



THE EMPIRE LIFE INSURANCE COMPANY  
STATEMENT OF REVENUE AND EXPENDITURE

Year Ended December 31, 1972

	1972	1971 (for comparison)
Revenue		
Premium income - - - - -	\$17,226,805	\$17,733,570
Consideration for settlement annuities - - - - -	215,790	57,652
Investment income, less investment expenses - - - - -	7,019,830	6,389,578
Staff pension fund contributions and grants - - - - -	114,538	103,473
Miscellaneous income - - - - -	27,865	1,281
	<u>24,604,828</u>	<u>24,285,554</u>
This revenue was used for		
Death claims - - - - -	3,327,587	2,886,688
Matured endowments - - - - -	765,212	520,056
Disability claims - - - - -	521,143	619,970
Annuity payments - - - - -	404,832	339,595
Payments under settlement annuities - - - - -	85,603	103,819
Surrender values - - - - -	2,710,991	3,101,572
Interest credited to amounts on deposit - - - - -	192,024	163,629
Interest on claims - - - - -	69,658	62,418
Increase in actuarial reserve - - - - -	6,974,278	8,453,108
Taxes, excluding corporate income taxes - - - - -	293,224	302,502
Commissions - - - - -	1,635,783	1,515,953
Directors' fees - - - - -	19,568	15,200
Operating expenses - - - - -	3,846,043	3,818,869
Premiums transferred to segregated fund - - - - -	1,188,579	1,005,520
Increase in staff pension fund - - - - -	129,131	103,331
Payments from staff pension fund - - - - -	122,488	125,732
	<u>22,286,144</u>	<u>23,137,962</u>
Net revenue before undernoted items - - - - -	2,318,684	1,147,592
Deduct		
Income taxes - - - - -	588,701	504,000
Dividends to policyowners - - - - -	1,020,509	1,037,660
Increase in provision for future dividends - - - - -	50,000	100,000
	<u>1,659,210</u>	<u>1,641,660</u>
	659,474	(494,068)
Profit (loss) from insurance operations		
Policyowners - - - - -	(394,779)	(290,714)
Shareholders - - - - -	1,054,253	(203,354)
	<u>659,474</u>	<u>(494,068)</u>
Profit (loss) on sale of securities		
Policyowners - - - - -	22,287	(904)
Shareholders - - - - -	29,933	(1,073)
	<u>52,220</u>	<u>(1,977)</u>
Profit (loss) before undernoted extraordinary item - - - - -	711,694	(496,045)
Net realization on sale of Non-Canadian Agencies		
Shareholders (Jamaica) - - - - -		300,000
Shareholders (Bermuda) - - - - -	65,000	
	<u>\$ 776,694</u>	<u>\$ (196,045)</u>
Total profit (loss) transferred to surplus		
Policyowners - - - - -	(372,492)	(291,618)
Shareholders - - - - -	1,149,186	95,573
	<u>\$ 776,694</u>	<u>\$ (196,045)</u>

THE EMPIRE LIFE INSURANCE COMPANY

Balance Sheet, December 31, 1972

ASSETS

	<u>1972</u>	<u>1971</u> (for comparison)
Cash - - - - -	\$ 39,061	\$ 1,215
Short term investments - - - - -		280,495
Bonds and debentures - - - - -	26,541,815	22,908,548
First mortgages on real estate - - - - -	58,203,010	55,919,536
Preferred and common stocks - - - - -	18,548,037	16,445,941
Real estate (less amounts written off for depreciation)		
Held for the production of income - - - - -	185,355	200,965
Head office and branch premises - - - - -	560,601	579,217
Loans on policies - - - - -	7,218,453	7,126,820
Outstanding premiums - - - - -	521,793	455,153
Interest, due and accrued - - - - -	1,125,047	1,012,413
Segregated investment fund - - - - -	6,834,125	4,613,544
All other assets - - - - -	105,494	1,904
	<u>\$119,882,791</u>	<u>\$109,545,751</u>

H. N. R. JACKMAN, *Chairman of the Board*

N. D. McDONALD, *President*

Auditors' Report

To the Shareholders of  
The Empire Life Insurance Company:

We have examined the balance sheet of The Empire Life Insurance Company as at December 31, 1972, and the statements of revenue and expenditure and surplus 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 reserves and other liabilities under insurance and annuity contracts and staff pension and insurance plans were determined and certified by the Company's Actuary.

Toronto, Canada, January 23, 1973



Head Office Kingston, Ontario Siège Social

Review of Year 1972

The operating results for the year were highly satisfactory; much better than anticipated and very acceptable. They reflected, somewhat sooner than expected, the results of actions by management in 1971, and early 1972, to improve the profit picture. Management, however, did not count on the large shift from non-par to par sales which inflated rather emphatically the profit earnings for shareholders. This shift will stabilize, but it does point out the need to have future production increased in the non-par area. This will occur, as our mass marketing efforts are now beginning to be felt and they are concentrated in the non-par field.

There was a modest gain in the total surplus, over 1971, despite the fact that we limited the acceptance of single premium annuity business. Our investment income and renewal premium showed satisfactory increases which indicate a sound and healthy growth.

Death claims, disability claims and cash surrenders were all lower than expected and, as a result, the increase in actuarial reserves was higher.

Operating expenses increased by only \$27,000.00 which indicates that our Head Office and Field Offices are operating both effectively and efficiently. Our branch offices have the lowest cost ratios ever, and the persistency of our business has never been better.

Comparing revenue and expenditures against 1971, we took in more and paid out less which gave us an improvement in our net revenue, before taxes and dividends to policyowners, of \$1,170,684.

We showed a loss of \$394,779 from insurance operations on policyowners' account because of the substantial increase in par sales and the new business costs relating thereto. The profit to shareholders from insurance operations was \$1,054,253.

We were able to sell our Bermuda business, which was a nominal amount in relation to our overall business-in-force, and realized a further profit of \$65,000.00 which went into the shareholders' account.

Net profit on sale of securities was \$52,220, with \$22,287 realized for policyowners, and \$29,933 for shareholders. The market value of our securities, on a conservative basis, was \$7,838,000 in excess of the book value.

Net interest earned on invested assets was at the rate of 6.69% as against 6.56% in 1971.

New business produced, including both ordinary and group, was 3% below that of 1971 on a volume basis; however, we had deliberately eliminated certain sources of new business in 1971 and 1972. Our marketing operations have been consolidated and we are now expanding them in conjunction with the trend to greater production which has been established over the last few months. We look to 1973 for a new record and a new plateau. Our net business-in-force at the 31st of December, 1972, was \$1,111,199,000.

Constructive changes were made in our staff fringe benefits program effective the 1st of January, 1973.

The Field and Administrative staffs are to be commended for the efforts they put forth, during 1972, which make it possible for me to present this highly satisfactory report. We can count, I am sure, on this continued loyalty and dedication as we start out on the second half of our first century.

My sincerest thanks to them all.

N. D. McDONALD  
President.





## LIABILITIES

	<u>1972</u>	<u>1971</u> (for comparison)
Policy reserves - - - - -	\$92,822,159	\$86,137,845
This is the amount which with interest and future premiums is actuarially calculated to be sufficient to provide for all payments under insurance and annuity contracts.		
Provision for unpaid and unreported claims - - - - -	1,888,627	2,092,469
Amounts left with the company at interest - - - - - Policy proceeds, dividends, etc.	3,457,694	2,915,956
Provision for profits to policyowners - - - - -	2,933,880	2,915,973
Outstanding cheques - - - - -	284,623	58,708
Staff pension fund (note 3) - - - - -	2,249,019	2,087,652
Premium and other taxes payable - - - - -	45,810	203,253
Accounts payable, agents' credit balances and other amounts due and accrued - - - - -	215,636	194,848
Amounts received, not yet allocated - - - - -	768,603	598,811
Segregated investment fund (note 3) - - - - -	6,834,125	4,613,544
	<u>111,500,176</u>	<u>101,819,059</u>
 Policyowners' equity		
Reserve for investments and contingencies - - - - -		734,190
Surplus - - - - -	782,837	251,139
	<u>782,837</u>	<u>985,329</u>
 Shareholders' equity		
Capital stock, fully paid (note 2) - - - - -	704,528	704,528
Reserve for investments and contingencies - - - - -	2,240,000	1,505,810
Surplus (notes 3 & 4) - - - - -	4,655,250	4,531,025
	<u>7,599,778</u>	<u>6,741,363</u>
	8,382,615	7,726,692
	<u>\$119,882,791</u>	<u>\$109,545,751</u>

Accepting the certificate of the Company's Actuary for the actuarial liability under insurance and annuity contracts and certain other liabilities to policyowners, we report that, in our opinion, these financial statements present fairly the financial position of the company as at December 31, 1972, and the results of its operations for the year then ended.

THORNE GUNN & Co.,  
Chartered Accountants

THE EMPIRE LIFE INSURANCE COMPANY  
STATEMENT OF SURPLUS  
YEAR ENDED DECEMBER 31, 1972

	1972			1971 (for comparison)
	Policyowners	Shareholders	Total	Total
Balance, beginning of year - - - - \$	251,139	\$ 4,531,025	\$ 4,782,164	\$ 5,499,979
Transferred from statement of revenue and expenditure - - - -	(372,492)	1,149,186	776,694	(196,045)
Adjustment re sale of Non-Canadian Agencies - - - - -	170,000	(170,000)		(102,000)
	<u>48,647</u>	<u>5,510,211</u>	<u>5,558,858</u>	<u>5,201,934</u>
Discretionary transfer (from) to reserve for investments and contingencies - - - - -	(734,190)	734,190		300,000
Transferred to staff pension fund - -		1,001	1,001	
Dividends paid - - - - -		119,770	119,770	119,770
	<u>(734,190)</u>	<u>854,961</u>	<u>120,771</u>	<u>419,770</u>
Balance, end of year - - - - - \$	<u>782,837</u>	<u>\$ 4,655,250</u>	<u>\$ 5,438,087</u>	<u>\$ 4,782,164</u>

NOTES TO FINANCIAL STATEMENTS

1. The basis of valuation of invested assets, other than the segregated investment fund, is cost or amortized value, less amounts written off from time to time, and the resulting book values are not in excess of the values authorized by the Association of Superintendents of Insurance of the Provinces of Canada. The segregated investment fund is shown at quoted market value.
2. The authorized capital stock consists of 2,000,000 shares of a par value of \$1.00 each, of which 704,528 shares are outstanding and fully paid up.
3. The liabilities of the segregated investment fund other than those in relation to Contracts issued are:
  - (1) \$1,049,075 (1971 - \$711,020) pertaining to staff pension fund.
  - (2) \$ 208,996 (1971 - \$162,243) pertaining to shareholders' surplus.
4. Included in shareholders' surplus is an amount of approximately \$2,400,000 which would be subject to corporate income taxes if distributed to shareholders.

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The net rate of interest earned on the invested assets, after allowance for investment expenses, was 6.69% in 1972.

Total business in force, after deducting reinsurance ceded, was \$1,111,199,000 as at 31 December, 1972.