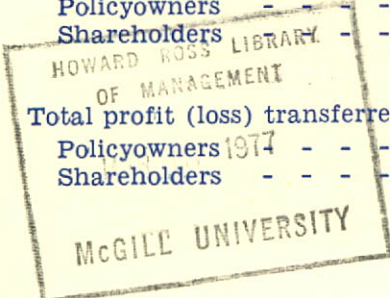




THE EMPIRE LIFE INSURANCE COMPANY
STATEMENT OF REVENUE AND EXPENDITURE
Year Ended December 31, 1976

	<u>1976</u>	<u>1975</u> (for comparison)
Revenue		
Premium income - - - - -	\$28,540,254	\$25,516,250
Consideration for settlement annuities - - - - -	40,643	18,256
Investment income, less investment expenses - - - - -	11,478,977	10,320,926
Staff pension fund contributions and grants - - - - -	512,480	429,910
Miscellaneous income - - - - -	137,383	92,027
	<u>40,709,737</u>	<u>36,377,369</u>
This revenue was used for		
Death claims - - - - -	4,724,532	3,894,712
Matured endowments - - - - -	811,141	746,105
Disability claims - - - - -	1,397,369	908,270
Annuity payments - - - - -	1,202,077	1,091,554
Payments under settlement annuities - - - - -	130,704	105,748
Surrender values - - - - -	5,843,729	5,545,712
Interest credited to amounts on deposit - - - - -	314,066	282,658
Interest on claims - - - - -	84,338	86,537
Increase in actuarial reserve - - - - -	11,955,328	8,592,725
Taxes, excluding corporate income taxes - - - - -	392,264	386,434
Commissions - - - - -	3,889,761	2,991,079
Directors' fees - - - - -	20,184	21,826
Operating expenses - - - - -	7,960,027	6,605,409
Increase in segregated fund - - - - -	146,119	1,131,662
Increase in staff pension fund - - - - -	542,865	335,057
Payments from staff pension fund - - - - -	145,264	233,649
	<u>39,559,768</u>	<u>32,959,137</u>
Net revenue from insurance operations before undernoted items	<u>1,149,969</u>	<u>3,418,232</u>
Deduct		
Income taxes		
Policyowners - - - - -	(528,642)	(388,368)
Shareholders - - - - -	294,793	1,271,774
Dividends to policyowners - - - - -	1,765,501	1,670,737
Change in provision for future dividends - - - - -	(203,105)	(37,797)
	<u>1,328,547</u>	<u>2,516,346</u>
Profit (loss) from insurance operations		
Policyowners - - - - -	(841,596)	(602,435)
Shareholders - - - - -	663,018	1,504,321
	<u>(178,578)</u>	<u>901,886</u>
Profit (loss) on sale of investments		
Policyowners - - - - -	(488)	60,838
Shareholders - - - - -	(710)	87,210
	<u>(1,198)</u>	<u>148,048</u>
Total profit (loss) transferred to surplus		
Policyowners 1977 - - - - -	(842,084)	(541,597)
Shareholders - - - - -	662,308	1,591,531
	<u>\$ (179,776)</u>	<u>\$ 1,049,934</u>



THE EMPIRE LIFE INSURANCE COMPANY

Balance Sheet, December 31, 1976

ASSETS

	<u>1976</u>	<u>1975</u> (for comparison)
Cash - - - - -	\$ 30,734	\$ 9,036
Short term investments - - - - -	450,000	950,000
Bonds and debentures - - - - -	40,324,699	36,155,480
First mortgages on real estate - - - - -	75,653,591	71,460,916
Preferred and common stocks - - - - -	27,048,441	22,586,650
Real estate (less amounts written off for depreciation)		
Held for the production of income - - - - -	542,442	548,073
Held for company use - - - - -	528,921	513,974
Loans on policies - - - - -	10,386,288	9,605,234
Outstanding premiums - - - - -	987,713	1,051,861
Investment income, due and accrued - - - - -	1,652,416	1,601,852
Segregated investment fund - - - - -	9,535,397	9,416,099
All other assets - - - - -	710,275	149,364
	<u>\$167,850,917</u>	<u>\$154,048,539</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, 1976, 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.

Kingston, Canada, January 21, 1977

THE EMPIRE LIFE INSURANCE COMPANY

(Incorporated under the laws of Ontario)

LIABILITIES

	<u>1976</u>	<u>1975</u>
		(for comparison)
Policy reserves - - - - -	\$128,945,237	\$116,989,909
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 - - - - -	2,782,377	2,521,678
Amounts left with the company at interest - - - - -	5,627,730	4,945,527
Policy proceeds, dividends, etc.		
Provision for profits to policyowners - - - - -	2,777,383	2,980,488
Outstanding cheques and bank advances - - - - -	827,774	176,924
Staff pension fund (note 3) - - - - -	4,370,499	3,196,730
Premium and other taxes payable - - - - -	113,922	548,012
Accounts payable, agents' credit balances and other amounts due and accrued - - - - -	627,600	481,679
Amounts received, not yet allocated - - - - -	721,746	845,119
Segregated investment fund (note 3) - - - - -	9,535,397	9,416,099
	<u>156,329,665</u>	<u>142,102,165</u>
Policyowners' equity (deficit) - - - - -	(1,263,051)	(446,414)
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 - - - - -	3,000,000	3,000,000
Surplus (note 3) - - - - -	9,079,775	8,688,260
	<u>12,784,303</u>	<u>12,392,788</u>
	<u>\$167,850,917</u>	<u>\$154,048,539</u>

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, 1976, 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 which have been applied on a basis consistent with that of the preceding year.

THORNE RIDDELL & Co.,
Chartered Accountants

THE EMPIRE LIFE INSURANCE COMPANY
STATEMENT OF SURPLUS
Year Ended December 31, 1976

	1976			1975
	Policyowners	Shareholders	Total	Total (for comparison)
Surplus (deficit), beginning of year - -	\$ (446,414)	\$ 8,688,260	\$ 8,241,846	\$ 7,462,043
Transferred from statement of revenue and expenditure - - - - -	<u>(842,084)</u>	<u>662,308</u>	<u>(179,776)</u>	<u>1,049,934</u>
	<u>(1,288,498)</u>	<u>9,350,568</u>	<u>8,062,070</u>	<u>8,511,977</u>
Transferred to staff pension fund - -				3,278
Income taxes, prior years (recovery) -	(25,447)	(95,562)	(121,009)	111,857
Dividends paid - - - - -		366,355	366,355	154,996
	<u>(25,447)</u>	<u>270,793</u>	<u>245,346</u>	<u>270,131</u>
Surplus (deficit), end of year - - - -	<u>\$ (1,263,051)</u>	<u>\$ 9,079,775</u>	<u>\$ 7,816,724</u>	<u>\$ 8,241,846</u>

NOTES TO FINANCIAL STATEMENTS — YEAR ENDED DECEMBER 31, 1976

1. ACCOUNTING PRINCIPLES

The financial statements are prepared essentially in accordance with accounting practices prescribed, authorized or permitted by the regulations governing insurance companies for life insurance company annual statements. However, in certain respects as indicated below in (a) to (d), they are not in conformity with generally accepted accounting principles applicable to companies engaged in other industries.

- (a) The costs of acquiring new business are written off as expenses in the year incurred.
- (b) Certain assets such as office furniture and other non-admitted assets are written off as expenses in the year acquired.
- (c) Life insurance and annuity reserves are computed on the basis of mortality and interest factors permissible by the respective regulations governing insurance companies and are in excess of those that could be computed on the basis of the company's past experience.
- (d) The income tax charge against operations and the related liability are determined using the "taxes payable" method.

2. VALUATION OF INVESTED ASSETS

The basis of valuation of invested assets, other than the segregated fund, is cost or amortized value, less amounts written off from time to time. The resulting book values are, in the aggregate, less than 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.

3. SEGREGATED INVESTMENT FUND

	1976	1975
Pension liabilities respecting employees and agents	\$ 745,623	\$1,169,323
Policyholders' portion	8,594,731	8,068,831
Shareholders' surplus	<u>195,043</u>	<u>177,945</u>
	<u>\$9,535,397</u>	<u>\$9,416,099</u>

4. STATEMENT OF CHANGES IN FINANCIAL POSITION

Due to the nature of the company's operations a statement of changes in financial position would not be considered meaningful and has, therefore, not been included.

5. ANTI-INFLATION ACT

The company is subject to the Anti-Inflation Act which provides, as from October 14, 1975 for the restraint of profit margins, prices and compensation. In the opinion of management, the company is in compliance with the provisions of the act.

The net rate of interest earned on the invested assets, after allowance for investment expenses, was 7.72% in 1976. Total business in force, after deducting reinsurance ceded, was \$1,913,648,000 as at 31 December 1976.