



THE EMPIRE LIFE INSURANCE COMPANY  
STATEMENT OF REVENUE AND EXPENDITURE  
Year Ended December 31, 1973

	<u>1973</u>	<u>1972</u> (for comparison)
Revenue		
Premium income - - - - -	\$22,772,737	\$17,226,805
Consideration for settlement annuities - - - - -	283,502	215,790
Investment income, less investment expenses - - - - -	8,061,432	7,161,757
Staff pension fund contributions and grants - - - - -	419,321	261,314
Miscellaneous income - - - - -	2,290	
	<u>31,539,282</u>	<u>24,865,666</u>
This revenue was used for		
Death claims - - - - -	3,421,528	3,327,587
Matured endowments - - - - -	892,592	765,212
Disability claims - - - - -	655,680	521,143
Annuity payments - - - - -	695,154	409,155
Payments under settlement annuities - - - - -	150,144	85,603
Surrender values - - - - -	4,367,678	3,221,145
Interest credited to amounts on deposit - - - - -	224,434	192,024
Interest on claims - - - - -	21,549	69,658
Increase in actuarial reserve - - - - -	9,421,942	6,974,278
Taxes, excluding corporate income taxes - - - - -	315,877	293,224
Commissions - - - - -	2,264,195	1,635,783
Directors' fees - - - - -	21,826	19,568
Operating expenses - - - - -	4,958,668	3,853,977
Increase in segregated fund - - - - -	2,106,170	901,256
Increase in staff pension fund - - - - -	270,816	129,131
Payments from staff pension fund - - - - -	191,087	148,238
	<u>29,979,340</u>	<u>22,546,982</u>
Net revenue from insurance operations before undernoted items	<u>1,559,942</u>	<u>2,318,684</u>
Deduct		
Income taxes		
Policyowners - - - - -	(197,725)	(146,601)
Shareholders - - - - -	751,753	719,916
Dividends to policyowners - - - - -	1,071,703	1,020,509
Increase in provision for future dividends - - - - -	100,000	50,000
	<u>1,725,731</u>	<u>1,643,824</u>
Profit (loss) from insurance operations		
Policyowners - - - - -	(894,411)	(388,707)
Shareholders - - - - -	728,622	1,063,567
	<u>(165,789)</u>	<u>674,860</u>
Net realization on sale of Bermuda agency - - - - -		65,000
Net profit on sale of investments		
Policyowners, net of tax on capital gains in the amount of \$44,134 (6,072 in 1972) - - - - -	221,229	16,215
Shareholders, net of tax on capital gains in the amount of \$58,996 (9,314 in 1972) - - - - -	316,379	20,619
	<u>537,608</u>	<u>36,834</u>
Total profit (loss) transferred to surplus		
Policyowners - - - - -	(673,182)	(372,492)
Shareholders - - - - -	1,045,001	1,149,186
	<u>\$ 371,819</u>	<u>\$ 776,694</u>

THE EMPIRE LIFE INSURANCE COMPANY

Balance Sheet, December 31, 1973

ASSETS

	<u>1973</u>	<u>1972</u> (for comparison)
Cash - - - - -	\$ 14,969	\$ 39,061
Short term investments - - - - -	1,100,000	
Bonds and debentures - - - - -	28,638,333	26,541,815
First mortgages on real estate - - - - -	64,630,767	58,203,010
Preferred and common stocks - - - - -	20,528,944	18,548,037
Real estate (less amounts written off for depreciation)		
Held for the production of income - - - - -	169,354	185,355
Head office and branch premises - - - - -	419,460	560,601
Loans on policies - - - - -	7,538,013	7,218,453
Outstanding premiums - - - - -	639,537	521,793
Investment income, due and accrued - - - - -	1,255,283	1,125,047
Segregated investment fund - - - - -	8,439,552	6,834,125
All other assets - - - - -	52,744	105,494
	<u>\$133,426,956</u>	<u>\$119,882,791</u>

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

J. S. M. WASON, *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, 1973, 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;

Toronto, Canada, January 22, 1974





Head Office Kingston, Ontario Siège Social

Review of Year 1973

1973 was a year of significant achievement for the Company. Our 50th Anniversary was reached on 11 January 1973 and we marked the opening of our second half-century of service to Canadians with a very substantial increase in new business.

It was a year tinged with sadness also. His many friends and associates within the Company and throughout the life insurance industry were shocked at the sudden passing of N. Donald McDonald, M.B.E., F.L.M.I. on 27 May 1973 after 43 years of devoted service and leadership, President since 1970.

Sales of participating plans continued the growth reported last year and they were accompanied by an impressive increase in non-par business from the mass-marketing and group organization. The total amount of new business produced reached a new high of \$245,278,000, an increase of 85% over the previous year. Business in force net of reinsurance ceded amounted to \$1,286,263,000 at year-end.

The heavy investment in new business had the effect of reducing net operating revenue, before allowance for taxes and dividends to policyowners, to \$1,559,942 compared with \$2,318,684 in the previous year.

Premium income increased 32% to \$22,772,737 and this together with a substantial increase in net investment income brought revenue for the year to \$31,539,282, a gain of 27% over 1972.

As our business grows we continue to provide more benefits both now and in the future for an increasing number of Canadians. In 1973 we paid \$10,428,759 in benefits to policyowners or their beneficiaries and we invested a further \$11,528,112 to meet policyowner commitments in the future. The persistency of our business is excellent and stands at an all-time high, reflecting the sincere efforts of our agents and staff to render effective service. We continued to experience favourable mortality but disability claims were heavier than normal in the last quarter.

During the year the cost of doing business was affected by continuing inflation with increases being felt in every medium of communications. This combined with the need for upward revision of staff remuneration and the cost of underwriting a record amount of new business is reflected in higher operating expenses. Despite these influences our branch offices were able to achieve a further reduction in cost ratio.

After making allowance for income taxes and dividends to policyowners, we showed a loss from insurance operations of \$894,411 on policyowners' account due to the large increase in participating business and the initial expenditure related to it. The increase in non-participating business written had a similar effect in reducing the after-tax profit to shareholders from insurance operations to \$728,622.

The net profit from sale of investments after allowance for capital gains tax was \$537,608 of which \$221,229 was realized for policyowners and \$316,379 for shareholders. The net rate of interest earned on invested assets increased to 6.85%.

On behalf of the Directors I would like to extend to all our Field and Administrative personnel congratulations and appreciation for their loyal and conscientious support without which such results could not have been achieved.

J. S. M. WASON  
President.



# THE EMPIRE LIFE INSURANCE COMPANY

(Incorporated under the laws of Ontario)

## LIABILITIES

	<u>1973</u>	<u>1972</u> (for comparison)
Policy reserves - - - - -	\$102,214,194	\$ 92,822,159
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 - - - - -	2,157,056	1,888,627
Amounts left with the company at interest - - - - -	4,098,938	3,457,694
Policy proceeds, dividends, etc.		
Provision for profits to policyowners - - - - -	3,033,880	2,933,880
Outstanding cheques and bank advances - - - - -	1,000,088	284,623
Staff pension fund (note 2) - - - - -	2,519,835	2,249,019
Premium and other taxes payable - - - - -	134,562	45,810
Accounts payable, agents' credit balances and other amounts due and accrued - - - - -	270,751	215,636
Amounts received, not yet allocated - - - - -	906,444	768,603
Segregated investment fund (note 2) - - - - -	8,439,552	6,834,125
	<u>124,775,300</u>	<u>111,500,176</u>
Policyowners' equity		
Surplus - - - - -	<u>139,563</u>	<u>782,837</u>
Shareholders' equity		
Capital stock - - - - -	704,528	704,528
Authorized — 2,000,000 shares of \$1. par value. Issued and outstanding — 704,528 shares.		
Reserve for investments and contingencies - - - - -	2,240,000	2,240,000
Surplus (notes 2 & 3) - - - - -	5,567,565	4,655,250
	<u>8,512,093</u>	<u>7,599,778</u>
	<u>\$133,426,956</u>	<u>\$119,882,791</u>

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.

In our opinion, based on our examination and the certificate of the Actuary, these financial statements present fairly the financial position of the company as at December 31, 1973, and the results of its operations for the year then ended in accordance with accounting principles prescribed or permitted by the insurance laws of the Province of Ontario, as explained in note 1 to the financial statements.

THORNE GUNN & Co.,  
Chartered Accountants



THE EMPIRE LIFE INSURANCE COMPANY

STATEMENT OF SURPLUS

Year Ended December 31, 1973

	1973			1972
	Policyowners	Shareholders	Total	(for comparison) Total
Balance, beginning of year - - - - -	\$ 782,837	\$ 4,655,250	\$ 5,438,087	\$ 4,782,164
Transferred from statement of revenue and expenditure - - - - -	(673,182)	1,045,001	371,819	776,694
Transfer from policy reserves due to actuarial base change - - - - -	29,908		29,908	
	139,563	5,700,251	5,839,814	5,558,858
Transferred to staff pension fund - - - - -		12,916	12,916	1,001
Dividends paid - - - - -		119,770	119,770	119,770
		132,686	132,686	120,771
Balance, end of year - - - - -	\$ 139,563	\$ 5,567,565	\$ 5,707,128	\$ 5,438,087

NOTES TO FINANCIAL STATEMENTS — YEAR ENDED DECEMBER 31, 1973

1. The accompanying financial statements have been prepared in accordance with the requirements of the insurance laws of the Province of Ontario, which basis is used for reporting in annual statements filed with the Superintendent of Insurance. These requirements emphasize liquidity and solvency, and accordingly provide that:
  - (a) certain assets such as office furniture and other non-admitted assets, are written off as expenses in the year acquired.
  - (b) the costs of acquiring new business are written off as expenses in the year incurred.
  - (c) the income tax charge against operations and the related liability are determined using the "taxes payable" method.
  - (d) 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 liabilities of the segregated investment fund other than those in relation to Contracts issued are:
  - (1) \$1,123,772 (1972 - \$1,049,075) pertaining to staff pension fund.
  - (2) \$ 208,214 (1972 - \$ 208,996) pertaining to shareholders' surplus.
3. Included in shareholders' surplus is an amount of approximately \$1,968,000 which would be subject to corporate income taxes if distributed to shareholders.
4. The 1972 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1973.

The net rate of interest earned on the invested assets, after allowance for investment expenses, was 6.85% in 1973.

Total business in force, after deducting reinsurance ceded, was \$1,286,263,000 as at 31 December, 1973.

Earnings Per Share	1973	1972
excluding capital gains	1.03	1.50
including capital gains	1.48	1.63