



THE EMPIRE LIFE INSURANCE COMPANY  
STATEMENT OF REVENUE AND EXPENDITURE

Year Ended December 31, 1974

	<u>1974</u>	<u>1973</u> (for comparison)
Revenue		
Premium income - - - - -	\$24,589,156	\$22,772,737
Consideration for settlement annuities - - - - -	154,827	283,502
Investment income, less investment expenses - - - - -	9,169,841	8,061,432
Staff pension fund contributions and grants - - - - -	464,401	419,321
Miscellaneous income - - - - -	46,767	2,290
	<u>34,424,992</u>	<u>31,539,282</u>
This revenue was used for		
Death claims - - - - -	3,782,028	3,421,528
Matured endowments - - - - -	862,049	892,592
Disability claims - - - - -	871,793	655,680
Annuity payments - - - - -	917,423	695,154
Payments under settlement annuities - - - - -	143,163	150,144
Surrender values - - - - -	6,404,329	4,367,678
Interest credited to amounts on deposit - - - - -	255,243	224,434
Interest on claims - - - - -	74,239	21,549
Increase in actuarial reserve - - - - -	8,198,963	9,421,942
Taxes, excluding corporate income taxes - - - - -	352,597	315,877
Commissions - - - - -	2,345,198	2,264,195
Directors' fees - - - - -	22,317	21,826
Operating expenses - - - - -	5,749,611	4,958,668
Increase in segregated fund - - - - -	1,720,127	2,106,170
Increase in staff pension fund - - - - -	341,838	270,816
Payments from staff pension fund - - - - -	170,419	191,087
	<u>32,211,337</u>	<u>29,979,340</u>
Net revenue from insurance operations before undernoted items	<u>2,213,655</u>	<u>1,559,942</u>
Deduct		
Income taxes		
Policyowners - - - - -	(426,026)	(197,725)
Shareholders - - - - -	884,442	751,753
Dividends to policyowners - - - - -	1,333,630	1,071,703
Increase in provision for future dividends - - - - -	(15,595)	100,000
	<u>1,776,451</u>	<u>1,725,731</u>
Profit (loss) from insurance operations		
Policyowners - - - - -	(1,329,675)	(894,411)
Shareholders - - - - -	1,766,879	728,622
	<u>437,204</u>	<u>(165,789)</u>
Net profit on sale of investments		
Policyowners, net of tax on capital gains in the amount of \$ nil (44,134 in 1973) - - - - -	106,258	221,229
Shareholders, net of tax on capital gains in the amount of \$ nil (58,996 in 1973) - - - - -	150,955	316,379
	<u>257,213</u>	<u>537,608</u>
Total profit (loss) transferred to surplus		
Policyowners - - - - -	(1,223,417)	(673,182)
Shareholders - - - - -	1,917,834	1,045,001
	<u>\$ 694,417</u>	<u>\$ 371,819</u>

THE EMPIRE LIFE INSURANCE COMPANY

Balance Sheet, December 31, 1974

ASSETS

	<u>1974</u>	<u>1973</u> (for comparison)
Cash - - - - -	\$ 40,603	\$ 14,969
Short term investments - - - - -		1,100,000
Bonds and debentures - - - - -	29,447,819	28,638,333
First Mortgages on real estate - - - - -	71,692,148	64,630,767
Preferred and common stocks - - - - -	21,965,295	20,528,944
Real estate (less amounts written off for depreciation)		
Held for the production of income - - - - -	562,512	169,354
Held for Company use - - - - -	470,661	419,460
Loans on policies - - - - -	9,039,408	7,538,013
Outstanding premiums - - - - -	701,906	639,537
Investment income, due and accrued - - - - -	1,403,519	1,255,283
Segregated investment fund - - - - -	7,263,678	8,439,552
All other assets - - - - -	323,887	52,744
	<u>\$142,911,436</u>	<u>\$133,426,956</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, 1974, 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;

Kingston, Canada, January 17, 1975

THE EMPIRE LIFE INSURANCE COMPANY  
(Incorporated under the laws of Ontario)

LIABILITIES

	<u>1974</u>	<u>1973</u> (for comparison)
Policy reserves - - - - -	\$108,397,184	\$102,214,194
This is the amount which with interest and future premiums is actuarily calculated to be sufficient to provide for all payments under insurance and annuity contracts.		
Provision for unpaid and unreported claims - - - - -	1,944,583	2,157,056
Amounts left with the company at interest - - - - -	4,394,271	4,098,938
Policy proceeds, dividends, etc.		
Provision for profits to policyowners - - - - -	3,018,285	3,033,880
Outstanding cheques and bank advances - - - - -	2,772,229	1,000,088
Staff pension fund (note 2) - - - - -	2,861,673	2,519,835
Premium and other taxes payable -- - - - -	109,955	134,562
Accounts payable, agents' credit balances and other amounts due and accrued - - - - -	392,303	270,751
Amounts received, not yet allocated - - - - -	590,704	906,444
Segregated investment fund (note 2) - - - - -	7,263,678	8,439,552
	<u>131,744,865</u>	<u>124,775,300</u>
Policyowners' equity		
Surplus - - - - -	107,882	139,563
Shareholders' equity		
Capital stock - - - - -	704,528	704,528
Authorized — 2,000,000 shares at \$1. par value. Issued and outstanding — 704,528 shares.		
Reserve for investments and contingencies - - - - -	3,000,000	2,240,000
Surplus (note 2) - - - - -	7,354,161	5,567,565
	<u>11,058,689</u>	<u>8,512,093</u>
	<u>\$142,911,436</u>	<u>\$133,426,956</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, 1974, 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, 1974

	<u>1974</u>			<u>1973</u>
	<u>Policyowners</u>	<u>Shareholders</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year - - - -	\$ 139,563	\$ 5,567,565	\$ 5,707,128	\$ 5,438,087
Transferred from statement of revenue and expenditure - - - -	(1,223,417)	1,917,834	694,417	371,819
Transferred from policy reserves due to actuarial base change - - -	1,132,663	883,311	2,015,974	29,908
	<u>48,809</u>	<u>8,368,710</u>	<u>8,417,519</u>	<u>5,839,814</u>
Discretionary transfer to reserve for investments and contingencies - -		760,000	760,000	
Transferred to staff pension fund - -		5,330	5,330	12,916
Income taxes, prior years - - - -	(59,073)	129,449	70,376	
Dividends paid - - - - - - - -		119,770	119,770	119,770
	<u>(59,073)</u>	<u>1,014,549</u>	<u>955,476</u>	<u>132,686</u>
Balance, end of year - - - - - -	<u>\$ 107,882</u>	<u>\$ 7,354,161</u>	<u>\$ 7,462,043</u>	<u>\$ 5,707,128</u>

**NOTES TO FINANCIAL STATEMENTS — YEAR ENDED DECEMBER 31, 1974**

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) \$926,062 (1973 - \$1,123,772) pertaining to staff pension fund.
  - (2) \$149,797 (1973 - \$ 208,214) pertaining to shareholders' surplus.

The net rate of interest earned on the invested assets, after allowance for investment expenses, was 7.15% in 1974.

Total business in force, after deducting reinsurance ceded, was \$1,498,755,000 as at 31 December, 1974.

Earnings Per Share	<u>1974</u>	<u>1973</u>
excluding capital gains	2.50	1.03
including capital gains	2.72	1.48



THE EMPIRE LIFE INSURANCE COMPANY  
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<b>Revenue</b>		
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<b>This revenue was used for</b>		
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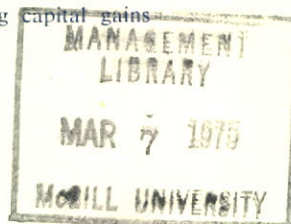
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Earnings Per Share	1974	1973
excluding capital gains	2.50	1.03
including capital gains	2.72	1.48







Head Office Kingston, Ontario Siège Social

Review of 1974 Operations

Despite the pressures of double-digit inflation and the external influences of increasing unemployment and tight money we are pleased to report that 1974 was another satisfactory year in the development of our Company.

Total new business amounted to \$283,295,000, an increase of 15% over the previous year and a new record. Keen competition from other financial institutions for registered retirement savings had the effect of reducing our share of this market. However, sales of participating insurance continued to grow and group production was enhanced by the addition of some sizeable groups. Business in force net of reinsurance ceded reached \$1,498,755,000 by year-end.

The reaction of the borrowing public to very high interest rates had a two-way effect upon our cash flow during the year. As the prime rate for bank loans mounted in the early months, mortgagors elected to draw upon the mortgage commitments made to them instead of borrowing from the banking system. Later in the year, policyowners increasingly availed themselves of the favourable loan provisions contained in their policies. The surrender of policies for cash also increased. These influences put a squeeze on our resources at a time when high yielding long term securities were available.

Premium income increased to \$24,589,156 and together with net investment income and other income brought revenue for the year to \$34,424,992, up 9% from 1973.

We continue to provide more protection and cash benefits for an increasing number of policyowners. During the year \$14,643,897 was paid or credited to policyowners or their beneficiaries and we invested a further \$9,919,090 to meet policy commitments in the future. The persistency of our business continues to be excellent despite the economic uncertainties of the time and our mortality experience in 1974 was again favourable.

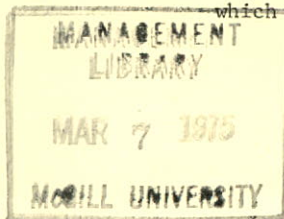
The external influences previously mentioned had an effect upon the cost of operations and normal cost controls were overridden in some instances. The unexpected and high cost of short term borrowing to correct the imbalance in cash flow was one factor and the increasing cost of goods and services was another. Nevertheless we are continuing to seek improvements in productivity without impairing service.

Net revenue from operations increased to \$2,213,655. After making allowance for income taxes and dividends to policyowners, we showed a loss from insurance operations of \$1,329,675 on policyowners' account due to the initial expenditure related to the increase in participating business and to the conservative margin inherent in the basis used for valuation of the liabilities. The profit to shareholders from insurance operations after allowance for tax amounted to \$1,766,879.

Net profit from sale of investments was \$257,213 of which \$106,258 was realized for policyowners and \$150,955 for shareholders. The net rate of interest earned on invested assets increased to 7.15%.

At year-end adjustments were made in the valuation of some of the liabilities and the reserve for investments and contingencies was increased to \$3,000,000. The latter is more than adequate to cover any difference between the asset values in the balance sheet and the market values obtaining at year-end.

On behalf of the Directors I extend to all of our Field and Administrative personnel sincere appreciation for their loyal support and for the contributions which they made towards our continuing success.



J. S. M. WASON  
President.

