income taxes payable	—	549
Amounts due to affiliates	175	224
Other liabilities	3,784	913
	<u>47,852</u>	<u>31,064</u>
Deferred income tax	1,049	1,355
Shareholders' equity		
Capital stock (note 5)	1,900	1,900
Contributed surplus	4,173	4,173
Appropriated retained earnings	1,960	668
Retained earnings	980	2,169
	<u>9,013</u>	<u>8,910</u>
	<u>\$57,914</u>	<u>\$41,329</u>

On behalf of the Board



Director



Director

See accompanying notes to financial statements

Statement of Changes in Invested Resources

For the Year Ended December 31, 1979
 (with comparative figures for 1978)
 (thousands of dollars)

	<u>1979</u>	<u>1978</u>
Funds Provided		
From operations		
Net income	\$ 103	\$ 1,785
Depreciation and amortization	141	127
Increase in provision for unpaid claims and unearned premiums	13,893	4,516
Decrease in deferred acquisition expense	91	451
Increase (decrease) in deferred taxes	(306)	674
Other	<u>(2,518)</u>	<u>(164)</u>
	11,404	7,389
Bonds sold or matured	20	1,041
Stocks sold	1,302	2,052
Mortgage loans repaid	<u>1,455</u>	<u>407</u>
Total funds provided	<u>\$14,181</u>	<u>\$10,889</u>
Funds Applied		
Bonds purchased	\$ 1,031	\$ 404
Stocks purchased	1,515	1,649
Depreciable assets purchased	119	2,702
Mortgage loans disbursed	3,163	3,727
Increase in cash and short-term investments	<u>8,353</u>	<u>2,407</u>
Total funds applied	<u>\$14,181</u>	<u>\$10,889</u>

See accompanying notes to financial statements

Notes to Financial Statements

For the year ended December 31, 1979

Ætna Casualty Company of Canada is incorporated in Canada under the Canadian and British Insurance Companies Act and is a subsidiary of the Ætna Casualty and Surety Company of Hartford, Connecticut, U.S.A. The company is licensed to write all classes of property and casualty insurance in Canada.

1. Summary of significant accounting policies:

The financial statements reflect the financial position and results of operations as at December 31, 1979. The accounting policies of the company conform with those generally accepted in Canada and comply with the requirements for filing with the Department of Insurance of Canada. The significant policies are:

- a) Bonds and mortgages are shown in the balance sheet at amortized cost and stocks are shown at cost. Gains and losses on disposal of investments are determined on the completed transaction basis.
- b) Property occupied by the company and furniture and fixtures are carried at cost less accumulated depreciation. Depreciation is provided on property occupied by the company on the straight-line basis over a term of 40 years and on furniture and fixtures on the diminishing balance basis at a rate of 20%.
- c) Insurance premiums are included in income on a pro-rata basis over the life of the policies. Acquisition expenses related to unearned premiums, which expenses are comprised of commissions and premium taxes, are deferred by major underwriting lines and amortized to income over the periods in which the premiums are earned. The method followed in computing the deferred acquisition costs limits the amount of the deferral to its net realizable value by giving consideration to the effect of losses and loss expenses expected to be incurred as the premiums are earned.
- d) Deferred income taxes are provided for timing differences between financial statement income and income reported for tax purposes. Such differences relate primarily to the deferral of acquisition expenses and unearned premiums.
- e) Appropriated retained earnings are required by the Canadian and British Insurance Companies Act and are in respect of several items, the major ones being furniture and fixtures, investment valuation reserve and a reserve for reinsurance ceded to unregistered companies.

2. Comparative figures:

The presentation of certain items in the 1978 balance sheet has been changed to conform to accounting classifications adopted in 1979.

3. Bonds, stocks and mortgage loans:

	(thousands of dollars)			
	1979		1978	
	Cost or Amortized Cost	Government Market Value	Cost or Amortized Cost	Government Market Value
Bonds	\$ 2,541	\$ 2,306	\$ 1,529	\$ 1,518
Stocks – common	3,100	3,767	4,043	4,815
Stocks – preferred	1,240	1,303	84	82
Mortgage loans	16,485	15,357	14,777	14,504
	<u>\$23,366</u>	<u>\$22,733</u>	<u>\$20,433</u>	<u>\$20,919</u>

4. Depreciable assets:

	(thousands of dollars)					
	1979			1978		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
Property occupied by the company	\$2,517	\$ 56	\$2,461	\$2,515	\$ 23	\$2,492
Furniture and fixtures	833	401	432	716	293	423
	<u>\$3,350</u>	<u>\$457</u>	<u>\$2,893</u>	<u>\$3,231</u>	<u>\$316</u>	<u>\$2,915</u>

Ætna Casualty Company of Canada

Notes to Financial Statements (cont'd.)

5. Capital stock:

The company has authorized 100,000 redeemable preferred shares of the par value of \$100 each issued in series and 300,000 common shares of the par value of \$50 each. At December 31, 1979, 38,000 common shares had been issued.

6. Pension Plan:

The company has a non-contributory pension plan covering substantially all salaried employees. Provision for pension costs in 1979 was \$159,000 and \$162,000 in 1978. There is no unfunded past service liability.

Auditors' Report

To the directors and shareholders of Ætna Casualty Company of Canada:

We have examined the balance sheet of Ætna Casualty Company of Canada as at December 31, 1979 and the statements of net income, retained earnings and changes in invested resources 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.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and changes in its invested resources for the year then ended in accordance with generally

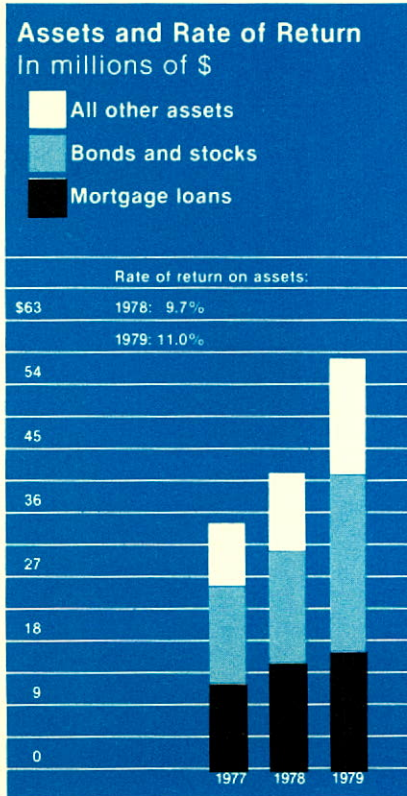
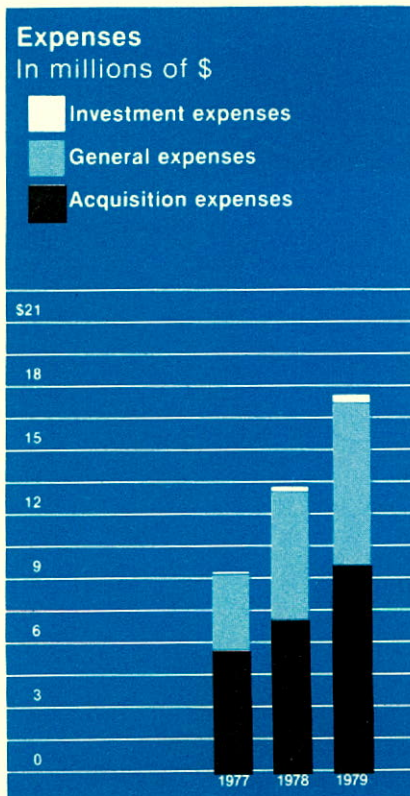
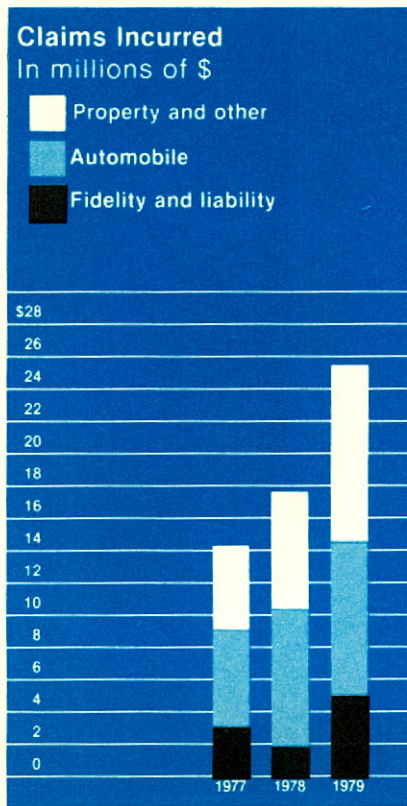
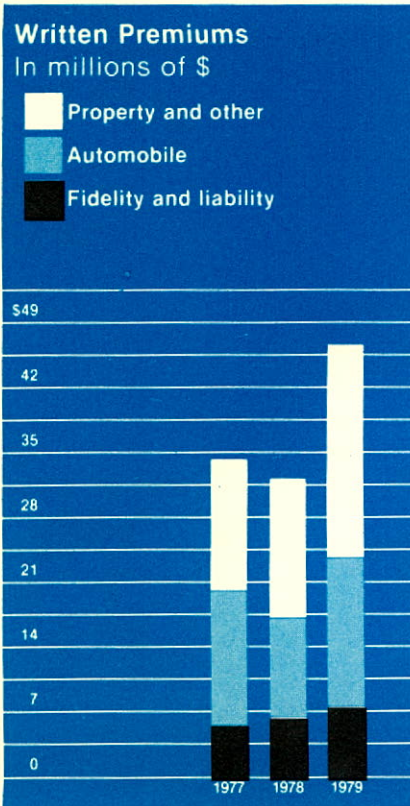
accepted accounting principles applied on a basis consistent with that of the preceding year.



Peat, Marwick, Mitchell & Co.
Chartered Accountants

Toronto, Canada
February 11, 1980

Our progress at a glance



The charts on this page depict three years' operating results. Prior to 1977, most casualty insurance was underwritten through the Canadian branch of Ætna Casualty And Surety Company of Hartford, Connecticut.

Board of Directors

Gordon N. Farquhar
President
Toronto, Ontario

William O. Bailey
President
Ætna Life and Casualty Company
Hartford, Connecticut

J. Allan Boyle
President
The Toronto-Dominion Bank
Toronto, Ontario

Donald N. Byers
Partner
Byers, Casgrain, McNally, Dingle,
Benn & Lefebvre
Montreal, P.Q.

Fraser M. Fell
Partner
Fasken & Calvin
Toronto, Ontario

Robert Lesage
Partner
Amyot, Lesage, Bernard,
Drolet et associés
Quebec, P.Q.

A. Bruce Matthews
Chairman and Director
Dome Mines Limited
Toronto, Ontario

J. Donald Mingay
Management Consultant
Toronto, Ontario

H. Keith Morley
Chairman and Chief Executive
Officer
Costain Limited
Willowdale, Ontario

Arne R. Nielsen
President and Chief Executive
Officer
Canadian Superior Oil Ltd.
Calgary, Alberta

James W. Westaway
Chairman
Barbecon Inc.
Toronto, Ontario

Dean E. Wolcott
Senior Vice President
Life Division
Ætna Life and Casualty Company
Hartford, Connecticut

Officers

EXCELSIOR LIFE

Financial Division

Donald F. Duncan
Senior Vice-President and
Corporate Actuary

John A. Clark
Director of Accounting Operations

Dennis J. Schettler
Associate Actuary

R. Alan Sharpe
Auditor

Paul M. Deighton
Associate Auditor

Group Division

Thomas E. Jarvis
Vice-President

Robert G. Camp
Pension Executive

Charles L. Kimball
Group Executive

Robert A. Rasmussen
Actuary

William D. Jack
Associate Actuary

J. M. Norton
Group Underwriting Officer

Investment Division

Barry F. H. Graham
Vice-President and Treasurer

William H. Alexander
Associate Treasurer

Robert S. Anglin
Associate Treasurer

J. M. Ardron
Director of Corporate Systems
Services

Terrence M. Whalen
Associate Treasurer

Life Division

Michael A. Stephen
Vice-President

David J. Congram
Actuary

John A. Forbes
Regional Director of Agencies

David A. Reid
Director of Marketing Services

R. Blake Tufford
Director of Underwriting Services

John R. Cranston
Life Division Controller

Donald F. Frost
Underwriting Officer

Gary M. Hodgson
Associate Actuary

R. Allan Ireland
Associate Actuary

John W. MacDougall
Claims Officer

Medical Services

Milton H. Henderson
Medical Director

Andrew I. Armstrong
Associate Medical Director

Office of the Corporate Secretary

C. John Stubbs
General Counsel and Secretary

Alan S. Crawford
Director of Public Affairs

David C. Juvet
Assistant Secretary and Counsel

Personnel Division

Walter C. Jones
Vice-President

Winston G. Muschett
Director of Administrative Services

Glen J. Stewart
Director of Personnel

ÆTNA CASUALTY

Gordon N. Farquhar
President

H. George Martin
Vice-President and General
Manager for Canada

Irwin E. Doxsee
Director, Administration

Robert E. Watts
Director, Insurance Operations

Donald F. Duncan
Vice-President and Actuary

John A. Clark
Director of Accounting Operations

Barry F. H. Graham
Vice-President and Treasurer

William H. Alexander
Associate Treasurer

Robert S. Anglin
Associate Treasurer

Terrence M. Whalen
Associate Treasurer

Milton H. Henderson
Medical Director

C. John Stubbs
General Counsel and Secretary

Alan S. Crawford
Director of Public Affairs

Walter C. Jones
Vice-President, Personnel

Glen J. Stewart
Director of Personnel

Offices

LIFE OFFICES

Eastern Region

Halifax, Nova Scotia
Quebec, Quebec
Montreal, Quebec (Dorchester)

J. D. Taylor
I. Gagnon, CLU
J. Cado

Central Region

Ontario West
Kitchener, Ontario
London, Ontario
Ottawa, Ontario
Sudbury, Ontario
Toronto, Ontario (Eglinton)
Toronto, Ontario (North)
Toronto, Ontario (Toronto)
Windsor, Ontario

N. P. Villani
D. Burjoski
D. M. Little

D. K. Pike, CLU
A. K. L. Hui, CLU
T. M. Furey
A. M. Winters, CLU

Western Region

Winnipeg, Manitoba
Regina, Saskatchewan
Calgary, Alberta
Calgary, Alberta (Centre)
Edmonton, Alberta
Kelowna, British Columbia
Vancouver, British Columbia
Victoria, British Columbia

M. C. Evdokimenko, CLU
J. M. Cerato
J. A. Nicholson
B. D. Gilbert
K. Lang
J. G. Rea
J. P. Copeland
E. G. Smith

Managing General Agencies

St. John's, Newfoundland
Saint John, New Brunswick
Montreal, Quebec
Montreal, Quebec
Montreal, Quebec
Montreal, Quebec
London, Ontario
London, Ontario
Sudbury, Ontario
Toronto, Ontario
Toronto, Ontario
Toronto, Ontario
Wallaceburg, Ontario
Winnipeg, Manitoba
Calgary, Alberta
Edmonton, Alberta

Newfoundland Brokerage
Provincial Insurance Agency Ltd.
Decelles, DuBois et Associés Inc.
Dubreuil, Lefebvre & Roy Inc.
J. P. Joannette et Associés Inc.
Les Agences Charron Ltée
Dwight Goertz & Associates Insurance Agency Ltd.
Farrow Insurance Agencies Ltd.
David J. Kindrat Brokerage
Central Brokerage
Diversified Insurance Agencies Inc.
Mont Garrett & Associates Insurance Agency Ltd.
Great Southwestern Life Insurance Agency Inc.
Ewood Insurance Agencies
Chimo Life Agencies Ltd.
Life Managers (Northern) Ltd.

GROUP OFFICES

Montreal, Quebec
Toronto, Ontario
Hamilton, Ontario
Winnipeg, Manitoba
Edmonton, Alberta
Calgary, Alberta
Vancouver, British Columbia

National Trusteed-Welfare
Ontario Regional

P. A. D'lorio
J. E. Gray
J. A. Robson
K. P. Blundell
C. M. Reid
B. A. Bunker
P. V. Dorgan

W. D. Anderson
D. S. Kent

CASUALTY OFFICES

Halifax, Nova Scotia
Montreal, Quebec
Toronto, Ontario
Hamilton, Ontario
London, Ontario
Calgary, Alberta

G. Murray
G. E. Jackson
C. R. Painter
M. Stepp
F. Silvestri
D. K. Lough

Ætna Casualty Company of Canada
The Excelsior Life Insurance Company
Twenty Toronto Street
Toronto, Ontario M5C 2C4

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veuillez en faire la demande
à l'adresse suivante:*

Ætna Casualty du Canada, Compagnie d'Assurance
L'Excelsior, Compagnie d'Assurance-Vie
20, rue Toronto, Toronto
Ontario M5C 2C4