

EIGHTY-THIRD ANNUAL REPORT

1972

The **EXCELSIOR LIFE** *Insurance Company*

HIGHLIGHTS OF THE YEAR

	(\$000 Omitted)	
	1972	1971
PAYMENTS TO POLICYHOLDERS	\$ 37,782	\$ 34,357
including death claims of \$9,941,000 and \$27,841,000 to living policyholders		
NEW LIFE INSURANCE	\$ 348,362	\$ 387,622
including Group Life \$231,696,000		
LIFE INSURANCE IN FORCE	\$2,532,043	\$2,208,018
including Group Life \$1,615,476,000		
TOTAL PREMIUM INCOME	\$ 54,142	\$ 46,905
NET INVESTMENT INCOME	\$ 18,165	\$ 17,082
GENERAL SURPLUS	\$ 24,904	\$ 23,465
including investment reserve		
TOTAL ASSETS	\$ 311,232	\$ 278,345
AVERAGE NET INTEREST RATE	6.73%	6.78%
Life and Annuity assets		



BOARD OF DIRECTORS

A. BRUCE MATTHEWS, C.B.E., D.S.O., E.D., C.D.

*Chairman of the Board
Toronto, Ontario*

JAMES W. WESTAWAY

*President
Toronto, Ontario*

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*Director
Matthews and Company Limited
Toronto, Ontario*

J.D. BARRINGTON

*Director
The Algoma Steel Corp. Ltd.
Toronto, Ontario*

OLCOTT D. SMITH

*Chairman, Executive Committee of Board of Directors,
Ætna Life and Casualty Company
Hartford, Connecticut*

FRASER M. FELL, Q.C.

*Partner
Fasken & Calvin
Toronto, Ontario*

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*Director
Canada Permanent Mortgage Corporation
Toronto, Ontario*

RENE AMYOT, Q.C.

*Partner
Amyot, Lesage, Lesage, Bernard & Lengvari
Quebec, Quebec*

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*Partner
Byers, Casgrain & Stewart
Montreal, Quebec*

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*President
Ætna Life and Casualty Company
Hartford, Connecticut*

J. DONALD MINGAY, D.S.O., M.B.E.

*Management Consultant
Toronto, Ontario*

WILLIAM O. BAILEY

*Executive Vice President
Ætna Life and Casualty Company
Hartford, Connecticut*

TO THE SHAREHOLDERS AND POLICYHOLDERS

Growth is an objective almost blindly pursued by corporations and political entities, yet growth, uncontrolled or unplanned, can be damaging. Growth is good only if accompanied by appropriate plans and controls, for then it will produce real progress.

During 1972 the Company came closer to achieving an acceptable growth under controlled conditions than has been the case in many recent years. Increases appear in several of the critical categories of the Company's business.

Premium income rose by more than \$7,000,000 to \$54,142,000, an increase of some 15%. The premium growth was achieved in both individual and group insurance, and as well, in each of the Company's lines – life, annuities, and health.

Investment income improved by 6% to over \$18,000,000 and when taken with certain other income, resulted in a total revenue for the Company of \$74,214,000 – an increase of approximately \$10,000,000 or over 15%.

Total payouts in benefits, costs and expenses were greater than in 1971, but only proportionately so. Death and disability claims were up more than 20% over the previous year but the decrease in cash surrender values is a favourable reflection on the conservation activities of the field force and on the general economic climate.

The net result of these events left ample funds to strengthen reserves and produced a net income only slightly below that of the preceding period. Increases were made in both the shareholders' and the general surplus (as indicated in the notes to the statement). Note should be made also of the large expansion of the Variable Separate Funds (more particularly explained in Note 3) and which is the largest single component in the growth of the Company's assets of nearly 12% during the year. These funds represent the popularity and success of The Excelsior Life's equity-based Variable Annuities and corporate retirement plans.

Investments

The Investment Division of the Company has been aggressive and innovative during 1972, showing a net increase in revenue exceeding \$1,000,000. The equity-based Separate Funds totalled over \$41 million at the end of the year – an increase in twelve months of \$17 million.

During 1972 The Excelsior Life joined with the Cumberland Group of Companies in Vancouver in a joint venture called Landex Properties Limited. This company is engaged in the building and development of property in the western provinces with active projects under way in British Columbia, Alberta and the Yukon Territory. Similar projects are under consideration elsewhere in Canada. Meanwhile the Company is proceeding with real estate and property development projects in various cities in Canada some of which were referred to in the previous Annual Report.

New Business

New sales were exceptional in the Individual Insurance Division. On an annualized premium basis, life insurance business was up nearly 30% and variable annuity sales up about 17% with a total increase in this division of 24% over the prior year. This increase in the Individual Insurance Division is better than the indicated growth of the industry as a whole in Canada in 1972.

The Group Division concentrated effort upon consolidating gains of recent years and attempting to put existing business on a sound and profitable basis. In this endeavour the group offices succeeded admirably while at the same time producing a 20% increase in premiums – almost evenly divided among the life, health and pension lines.

A new marketing unit was created in March called the Corporate Development Office headed by Mr. E.R. Heaton. This office is dedicated to the development of business from general insurance agents and brokers and the design and sale of new products appropriate to distribution through brokerage and other facilities. The Corporate Development Office is now producing income from sales and is acting imaginatively in new markets and new products.

Staff

A good deal of attention has been paid during the past twelve months to the staff at Head Office and in the Field. With the adoption of the 'profit centre' concept a great many

jobs within each Division have been redefined, hopefully with the effect of greater authority and effectiveness at all levels. In general, the whole body of employees has been asked to embrace new concepts, new responsibilities and new challenges and employees have risen to the demands. Salary levels and fringe benefits have been improved. Perhaps the most visible change has been the replacement of the Company magazine 'The Banner' by a new and expanded employee publication 'Reporter' which should fill a need in the internal communications area, that is between Field and Head Office and Officers and Staff.

The total number of employees in Head Office at year end stood at 364 (compared to 374 a year ago). In the 33 Branch Offices were staff employees, Agents, Managers and Supervisors numbering 361.

Board of Directors

Two new appointments were made to the Board of Directors, the first occasioned by the retirement of Mr. M.K. Kenny formerly President of the Company and a Director for many years. His place was taken by Mr. J.D. Mingay, Management Consultant in Toronto, until recently President of Consumers Glass Company Ltd.


The second appointment resulted from a re-alignment of responsibilities in the parent company which brought to The Excelsior Board Mr. W.O. Bailey, Executive Vice President

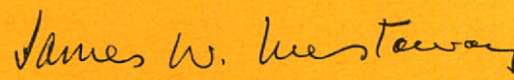
Insurance Operations of Ætna Life and Casualty Company, who replaced Mr. D.G. Conrad, also Executive Vice President of Ætna Life and Casualty Company.

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The Directors are pleased to express their gratitude for the service and effort of the staff at all levels. The devotion, talents and attention to duty have combined to make possible this report of a splendid year of progress.

On behalf of the Board,


Chairman of the Board


President

Toronto, February 6, 1973

STATEMENT OF OPERATIONS AND SURPLUS (Note 5)

FOR THE YEAR ENDED DECEMBER 31, 1972

(with comparative figures for 1971)

(\$000 Omitted)

Revenue	1972	1971
Premiums	\$54,142	\$46,905
Amounts received from affiliated company for assumption of insurance and annuity contracts	1,907	253
Investment income less investment expense	<u>18,165</u>	<u>17,082</u>
	<u>74,214</u>	<u>64,240</u>
 Benefits, Costs and Expenses		
Paid or credited to policyholders or beneficiaries		
Death Claims	9,941	8,967
Health and Disability insurance claims	14,039	10,498
Matured endowment policies	1,952	2,056
Annuities and settlement annuities	3,220	2,668
Cash surrender values	6,507	8,106
Interest credited to amounts on deposit	548	590
Dividends to policyholders	1,575	1,472
Transfer to variable separate funds (Note 3)	10,974	9,219
Increase in reserve for insurance and annuity contracts	10,175	7,390
Operating expenses		
Premium taxes	755	655
Business taxes, licences and fees	190	171
Directors' fees	26	25
Commissions	2,766	2,023
General operating expenses	<u>8,665</u>	<u>7,498</u>
	<u>71,333</u>	<u>61,338</u>
Excess of revenue over benefits, costs and expenses	2,881	2,902
Realized capital gains less capital losses	225	532
	<u>3,106</u>	<u>3,434</u>
Income taxes	960	1,040
Net income	2,146	2,394
Strengthening of actuarial reserve bases	(657)	(162)
Transfer from (to) investment reserve	1,000	(1,000)
Shareholders' dividends	<u>(50)</u>	<u>(50)</u>
	2,439	1,182
Surplus, beginning of year	<u>16,115</u>	<u>14,933</u>
Surplus, end of year (Note 4)	<u>\$18,554</u>	<u>\$16,115</u>

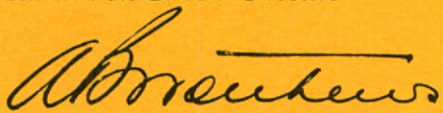
The accompanying Notes to Financial Statements form an integral part of this statement.

BALANCE SHEET

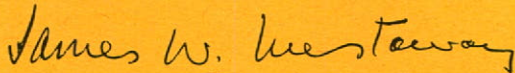
AS AT DECEMBER 31, 1972
 (with comparative figures for 1971)
 (\$000 Omitted)

ASSETS	1972	1971
CASH	\$ 2,000	\$ 786
MARKETABLE SECURITIES (Note 2)		
Bonds and debentures	100,598	104,811
Stocks – common and preferred	22,079	11,582
MORTGAGE LOANS	111,326	106,041
REAL ESTATE		
Head office	4,879	5,049
Held for income (net of mortgage indebtedness)	8,833	5,462
POLICY LOANS	14,289	14,525
VARIABLE SEPARATE FUNDS (Note 3)	41,532	24,480
INVESTMENT INCOME DUE AND ACCRUED	2,986	2,877
OUTSTANDING PREMIUMS – NET	2,254	2,333
OTHER ASSETS	456	399
	<u>\$311,232</u>	<u>\$278,345</u>

On behalf of the Board of Directors



Chairman of the Board



President

AUDITORS' REPORT TO THE DIRECT

We have examined the balance sheet of The Excelsior Life Insurance Company as of December 31, 1972, and the results of its operations for the year then ended, in accordance with accounting practices prescribed by the Institute of Chartered Accountants of Canada. In our opinion, based upon the books of the Company, the explanations received and all other supporting evidence as we have reviewed, the balance sheet and the results of its operations for the year then ended, in accordance with accounting practices prescribed by the Institute of Chartered Accountants of Canada, are fairly presented. The figures for 1971, included for comparative purposes, are based on the financial statements of the Company for that year.

Toronto, Ontario, January 25, 1973

LIABILITIES	1972	1971
POLICYHOLDERS		
Reserve for insurance and annuity contracts	\$211,698	\$200,866
Provision for experience rating refunds	3,888	2,759
Policy dividends – due, accrued and reserved	2,055	1,962
Death, disability and other claims unpaid and unreported	13,513	9,954
Amounts left on deposit	10,249	10,630
TAXES PAYABLE	168	673
PREMIUMS RECEIVED IN ADVANCE	389	281
DIVIDENDS TO SHAREHOLDERS	25	25
AMOUNTS RECEIVED, NOT ALLOCATED	1,383	1,780
VARIABLE SEPARATE FUNDS (Note 3)	41,532	24,480
OTHER LIABILITIES	1,178	1,220
INVESTMENT RESERVE	6,350	7,350
CAPITAL		
Authorized – 100,000 shares of the par value of \$5 each		
Issued – 50,000 shares	250	250
GENERAL SURPLUS (Note 4)	18,554	16,115
	<u>\$311,232</u>	<u>\$278,345</u>

The accompanying Notes to Financial Statements form an integral part of this statement.

POLICYHOLDERS AND SHAREHOLDERS

, 1972 and the statement of operations and surplus for the year then ended. Our examination included a general
dered necessary in the circumstances.
ion available, these financial statements present fairly the financial position of the Company as of December 31,
permitted by the Department of Insurance of Canada applied on a basis consistent with that of the preceding year.
year which were reported on by other chartered accountants.

Peat, Marwick, Mitchell & Co.

Chartered Accountants.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1972

1. The accompanying financial statements have been prepared on the basis of the requirements for reporting in the annual statements filed with the Department of Insurance of Canada. These requirements differ in some respects from generally accepted accounting principles followed by other business enterprises in determining financial position and results of operations. The principal differences include:

- a) Commission and other costs of acquiring business are written off as expenses in the year incurred rather than over the periods expected to be benefitted.
- b) Certain assets (principally office furniture and advances to agents) are written off as expenses in the year acquired.
- c) The income taxes charged against operations and the related liability are calculated on the taxes payable method.

2. Bonds, debentures and stocks are shown in the balance sheet at values not exceeding cost or amortized cost where applicable. The investment reserve is more than sufficient to provide for the amount by which such values exceed values permitted by the Canadian and British Insurance Companies Act. Other invested assets (other than assets of variable separate funds) are shown at values not exceeding cost.

3. Variable separate funds are shown at market values and increased during the year as follows:

	<u>\$000 Omitted</u>	
	1972	1971
Market value at beginning of year	\$24,480	\$14,135
Transfer from general funds being net deposits by contractholders and investment income less expenses	10,974	9,219
Realized and unrealized appreciation of investments	<u>6,268</u>	<u>1,286</u>
	41,722	24,640
Less payments to contractholders	<u>190</u>	<u>160</u>
Market value at end of year	<u>\$41,532</u>	<u>\$24,480</u>

4. Surplus consists of:

	<u>\$000 Omitted</u>	
	1972	1971
Shareholders' surplus	\$ 1,256	\$ 1,047
General surplus	<u>17,298</u>	<u>15,068</u>
	<u>\$18,554</u>	<u>\$16,115</u>

5. The statement of operations and surplus combines operations in respect of life and annuity insurance, health insurance and variable separate funds (except as to realized and unrealized appreciation of investments and payments to contractholders - see Note 3).

OFFICERS

A. BRUCE MATTHEWS, C.B.E., D.S.O., E.D., C.D., *Chairman of the Board*

JAMES W. WESTAWAY, C.L.U., *President*

GROUP

THOMAS E. JARVIS, C.L.U., *Vice-President, Group Division*

DAVID J. CONGRAM, F.I.A., F.C.I.A., A.S.A., *Actuary*

PYAR DOSSAL, F.I.A., F.C.I.A., A.S.A., *Group Executive*

PETER D. GIBBS, C.L.U., *Director of Marketing*

CHARLES L. KIMBALL JR., *Underwriting Executive*

INDIVIDUAL INSURANCE

DONALD T. LOUCKS, C.L.U., *Vice-President, Individual Insurance Division*

J. RAYMOND CREPEAU, C.L.U., *Director of Agencies*

GEORGE A. DAVIS, C.L.U., *Director of Agencies*

JOHN A. FESSENDEN, F.S.A., F.C.I.A., *Actuary*

JAMES E. GAWLEY, C.L.U., *Director of Agencies*

JAMES D. RIDDLE, *Assistant Vice-President*

A.E. AIRD, *Superintendent, Estate Planning*

BENSON E. CRONSBERRY, F.L.M.I., *Underwriting Officer*

CHARLES L. JONES, F.L.M.I., *Superintendent, Agency Administration*

INVESTMENT

ALAN D. CARNEGIE, *Vice-President and Treasurer*

ROBERT S. ANGLIN, A.S.A., C.F.A., *Associate Treasurer, Securities Investments*

BARRY F.H. GRAHAM, F.S.A., F.C.I.A., *Actuary*

J. McCREADIE, F.R.I., A.A.C.I., *Associate Treasurer, Property Investments*

ADMINISTRATION

JAMES A. KERR, F.L.M.I., *Vice-President, Administration Division*

ALAN S. CRAWFORD, *Administration Executive*

PAUL M. DEIGHTON, F.L.M.I., *Systems and Planning Executive*

WALTER C. JONES, F.L.M.I., *Personnel Executive*

FINANCIAL

DONALD F. DUNCAN, F.S.A., F.C.I.A., *Vice-President and Corporate Actuary*

FRED C. HOWARD, C.A., F.L.M.I., *Comptroller*

JOHN W. MacDOUGALL, *Claims Executive*

J.R. CRANSTON, C.A., *Assistant Comptroller*

LAW SERVICES

C. JOHN STUBBS, LL B., *Secretary and Counsel*

MEDICAL SERVICES

BRUCE W. VALE, M.D., *Medical Director*

MILTON H. HENDERSON, M.D., F.R.C.P.(C), *Associate Medical Director*

DONALD C. MORTIMER, M.D., *Assistant Medical Director*

CORPORATE DEVELOPMENT OFFICE

E.R. HEATON, *Corporate Development Officer*

EXCELSIOR LIFE OFFICES

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INDIVIDUAL INSURANCE DIVISION

NEWFOUNDLAND

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J. GLEN REA, *Manager*

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BRIAN G. BARKER, *Manager*

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PHIL DECELLES, C.L.U., C.I.B., Manager, Administration
Sales*

M. GRAEME LEACHMAN, C.L.U., Manager

RONALD BERRIAULT, Life General Agency

