

E-L FINANCIAL CORPORATION LIMITED

1971 Annual Report

MANAGEMENT
LIBRARY

4 1973

MCGILL UNIVERSITY

Contents

Year at a Glance	- - - - -	1
Board of Directors	- - - - -	2
Report to the Shareholders	- - - - -	3
Consolidated Financial Statements		
Statement of Earnings	- - - - -	4
Balance Sheet	- - - - -	6
Seven Year Summary of Results	- - - - -	8
Summary of General Insurance Operations	- - - - -	10
The Dominion of Canada General Insurance Company		
Review of the Year	- - - - -	11
Summary of Life Insurance Operations	- - - - -	12
The Empire Life Insurance Company		
Review of the Year	- - - - -	13
List of Officers and Branches	- - - - -	14

Year at a Glance

(figures in thousands of dollars)

	1971	1970
Net Premium Income		
General Insurance - - -	\$ 31,064	\$ 26,221
Life Insurance - - - -	21,322	21,803
Total Premium Income - - -	52,386	48,024
Total Revenues - - - - -	62,985	57,637
General Insurance Underwriting Ratio - - - - -	94.1%	95.9%
Statutory Earnings (net operating income) - - - - -	2,195	2,213
Per Share - - - - -	.66	.66
Statutory Earnings (including capital gains and extraordinary item) -	2,504	2,607
Per Share - - - - -	.75	.78
Total Assets - - - - -	192,863	178,204
Capital and Surplus - - - -	27,007	24,656
Life Insurance in Force		
Individual Lives - - - -	835,631	795,663
Group Insurance - - - -	469,876	442,493
Total Insurance in Force - - -	\$1,305,507	\$1,238,156

NOTE—Per share earnings figures assume full conversion of the Company's convertible preferred stock.

—Volume figures for Life Insurance in Force are expressed net of reinsurance ceded.

Board of Directors

HONOURABLE LOUIS P. BEAUBIEN

Member of the Canadian Senate

HERBERT H. BLAKEMAN, F.S.A., F.C.I.A.

former President, The Empire Life Insurance Company

E. KENDALL CORK

Vice-President and Treasurer, Noranda Mines Limited

HENRY S. GOODERHAM

Chairman of the Board, The Dominion of Canada General Insurance Company

PETER S. GOODERHAM

Executive Vice-President, Wills, Bickle & Co. Ltd.

H. NORMAN HANLY

President, The Dominion of Canada General Insurance Company

HENRY N. R. JACKMAN

Chairman of the Board, The Empire Life Insurance Company

HENRY R. JACKMAN, Q.C.

President, The Dominion and Anglo Investment Corporation Limited

W. LEO KNOWLTON, Q.C.

Director, Canada Permanent Trust Company

HENRY E. LANGFORD, Q.C.

former Chairman, Ontario Securities Commission

ROBERT M. MACINTOSH

Deputy Chief General Manager, Bank of Nova Scotia

BRIAN R. B. MAGEE

Chairman of the Board, A. E. LePage Limited

WILFRID MAVOR, C.B.E., M.C.

Chairman of the Board, Ferro Enamels (Canada) Ltd.

N. DONALD McDONALD, M.B.E., F.L.M.I.

President, The Empire Life Insurance Company

THOMAS OAKLEY

Vice-President, Canadian China & Glass Co. Ltd.

ARTHUR PEDOE, F.I.A., F.S.A., F.C.I.A.

Consulting Actuary

Officers:

HENRY S. GOODERHAM CHAIRMAN OF THE BOARD

HENRY N. R. JACKMAN PRESIDENT

H. NORMAN HANLY VICE-PRESIDENT

N. DONALD McDONALD VICE-PRESIDENT

Report to the Shareholders

Statutory operating earnings for 1971 excluding capital gains and extraordinary items amounted to \$2,195,446 or 66¢ per share, approximately the same amount as last year. These earnings were achieved after the payment of considerably higher income taxes which totalled \$1,452,894 in 1971 compared with only \$800,468 in 1970.

If capital gains on the sale of investments plus an extraordinary profit item arising from the recovery of previously written-off expenses occasioned by the sale of Empire Life's Jamaican business are included, earnings would have amounted to 75¢ per share compared with 78¢ for 1970.

Earnings figures per share have been calculated after assuming full conversion of our Company's preferred stock.

Dominion of Canada's net written general insurance premiums totalled \$31,640,383, a record increase of 18.5% over the previous year. Although claims remained high, strict control by management of expenses, resulted in a further improvement in our expense ratio and a consequent record underwriting profit.

Life insurance in force of our two subsidiaries totalled \$1,306-million net of reinsurance as of December 31, 1971. Of this amount \$836-million was on individual lives and \$470-million was group. Sales of life insurance on individual lives reached \$120-million, up 9.4% over the comparable figure last year.

Net life insurance premiums totalled \$21,321,952 in 1971, a slight decrease from the previous year. If, however, single premiums and non-recurring premium from dividend fund conversions by policyholders are excluded, net annual premium rose by over \$900,000.

In spite of very significant progress made by your life insurance subsidiaries, reported or "statutory" earnings suffered a serious decline and for the first time in many years, we are reporting a statutory loss on our life insurance operations. This loss resulted from a number of factors, chief of which were:

1. A higher than normal concentration of our new business mix in policies which require additions to reserves substantially in excess of the premiums received.
2. A very substantial loss on Empire Life's long term group disability insurance. We believe that the necessary corrective measures have been taken and such losses will not re-occur in the future.
3. In spite of a very significant decline in shareholders' pre-tax statutory earnings, corporate income tax on our life insurance operations rose from \$169,992 in 1970 to \$551,191 in 1971 thereby making an unsatisfactory profit picture appear even worse.

This higher incidence of income taxes in the face of lower profits is a matter which is as frustrating to your officers and directors as it must be confusing to our shareholders. The apparent contradiction arises because the Departments of Insurance, whose requirements determine the level of our statutory earnings, insist on an entirely different formula for calculating earnings than does the Department of Finance who determines our corporate income tax liability. Whereas the Superintendent's formula disclosed negligible statutory pre-tax earnings, the Department of Finance's calculation showed a pre-tax profit on our life insurance operations of

over one million dollars and imposed corporate taxes accordingly.

In other words, E-L Financial's life insurance subsidiaries were compelled to pay income taxes on earnings which the Minister of Finance, in his capacity as Minister responsible for the Department of Insurance does not feel we have earned. This inconsistency once again raises the question of the adequacy of the Superintendent's rules as a measure of determining a life insurance company's earnings.

The failure of the Departments of Insurance in both Canada and the U.S.A. to follow generally accepted accounting principles has prompted the formation of several committees within the life insurance industry, actuarial, accounting and financial analysts professions to attempt to arrive at an appropriate formula so that earnings may be "adjusted" to give shareholders more meaningful information. The work of these Committees has been commented upon in our previous annual reports. Although considerable progress has been made in this direction, it is the feeling of your Directors that we should delay reporting earnings to you on an "adjusted" basis until a greater measure of agreement as to an appropriate formula can be reached.

E-L Investment Management, your Company's wholly-owned investment counselling subsidiary, continued to expand during 1971. Gross fees from pension funds and individual clients grew by over 48% during 1971. The investment performance of Empire Life's and Dominion of Canada's segregated equity funds which are used as the basis of measuring the benefits to policyholders who hold our various "equity" insurance and annuity plans, rose by 18.6% and 20.6% respectively, a performance well in excess of industry averages.

It is with regret that we announce the retirement at our forthcoming Annual Meeting of three directors who have reached the mandatory retirement age. Mr. Thomas Oakley and Brigadier-General Wilfrid Mavor, C.B.E., M.C., have rendered outstanding service to your Company and its subsidiaries over many years. Their presence will be greatly missed. Of particular regret to all of us, will be the departure of our Chairman, Mr. Henry S. Gooderham who has presided over the deliberations of your Company's councils with grace and dignity since E-L Financial was formed in early 1969. He will be particularly missed by his colleagues in the Dominion of Canada General Insurance Company where he served on the Board of Directors for 36 years, being President and subsequently Chairman for 21 years, a period which corresponded with that Company's greatest growth. During those years, he gave unsparingly of his time and ability. Our Directors will regret his absence and wish him many years of continued good health.

In closing, on behalf of the Board, we should like to thank all of our employees and agents whose co-operation and loyal support are directly responsible for our continued success. To each and every one, we extend our most sincere appreciation.



H. N. R. JACKMAN,
President.

Consolidated Statement of Earnings

YEAR ENDED DECEMBER 31, 1971 (with comparative figures for 1970)

	General Insurance		Life Insurance	
	1971	1970	1971	1970
Premium income - - - - -	\$ 31,064,383	\$ 26,220,942	\$ 21,321,952	\$ 21,803,287
Investment and other income - - - - -	1,991,400	1,905,506	8,499,451	7,637,929
	<u>33,055,783</u>	<u>28,126,448</u>	<u>29,821,403</u>	<u>29,441,216</u>
Deduct				
Claims incurred - - - - -	18,461,280	15,578,507	4,546,472	4,306,226
Other benefits to policyholders - - - - -			5,764,511	5,798,876
Increase in policy and unearned premium reserves - - - - -	1,635,659	1,407,334	10,008,487	9,555,128
Agents' commissions - - - - -	5,123,541	4,402,654	1,807,197	1,671,095
Operating expenses and directors' fees - - - - -	3,868,468	3,625,596	5,019,453	4,917,436
Taxes excluding corporation and investment taxes - - - - -	756,280	652,036	375,967	361,510
Premiums transferred to segregated fund - - - - -			1,005,520	1,018,678
Policyholders' dividends and policyholders' and minority interest portion of earnings or loss - - - - -	25,170	33,366	836,790	1,143,053
	<u>29,870,398</u>	<u>25,699,493</u>	<u>29,364,397</u>	<u>28,772,002</u>
Earnings before undernoted items - - - - -	3,185,385	2,426,955	457,006	669,214
Income taxes - - - - -	880,000	621,000	551,191	169,992
	<u>2,305,385</u>	<u>1,805,955</u>	<u>(94,185)</u>	<u>499,222</u>
Company's profit (loss) on sale of securities (note 6) - - - - -	329,255	77,743	(303,937)	315,569
Earnings (loss) before extraordinary item - - - - -	<u>2,634,640</u>	<u>1,883,698</u>	<u>(398,122)</u>	<u>814,791</u>
Company's profit on sale of Jamaican Agency - - - - -			283,440	
Net earnings (loss) for the year - - - - -	<u>\$ 2,634,640</u>	<u>\$ 1,883,698</u>	<u>\$ (114,682)</u>	<u>\$ 814,791</u>
Earnings per common share based on full conversion of preference shares (note 8)				
Before profit on sale of securities and extraordinary item - - - - -				
Before extraordinary item - - - - -				
Net earnings for the year - - - - -				

Consolidated Statement of Shareholders' Equity in Surplus

YEAR ENDED DECEMBER 31, 1971 (with comparative figures for 1970)

	General Insurance		Life Insurance	
	1971	1970	1971	1970
Shareholders' equity in surplus at beginning of year	\$ 11,754,785	\$ 9,324,244	\$ 6,712,322	\$ 6,328,330
Add				
Net earnings (loss) for the year - - - - -	2,634,640	1,883,698	(114,682)	814,791
Increase in shareholders' equity on purchase of additional shares - - - - -	46,528	2,842	20,597	604
Adjustment of prior year's claims - - - - -		950,355		
Income tax adjustments of prior years - - - - -		41,598		
Special decrease in actuarial reserve - - - - -			209,774	
	<u>14,435,953</u>	<u>12,202,737</u>	<u>6,828,011</u>	<u>7,143,725</u>
Deduct				
Transfer to staff pension fund - - - - -				6,308
Transfer to general reserve for investments and contingencies - - - - -			283,440	295,658
Dividends - - - - -	449,725	447,952	163,128	129,437
	<u>449,725</u>	<u>447,952</u>	<u>446,568</u>	<u>431,403</u>
Shareholders' equity in surplus at end of year - - - - -	<u>\$ 13,986,228</u>	<u>\$ 11,754,785</u>	<u>\$ 6,381,443</u>	<u>\$ 6,712,322</u>

Consolidated Statement of Source and Use of Funds

YEAR ENDED DECEMBER 31, 1971 (with comparative figures for 1970)

Consolidated (note 1)	
1971	1970
\$ 52,386,335	\$ 48,024,229
10,598,990	9,612,659
<u>62,985,325</u>	<u>57,636,888</u>
23,007,752	19,884,733
5,764,511	5,798,876
11,644,146	10,962,462
6,930,738	6,073,749
8,990,111	8,694,762
1,132,247	1,013,546
1,005,520	1,018,678
861,960	1,176,419
<u>59,336,985</u>	<u>54,623,225</u>
3,648,340	3,013,663
1,452,894	800,468
2,195,446	2,213,195
25,318	393,312
2,220,764	2,606,507
283,440	
<u>\$ 2,504,204</u>	<u>\$ 2,606,507</u>
\$.66	\$.66
\$.67	\$.78
\$.75	\$.78

Consolidated (note 1)	
1971	1970
\$ 18,582,375	\$ 15,690,342
2,504,204	2,606,507
25,649	3,446
	950,355
	41,598
209,774	
<u>21,322,002</u>	<u>19,292,248</u>
	6,308
283,440	295,658
408,846	407,907
692,286	709,873
<u>\$ 20,629,716</u>	<u>\$ 18,582,375</u>

	1971	1970
Source of funds		
Net earnings for the year - - - - -	\$ 2,504,204	\$ 2,606,507
Add non-cash charges		
Policyholders' and minority interest portion of earnings (loss) for the year - - -	(259,815)	371,238
Increase in policy and unearned premium reserves - - - - -	11,644,146	10,962,462
Increase in staff pension fund - - - - -	305,012	295,284
Increase in provision for profits to policyholders - - - - -	31,000	100,000
Increase in provision for unpaid and unreported claims - - - - -	1,398,185	165,048
Depreciation - - - - -	159,286	109,754
Amortization of other assets - - - - -	37,362	106,006
	<u>15,819,380</u>	<u>14,716,299</u>
Adjustment of prior year's claims - - - - -		950,355
Income tax adjustments of prior years - - - - -		41,598
Increase in premium and other taxes payable - -		1,324,982
Decrease in cash and short term investments - -	1,242,332	
Bank advances reflecting forward investment of new funds - - - - -	58,708	
Decrease in loans on policies - - - - -	50,726	
Increase in amounts left with company at interest -	313,695	
	<u>\$17,484,841</u>	<u>\$17,033,234</u>
Use of funds		
Payment of bank advances - - - - -		\$ 668,963
Increase in cash and short term investments - -		1,307,294
Increase in securities - - - - -	\$11,967,569	7,839,193
Increase in first mortgages on real estate - - -	2,214,616	4,228,170
Increase in loans on policies - - - - -		1,230,921
Increase in premiums in the course of collection -	495,241	832,116
Decrease in amounts left with company at interest		427,470
Dividends - - - - -	408,846	407,907
Decrease in premium and other taxes payable - -	830,944	
Purchase of shares in subsidiary companies for cash - - - - -	62,716	
Decrease in policy reserves and participating policyholders' equity in surplus and general reserve for investments and contingencies on sale of Jamaican Agency - - - - -	1,348,649	
Other items (net) - - - - -	156,260	91,200
	<u>\$17,484,841</u>	<u>\$17,033,234</u>

Notes to Consolidated Financial Statements

DECEMBER 31, 1971

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the following subsidiary companies:

E-L Investment Management Limited (wholly owned) from incorporation on June 24, 1969

The Empire Life Insurance Company

The Dominion of Canada General Insurance Company and its subsidiary company, The Casualty Company of Canada

The consolidated financial statements have been prepared on a pooling of interests basis. Surpluses, reserves and balance of revenue have been computed after giving effect to the minority interest in the shares of Empire (5.52%) and Dominion (1.08%) outstanding at December 31, 1971. They are prepared essentially in accordance with accounting practices prescribed, authorized or permitted by the regulations governing insurance companies for insurance company annual statements, except for modifications principally as to classification and format for the purpose of clarifying the interest of the holding company. These practices and accordingly the financial statements are in

Consolidated Balance Sheet—December 31, 1971

(with comparative figures at December 31, 1970)

ASSETS	General Insurance		Life Insurance	
	1971	1970	1971	1970
Cash - - - - -	\$ 1,028,849	\$ 801,190	\$ 19,283	\$ 641,752
Short term investments - - - - -	2,000,000	2,450,000	280,495	842,111
Bonds and debentures - - - - -	15,046,089	13,606,021	37,168,791	31,782,085
Preferred stock - - - - -	10,435,499	9,712,348	761,792	580,089
Common stock - - - - -	11,328,308	9,366,871	17,441,081	15,166,577
First mortgages on real estate - - - - -	936,219	1,012,189	68,415,236	66,124,650
Real estate (less depreciation) - - - - -	2,471,403	2,504,315	3,251,585	3,254,232
Loans on policies - - - - -	-	-	9,053,388	9,104,114
Premiums in the course of collection - - - - -	5,684,047	5,160,906	596,632	624,532
Investment income due and accrued - - - - -	324,952	322,323	1,397,793	1,401,084
Segregated investment funds - - - - -	-	-	4,743,999	3,331,508
Due from reinsurers and others - - - - -	109,355	138,062	-	20,704
Other assets - - - - -	-	-	1,904	37,084
	<u>\$ 49,364,721</u>	<u>\$ 45,074,225</u>	<u>\$143,131,979</u>	<u>\$132,910,522</u>
LIABILITIES				
Policy reserves - - - - -	-	-	\$113,372,884	\$104,763,110
Unearned premium reserve - - - - -	\$ 14,267,163	\$ 12,631,504	-	-
Provision for unpaid and unreported claims - - - - -	16,014,270	14,645,480	2,392,844	2,363,449
Staff pension fund - - - - -	-	-	4,948,982	4,643,970
Amounts left with company at interest - - - - -	-	49,284	3,041,745	2,678,766
Premium and other taxes payable - - - - -	550,684	1,529,295	225,653	79,361
Bank advances (secured) reflecting forward investment of new funds - - - - -	-	-	58,708	-
Due to reinsurers and others - - - - -	524,907	419,735	482,224	832,281
Amounts received, not yet allocated - - - - -	-	-	598,811	459,465
Segregated investment funds - - - - -	-	-	4,743,999	3,331,508
Provision for profits to policyholders - - - - -	-	-	2,915,973	2,884,973
Dividends payable - - - - -	88,401	88,401	-	-
Participating policyholders' equity in surplus, and general reserve for investments and contingencies	-	-	985,329	1,438,947
	<u>31,445,425</u>	<u>29,363,699</u>	<u>133,767,152</u>	<u>123,475,830</u>
Minority interest - - - - -	<u>251,309</u>	<u>288,497</u>	<u>400,457</u>	<u>429,608</u>
SHAREHOLDERS' EQUITY				
Capital stock, fully paid (note 5) - - - - -	999,389	995,449	665,638	663,877
Contributed surplus arising from issue of shares at a premium - - - - -	-	-	-	-
General reserve for investments and contingencies	2,682,370	2,671,795	1,917,289	1,628,885
Surplus (note 3) - - - - -	13,986,228	11,754,785	6,381,443	6,712,322
	<u>17,667,987</u>	<u>15,422,029</u>	<u>8,964,370</u>	<u>9,005,084</u>
	<u>\$ 49,364,721</u>	<u>\$ 45,074,225</u>	<u>\$143,131,979</u>	<u>\$132,910,522</u>

Approved by the Board

H. S. Gooderham, Director

H. N. R. Jackman, Director

Notes to Consolidated Financial Statements

(continued)

Consolidated (Note 1)

1971	1970
\$ 1,072,982	\$ 1,463,698
2,610,495	3,462,111
52,214,880	45,388,106
11,197,291	10,292,437
28,769,389	24,533,448
69,351,455	67,136,839
5,722,988	5,758,547
9,053,388	9,104,114
6,280,679	5,785,438
1,723,177	1,723,407
4,743,999	3,331,508
109,744	158,766
12,694	65,236
<u>\$192,863,161</u>	<u>\$178,203,655</u>

\$113,372,884	\$104,763,110
14,267,163	12,631,504
18,407,114	17,008,929
4,948,982	4,643,970
3,041,745	2,728,050
778,187	1,609,131
58,708	
1,010,131	1,254,016
598,811	459,465
4,743,999	3,331,508
2,915,973	2,884,973
75,599	75,949
985,329	1,438,947
<u>165,204,625</u>	<u>152,829,552</u>
<u>651,766</u>	<u>718,105</u>

1,752,168	1,732,177
40,766	40,766
4,584,120	4,300,680
20,629,716	18,582,375
27,006,770	24,655,998
<u>\$192,863,161</u>	<u>\$178,203,655</u>

conformity with generally accepted accounting principles for insurance companies. 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.

- Acquisition costs—Commissions and other acquisition costs relating to the issue of new life insurance and annuity policies are charged to operations in the year incurred. Some allowance is made for amortizing part of these costs by use of the Canadian Modified method of computing actuarial policy reserves but this does not give full effect to the amortization of these costs over the term of the policies. The result is to penalize gain from operations in a period of business growth and to improve gain from operations in a period of decline.
- Agents' balances—Agents' debit balances (and certain relatively minor other assets) are also excluded from the balance sheet.
- Life insurance and annuity reserves—These reserves are computed on the basis of mortality and interest factors permissible by law and are in excess of those that could be computed on the basis of the companies' past experience.
- Unearned premium reserve—Unearned general insurance premiums are reflected at 80% of actual premiums with the consequent application of only 20% toward expenses. Actual expenses of The Dominion of Canada General Insurance Company during the past five years have averaged 34%-39% of premiums, almost all of which expense is incurred at the time the policy is issued. Thus the 20% of premiums allowed for expenses in the government statements does not accurately reflect the cost of acquiring new premiums. Therefore in periods when the company's premium income is expanding, reported earnings are penalized. Conversely in periods when premium income is declining, reported earnings are inflated.

2. VALUATION OF INVESTED ASSETS

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.

3. SHAREHOLDERS' EQUITY IN SURPLUS

Surplus earnings of the subsidiary companies prior to acquisition of control will be subject to income tax if and when the earnings are distributed to E-L Financial Corporation Limited.

Under Empire Life's charter shareholders are entitled to all the profits from the non-participating policies and that portion of the profit on the participating policies equal to one-ninth of the amount paid to policyholders as dividends. For the years 1966 to 1971 an amount equal to one-ninth of the amount paid and provided for policy dividends on participating policies has been transferred from the surplus attributable to participating policies to shareholders' surplus. A lesser amount was transferred in earlier years. These amounts plus the shareholders' interest in investment income together with all the profit on Empire Life's non-participating policies make up the amount transferred to surplus each year.

4. INCOME TAXES

The Dominion of Canada General Insurance Company follows the practice with respect to its Head Office building of claiming for income tax purposes, capital cost allowance in excess of the depreciation provided in the accounts. As a result, the total reduction of income taxes to December 31, 1971 amounted to \$388,100 of which \$40,800 is applicable to 1971 and \$47,100 is applicable to 1970.

5. CAPITAL STOCK

	1971	1970
Authorized		
4,999,925 Preference shares, without par value, issuable in series		
10,000,000 Common shares, without par value		
Issued		
597,171 Series A convertible preference shares	\$1,752,168	\$1,732,177
2,733,834 (1970, 2,731,834) Common shares		

The Series A convertible preference shares are convertible into common shares on a share for share basis.

Summary of Consolidated Statements

(Pro Forma Prior to 1969)

(all figures expressed in thousands of dollars)

	1971	1970	1969	1968	1967	1966
PREMIUM INCOME - - - - -	\$ 52,386	\$ 48,024	\$ 41,256	\$ 38,260	\$ 33,957	\$ 31,141
INVESTMENT AND OTHER INCOME - - - -	10,599	9,613	8,710	7,741	7,054	6,382
TOTAL REVENUES - - - - -	62,985	57,637	49,966	46,001	41,011	37,523
Claims and Other Benefits to Policyholders -	28,772	25,684	24,018	19,701	18,374	16,206
Increase in Policyholders' Reserves - - -	12,650	11,981	7,633	8,441	5,759	6,133
Expenses (including agents' Commissions) -	15,921	14,769	13,630	12,778	11,672	10,612
Taxes paid to Governments - - - - -	2,585	1,814	1,574	1,799	1,745	1,608
Profits paid or allocated to Policyholders - -	862	1,176	1,484	952	1,077	1,034
NET OPERATING PROFIT - - - - -	2,195	2,213	1,627	2,330	2,384	1,930
Net Realized gains on security transactions and other extraordinary items - - - -	309	393	405	291	72	87
TOTAL NET PROFIT - - - - -	\$ 2,504	\$ 2,606	\$ 2,032	\$ 2,621	\$ 2,456	\$ 2,017
NET INCOME						
per share (net operating income) - - - -	.66	.66	.49	.70	.72	.58
per share (including capital gains and extra- ordinary items) - - - - -	.75	.78	.61	.79	.74	.61
ASSETS						
Cash and Short Term Investments - - - -	\$ 3,683	\$ 4,926	\$ 3,619	\$ 2,511	\$ 2,402	\$ 2,767
Bonds and Debentures - - - - -	52,215	45,388	43,417	43,458	40,429	37,200
Preferred and Common Stocks - - - - -	39,967	34,826	28,958	23,820	19,214	15,136
First Mortgages on Real Estate - - - - -	69,352	67,137	62,909	58,855	54,437	52,318
Real Estate - - - - -	5,723	5,759	5,808	5,866	5,923	6,025
Loans on Policies - - - - -	9,053	9,104	7,873	6,740	5,913	5,750
Segregated Equity Funds - - - - -	4,744	3,332	2,576	932	358	228
Other Assets - - - - -	8,126	7,731	6,627	6,031	5,575	4,925
TOTAL ASSETS - - - - -	\$192,863	\$178,203	\$161,787	\$148,213	\$134,251	\$124,349
LIABILITIES						
*Policy and Unearned Premium Reserves - -	\$137,333	\$125,370	\$113,428	\$105,737	\$ 96,194	\$ 90,160
Reserve for Claims - - - - -	18,407	17,008	16,844	14,287	12,487	10,594
Other Liabilities - - - - -	6,215	6,845	6,134	5,352	4,985	5,617
Policyholders' Equity in Surplus - - - -	3,901	4,324	3,934	3,373	3,161	2,641
TOTAL LIABILITIES - - - - -	165,856	153,547	140,340	128,749	116,827	109,012
SHAREHOLDERS' EQUITY - - - - -	27,007	24,656	21,447	19,464	17,424	15,337
	\$192,863	\$178,203	\$161,787	\$148,213	\$134,251	\$124,349

*including staff pension funds

Notes to Consolidated Financial Statements

(continued)

Shares and warrants issued

1971

2,000 common shares at \$10 per share in part payment for investment counselling firm

1970

2,000 common shares at \$10 per share in part payment for investment counselling firm

350 common shares, 150 Series A convertible preference shares and 50 share purchase warrants in consideration for 50 shares of The Dominion of Canada General Insurance Company.

Shares to be issued

In order to complete the purchase of the investment counselling firm, the company is required to issue during the period ending May 1, 1972 an additional 2,000 common shares subject to reduction based on the revenue derived by the business purchased.

Share purchase warrants

531,411.5 warrants to purchase 531,411.5 common shares of the company at \$12 per share exercisable until December 22, 1978 are outstanding at December 31, 1971.

6. PROFIT (LOSS) ON SALE OF SECURITIES

	General Insurance		Life Insurance		Consolidated	
	1971	1970	1971	1970	1971	1970
Shareholders' portion - -	\$329,255	\$77,743	\$(303,937)	\$315,569	\$25,318	\$393,312
Participating policyholders' portion - -			(904)	292,415	(904)	292,415
Minority interest - -	3,595	1,373	(3,366)	18,538	229	19,911
	<u>\$332,850</u>	<u>\$79,116</u>	<u>\$(308,207)</u>	<u>\$626,522</u>	<u>\$24,643</u>	<u>\$705,638</u>

7. OTHER STATUTORY INFORMATION

	1971	1970
Remuneration of directors and senior officers - - - - -	\$174,486	\$253,683
Depreciation and amortization - - - - -	196,648	137,595

8. EARNINGS PER SHARE

Fully diluted earnings per share assuming conversion of the preference shares and exercise of the share purchase warrants outstanding at the exercise price of \$12 per share and assuming the investment of the proceeds at 6% less income taxes would be 61¢ before profit on sale of securities and extraordinary item, 62¢ before extraordinary item and 69¢ on the net earnings for the year. The comparative figures for 1970 would have been 62¢ before profit on sale of securities and 72¢ on the net earnings for the year.

Auditors' Report

TO THE SHAREHOLDERS OF E-L FINANCIAL CORPORATION LIMITED

We have examined the consolidated balance sheet of E-L Financial Corporation Limited and subsidiary companies as at December 31, 1971 and the consolidated statements of earnings, shareholders' equity in surplus and source and use of funds for the year then ended. Our examination of the financial statements of E-L Financial Corporation Limited and those subsidiaries of which we are the auditors 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. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries. The liability under insurance and annuity contracts and certain other liabilities to policyholders have been certified by the subsidiary companies' actuaries.

In our opinion, with the foregoing explanations, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and use of their funds for the year then ended, in accordance with accounting principles as set out in note 1 applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

Toronto, Canada
February 4, 1972

Summary of General Insurance Operations

(all figures expressed in thousands of dollars)

	1971	1970	1969	1968	1967	1966
NET PREMIUMS WRITTEN						
Automobile - - - - -	\$ 21,620	\$ 18,351	\$ 15,619	\$ 14,367	\$ 13,665	\$ 12,229
Casualty - - - - -	4,419	3,699	3,248	3,072	2,642	2,483
Fire - - - - -	5,025	4,171	3,803	3,621	2,607	2,389
TOTAL NET PREMIUMS WRITTEN - - - - -	\$ 31,064	\$ 26,221	\$ 22,670	\$ 21,060	\$ 18,914	\$ 17,101
NET PREMIUMS EARNED - - - - -	\$ 29,428	\$ 24,814	\$ 21,912	\$ 20,353	\$ 18,162	\$ 16,224
Claims Incurred - - - - -	18,461	15,579	13,914	12,001	10,287	9,107
Operating Expenditures including Commissions and Premium Taxes - - - - -	4,748	8,680	7,779	7,181	6,542	5,853
UNDERWRITING PROFIT - - - - -	\$ 1,219	\$ 555	\$ 219	\$ 1,171	\$ 1,333	\$ 1,264
Investment Income - - - - -	1,992	1,906	1,623	1,415	1,214	1,058
NET PROFIT BEFORE TAXES - - - - -	\$ 3,211	\$ 2,460	\$ 1,842	\$ 2,586	\$ 2,547	\$ 2,322
Income Taxes - - - - -	880	621	435	890	915	840
* NET OPERATING PROFIT - - - - -	\$ 2,331	\$ 1,839	\$ 1,407	\$ 1,696	\$ 1,632	\$ 1,482
Claims Ratio (to net premiums earned) - - - -	% 62.7	% 62.8	% 63.5	% 59.0	% 56.6	% 56.1
Expense Ratio (to net premiums written) - - -	31.4	33.1	34.3	34.1	34.6	34.2
	% 94.1	% 95.9	% 97.8	% 93.1	% 91.2	% 90.3
ASSETS						
Cash and Short Term Investments - - - - -	\$ 3,029	\$ 3,251	\$ 3,524	\$ 2,358	\$ 2,230	\$ 2,603
Bonds and Debentures - - - - -	15,046	13,606	12,199	11,108	9,879	9,589
Preferred and Common Stocks - - - - -	21,764	19,079	16,264	14,694	12,439	9,386
First Mortgages - - - - -	936	1,012	1,043	1,100	1,165	1,258
Real Estate - - - - -	2,471	2,504	2,537	2,570	2,603	2,636
Amounts Receivable - - - - -	6,119	5,622	4,547	4,139	3,866	3,428
TOTAL ASSETS - - - - -	\$ 49,365	\$ 45,074	\$ 40,114	\$ 35,969	\$ 32,182	\$ 28,900
LIABILITIES						
Unearned Premium Reserve - - - - -	\$ 14,267	\$ 12,632	\$ 11,224	\$ 10,467	\$ 9,759	\$ 9,007
Reserve for Claims - - - - -	16,014	14,645	14,785	12,886	11,057	9,552
Other Liabilities - - - - -	1,223	2,086	917	912	1,141	1,578
TOTAL LIABILITIES - - - - -	\$ 31,504	\$ 29,363	\$ 26,926	\$ 24,265	\$ 21,957	\$ 20,137
* CAPITAL, SURPLUS AND CONTINGENCY RESERVES - - - - -	17,861	15,711	13,188	11,704	10,225	8,763
	\$ 49,365	\$ 45,074	\$ 40,114	\$ 35,969	\$ 32,182	\$ 28,900

*including minority shareholders' interest

THE DOMINION OF CANADA GENERAL INSURANCE COMPANY

Review of the Year 1971

The general insurance business of The Dominion of Canada General Insurance Company and its subsidiary The Casualty Company of Canada produced very satisfactory results arising out of 1971 operations achieving new records for both premium income and profit.

While the claims ratio was only fractionally lower than that of the previous year it was possible to reduce the total expense ratio by a full point largely due to improved methods of processing and the greater premium income.

The general insurance premium income in 1971 was \$31,064,383, an increase of \$4,843,441 or 18.5% while investment income increased to almost two million dollars.

Net profit for our general insurance business after providing for income taxes amounted to \$2,330,555, the largest in our Company's history.

The most significant development in automobile insurance during the past year was the growing acceptance of various forms of "compensation without fault" both in Canada and the United States. Much progress has been made in Canada and automobile policies issued in all provinces now provide "no-fault" accident benefits for bodily injuries either on a compulsory or voluntary basis. Studies are now being made by the Ontario Department of Insurance assisted by a committee of insurance officials on the feasibility of introducing a "no-fault" concept for claims arising out of collision damage to automobiles which would be a complete departure from the present adversary system.

In Manitoba the Government introduced compulsory government automobile insurance on November 1, 1971 leaving private insurers with only a small volume of excess coverage. It is, however, pleasing to report that our increased premium income in other provinces has well overtaken the reduction in Manitoba. It should also be noted that the "Dominion" is continuing to write other than automobile classes in Manitoba such as fire, liability, theft and allied coverages.

Fire and Casualty insurance showed substantial gains in 1971, Fire premium income increasing by 20.5% and Casualty by 19.5%. Theft and burglary claims are, unfortunately, rapidly increasing in frequency and it is evident that rate revisions and deductibles will be necessary in an effort to improve the claims ratio as criminal activities become more intense particularly in urban areas. The method of premium rating for property insurance on habitation risks was revised last year in order to cope with inflationary trends. It is hoped that this change will modify the deteriorating claims experience.

In my review last year reference was made to expansion of our business in the Atlantic Provinces and it is a pleasure to report an increase in volume in these provinces of over 50% during the year. A further increase is expected in 1972.

LIFE INSURANCE

1971 was a satisfactory year in the development of our Life Insurance Section. We began to see the initial results of the re-alignment of our Life Insurance distribution system towards a general agency basis. The programme is continuing and further growth is planned for 1972.

Net life insurance written reached a new high of \$23,755,000 and with a significant improvement in terminations during the period, the amount of business in force exclusive of reinsurance increased by 9.4% to \$241,908,287.

These and other figures relating to our Life Insurance results are combined with those of our associated company, The Empire Life, on the following page.

On behalf of the Directors I would like to thank our Agents, our Officials and all our personnel from coast to coast for their loyal and conscientious support without which such favourable results could not have been produced.



H. N. HANLY,
President.

1965	1964
\$ 10,731	\$ 8,739
2,402	2,195
2,193	1,968
\$ 15,326	\$ 12,902
\$ 14,295	\$ 12,155
8,478	7,629
5,597	4,985
\$ 220	\$ (459)
887	711
\$ 1,107	\$ 252
114	5
\$ 993	\$ 247
% 59.3	% 62.8
36.5	38.6
% 95.8	% 101.4
\$ 1,830	\$ 1,166
9,127	9,295
7,123	4,293
1,362	1,470
2,669	2,702
2,929	2,727
\$ 25,040	\$ 21,653
\$ 8,131	\$ 7,099
8,445	7,241
988	661
\$ 17,564	\$ 15,001
7,476	6,652
\$ 25,040	\$ 21,653

Summary of Life Insurance Operations

(all figures expressed in thousands of dollars)

	1971	1970	1969	1968	1967	1966
PREMIUM INCOME (Net of Reinsurance)						
Individual Assurances - - - - -	\$ 13,277	\$ 13,504	\$ 12,451	\$ 12,341	\$ 11,932	\$ 11,478
Individual Annuities - - - - -	3,447	3,677	1,588	1,790	1,079	589
Group Assurances - - - - -	1,362	1,197	1,202	1,031	961	842
Group Annuities - - - - -	950	1,137	732	1,040	761	971
Health Insurance - - - - -	1,121	966	883	453	215	76
"Equity" Premiums - - - - -	1,209	1,285	1,703	467	24	43
TOTAL PREMIUM INCOME - - - - -	\$ 21,366	\$ 21,766	\$ 18,559	\$ 17,122	\$ 14,972	\$ 13,999
Investment and Other Income - - - - -	8,455	7,675	7,076	6,404	5,992	5,409
TOTAL REVENUES - - - - -	\$ 29,821	\$ 29,441	\$ 25,635	\$ 23,526	\$ 20,964	\$ 19,408
Claims and Other Benefits to Policyholders -	\$ 10,310	\$ 10,105	\$ 10,104	\$ 7,699	\$ 8,087	\$ 7,099
Increase in Policy Reserves - - - - -	10,008	9,555	5,461	7,400	5,007	5,257
Operating Expenses (Including Agents' Com-						
missions) - - - - -	6,827	6,589	6,344	6,137	5,670	5,188
Taxes Paid to Governments - - - - -	927	531	564	375	352	340
Premiums transferred to Segregated Funds -	1,006	1,019	1,414	334	24	43
Profits Paid or allocated to Policyholders -	837	1,121	1,453	890	1,014	990
*NET OPERATING PROFIT - - - - -	\$ (94)	\$ 521	\$ 295	\$ 691	\$ 810	\$ 491
ASSETS						
Cash and Short Term Investments - - - - -	\$ 300	\$ 1,483	\$ 87	\$ 135	\$ 172	\$ 164
Bonds and Debentures - - - - -	37,169	31,782	31,218	32,350	30,550	27,611
Preferred and Common Stocks - - - - -	18,203	15,747	12,693	9,126	6,802	5,750
First Mortgages - - - - -	68,415	66,125	61,866	57,755	53,272	51,060
Real Estate - - - - -	3,252	3,254	3,270	3,296	3,320	3,389
Loans on Policies - - - - -	9,053	9,104	7,873	6,740	5,913	5,751
Segregated Equity Funds - - - - -	4,744	3,332	2,576	932	358	228
Other Assets - - - - -	1,996	2,083	1,967	1,858	1,682	1,495
TOTAL ASSETS - - - - -	\$ 143,132	\$ 132,910	\$ 121,550	\$ 112,192	\$ 102,069	\$ 95,448
LIABILITIES						
Policy Reserves - - - - -	\$ 113,373	\$ 104,763	\$ 95,279	\$ 90,218	\$ 82,316	\$ 77,309
Amounts left with Company at interest - -	3,042	2,679	3,094	2,994	2,721	2,411
Reserve for Claims - - - - -	2,393	2,363	2,059	1,401	1,430	1,042
Staff Pension Fund - - - - -	4,949	4,644	4,349	4,120	3,761	3,616
Segregated Equity Funds - - - - -	4,744	3,331	2,576	932	358	228
Other Liabilities - - - - -	1,365	1,371	1,538	882	639	965
Policyholders' Equity in surplus - - - - -	3,901	4,754	4,330	3,749	3,139	2,847
TOTAL LIABILITIES AND						
POLICYHOLDERS' EQUITY - - - - -	\$ 133,767	\$ 123,905	\$ 113,225	\$ 104,296	\$ 94,364	\$ 88,418
*CAPITAL, SURPLUS AND						
CONTINGENCY RESERVES - - - - -	9,365	9,005	8,325	7,896	7,705	7,030
	\$ 143,132	\$ 132,910	\$ 121,550	\$ 112,192	\$ 102,069	\$ 95,448
NET INTEREST EARNED - - - - -	% 6.58	% 6.36	% 6.35	% 6.16	% 6.04	% 5.92
BUSINESS IN FORCE						
Individual Lives						
Whole Life and Endowment - - - - -	\$ 440,786	\$ 421,936	\$ 410,373	\$ 420,262	\$ 410,996	\$ 394,422
Term Insurance - - - - -	339,305	327,169	309,119	247,161	215,659	194,077
Annuities - - - - -	25,965	19,950	13,998	13,048	10,560	9,614
Health Insurance - - - - -	4,104	4,087	4,375	3,602	2,936	1,454
"Equity" Insurance and Annuities - - - - -	25,471	22,520	19,361	6,148	1,361	nil
	\$ 835,631	\$ 795,663	\$ 757,226	\$ 690,221	\$ 641,512	\$ 599,567
Group						
Life Insurance - - - - -	\$ 312,924	\$ 295,217	\$ 264,476	\$ 241,388	\$ 208,786	\$ 177,457
Annuities - - - - -	60,211	54,782	46,349	41,316	32,219	26,622
Health Insurance - - - - -	96,741	92,495	87,484	63,353	20,678	8,280
	\$ 469,876	\$ 442,493	\$ 398,309	\$ 346,057	\$ 261,683	\$ 212,359
TOTAL BUSINESS IN FORCE - - - - -	\$1,305,507	\$1,238,156	\$1,155,535	\$1,036,278	\$ 903,195	\$ 811,926

NOTE—Volume figures for Life Insurance in Force are expressed net of reinsurance ceded.

*including minority shareholders' interest

THE EMPIRE LIFE INSURANCE COMPANY

Review of Year 1971

The past year has been one of mixed blessings. Because of the large strain on surplus of new annuity business, poor experience in our group health insurance portfolio and substantially higher federal income taxes we showed a statutory operating loss. This is a paradox because the income tax basis indicates that despite poor experience in some areas we had a pre-tax profit exclusive of extraordinary items in excess of a million dollars. This serves to point out the ridiculous situation that the life insurance industry finds itself because of the interpretation of different government regulatory bodies. This poses the question not only by people within the industry but the public generally. "What did we really make last year?"

The "statutory" accounting principles as prescribed by the Superintendents of Insurance are derived from concern with the balance sheet while the "Tax basis" as determined by the Minister of Finance emphasizes the income statement. The profit or loss resulting from either basis is a matter of individual interpretation.

Our revenue for 1972 showed an appreciable gain with investment income up over 10%. It would appear from the financial statement, however, that our premium income remained static. This is not the case, however, as 1970 premium income benefited from an extraordinary non-recurring amount in December 1970 of approximately \$900,000 being policy dividends left with the Company at interest which were used as single premiums to purchase bonus additions to save our policyowners income tax and the Company considerable administrative expense. Annual premium income increased by over \$828,000 to \$15,007,000.

Our mortality experience on our Ordinary Business was substantially less than the previous four years, while our Group was somewhat higher. The strain resulting from our annuity business created a loss after taxes of \$740,000 which is recoverable in future years. Our after-tax loss, however, on Group Long Term Disability was \$398,000 which is not recoverable. Corrective action was implemented in 1971 so that there should be no re-occurrence of this experience in the future.

Cash Surrenders were down and the request for loans reduced reflecting the drop in interest rates. Operating expenses have been held in line despite increases in costs generally and represent an increase of only 2%.

Policy Reserves increased substantially to \$86,138,000 from \$78,871,000 the largest yet recorded in any year.

We were successful in selling our Jamaica business as of 30th June, 1971 and our statements reflect the withdrawal of our Jamaican assets, liabilities and business in force. In this transaction, the Company recovered \$300,000 in expenditures which were previously written off. This is treated as an extraordinary profit item in our operating statement.

Empire Life's business in force was \$1,063,600,000 as at 31st December 1971, an increase of \$43,000,000.

The year 1971 was a period of consolidation which affected most areas of the Company, but which has left us with a better appreciation of real values and an excellent base for future growth.

I wish to express my appreciation to the Field and Administrative Staff for their efforts during the past year. I am sure we can count on their loyalty and the application of their abilities to continue to develop both themselves and the Company not only in 1972 but the future years.

My sincerest thanks to all of them.


N. D. McDONALD,
President.

THE EMPIRE LIFE INSURANCE COMPANY

Officers and Administrative Staff

CHAIRMAN OF THE BOARD	- - - - -	HENRY N. R. JACKMAN
PRESIDENT	- - - - -	N. DONALD McDONALD, M.B.E., F.L.M.I.
VICE-PRESIDENT AND ACTUARY	- - - - -	W. H. AITKEN, F.S.A., F.C.I.A.
VICE-PRESIDENT AND SECRETARY	- - - - -	E. W. KAITTING, F.L.M.I., F.E.A.A.
VICE-PRESIDENT, COMPUTER SERVICES	- - - - -	R. BALTRUWEIT, F.L.M.I.
VICE-PRESIDENT, MARKETING SERVICES	- - - - -	G. D. DE RÉ, A.C.L.U.
VICE-PRESIDENT, BRANCH DEVELOPMENT	- - - - -	W. H. MERRIAM, C.L.U.
VICE-PRESIDENT, GROUP	- - - - -	R. E. SMART, F.S.A., F.C.I.A.
VICE-PRESIDENT	- - - - -	J. S. M. WASON, F.F.A., F.C.I.A., A.S.A.
UNDERWRITING OFFICER	- - - - -	N. G. BURNSIDE
MEDICAL OFFICER	- - - - -	J. N. CHESEBROUGH, M.D.
PURCHASING AGENT	- - - - -	E. FROST
SUPERINTENDENT, GROUP	- - - - -	D. E. SCHLICHTER, A.C.L.U.
MORTGAGE OFFICER	- - - - -	J. M. McINNIS, F.L.M.I.
EXECUTIVE ASSISTANT, SECURITIES	- - - - -	A. G. DRAGONE,
		Vice-President, E-L Investment Management
SUPERINTENDENT, BRANCH DEVELOPMENT	- - - - -	B. V. DOUTHWAITE
SUPERINTENDENT, BRANCH DEVELOPMENT	- - - - -	J. A. G. LITALIEN
ASSOCIATE ACTUARY	- - - - -	L. N. TAYLOR, F.I.A., F.C.I.A.
ASSISTANT ACTUARY	- - - - -	B. L. MATCHETT, F.S.A., F.C.I.A.

Managers

BRANCH OFFICES	Vancouver	- - - - -	1520 West Georgia Street	- - - - -	R. M. Castner, C.L.U.
	Edmonton	- - - - -	802 Royal Bank Building	- - - - -	E. Newman, C.L.U.
	Calgary North	- - - - -	1632-14th Avenue, N.W.	- - - - -	D. A. Wight, C.L.U.
	Calgary Chinook	- - - - -	202 Chinook Professional Building	- - - - -	
	Winnipeg	- - - - -	491 Portage Avenue	- - - - -	R. H. Little
	Hamilton	- - - - -	135 James Street South	- - - - -	D. Giannini, M.B.E., C.L.U.,
					Assistant Agency Vice-President
	St. Catharines	- - - - -	15 King Street	- - - - -	S. B. Kelly, C.L.U.
	Kingston (St. Lawrence)	- - - - -	11 Princess Street	- - - - -	C. J. Lawlor, C.L.U.
	London	- - - - -	200 Queen's Avenue	- - - - -	R. J. Kendrick
	Ottawa	- - - - -	120 Holland Avenue	- - - - -	D. G. Fairweather
	Toronto Centre	- - - - -	2200 Yonge Street	- - - - -	J. E. McKenna
	Toronto Don	- - - - -	3 Thorncliffe Square	- - - - -	R. G. Ness
	Toronto West	- - - - -	100 Dixie Plaza, Port Credit	- - - - -	
	Toronto East	- - - - -	3495 Lawrence Ave. East (Scarborough)	- - - - -	L. G. Ayles
	Toronto Bathurst	- - - - -	3101 Bathurst Street	- - - - -	J. H. Green
	Toronto Bayview	- - - - -	2901 Bayview Ave., Willowdale	- - - - -	J. H. Mosoff
	Windsor	- - - - -	660 Ouellette Avenue	- - - - -	R. S. Miles
	Montreal	- - - - -	16 Westminister Avenue N.	- - - - -	G. Goguen
	Montreal Cartier	- - - - -	Fairview Shopping Centre, Pointe-Claire	- - - - -	R. Martel
	Montreal Centre	- - - - -	1712 Place Ville Marie	- - - - -	G. D. Shore, Assistant Agency Vice-President
	Montreal St. Laurent	- - - - -	750 Laurentian Blvd.	- - - - -	G. E. Ouwendyk, C.L.U.
	Quebec City	- - - - -	2700 Boul. Laurier	- - - - -	Y. Boudreau
	Sherbrooke	- - - - -	2851 King Street West	- - - - -	J-P. Bourgeois, C.L.U.
	Trois-Rivières	- - - - -	1683 Royale	- - - - -	
	Charlottetown	- - - - -	152 Kent Street	- - - - -	W. B. MacDonald

GROUP OFFICES	Vancouver, B.C.	- - - - -	1520 West Georgia Street	- - - - -	A. M. Coyne
	Toronto, Ont.	- - - - -	797 Don Mills Road, Don Mills	- - - - -	M. R. Coffey
	Montreal, Que.	- - - - -	1711 Place Ville Marie	- - - - -	A. Vezina

AGENCIES	Saskatoon, Sask.	- - - - -	833 Ave. "V" North	- - - - -	Empire Agencies Limited
	Sault Ste. Marie, Ont.	- - - - -	224 Queen Street E.	- - - - -	A. A. Biagini
	Toronto, Ont.	- - - - -	223 Church Street	- - - - -	Canadian Insurance Services Limited
	Toronto, Ont.	- - - - -	67 Yonge Street	- - - - -	W. A. Curtis & Company Limited
	Montreal, Que.	- - - - -	2100 Drummond Street	- - - - -	Castle Insurance Agencies Limited

THE DOMINION OF CANADA GENERAL INSURANCE COMPANY

CHAIRMAN OF THE BOARD - - - - - HENRY S. GOODERHAM
 PRESIDENT - - - - - H. N. HANLY

General Insurance Officials

GENERAL MANAGER - - - - - K. G. HUTCHISON
 ASSISTANT GENERAL MANAGER - - - - - F. G. ELLIOTT, F.I.I.C.
 ACCOUNTS - - - - - F. H. CLEMENT, *Manager*
 AGENCY - - - - - A. R. PETRIE, F.I.I.C., *Manager*
 AUTOMOBILE - - - - - H. B. BARNES, *Manager*
 CASUALTY - - - - - W. A. HORNE, A.I.I.A., *Manager*
 CLAIMS - - - - - G. F. CONNOR, *Manager*
 DATA PROCESSING - - - - - B. A. EDGAR, F.I.I.C., F.L.M.I., *Manager*
 FIRE - - - - - L. BUTTERFIELD, *Manager*
 INVESTMENT - - - - - B. E. PURVIS, *Assistant Treasurer*
 PERSONNEL AND PURCHASING - - - - - L. H. TEMPLE, *Manager*
 SECRETARY - - - - - F. G. ELLIOTT, F.I.I.C.

Branch Manager

BRANCH OFFICES

Alberta	- - - - - 540-12th Avenue S.W., Calgary	- - - - - G. P. CRAW, F.I.I.C.
British Columbia	- - - - - 1309 West Pender Street, Vancouver	- - - - - J. H. GLAVIN, A.I.I.C.
Eastern Ontario	- - - - - 151 Slater Street, Ottawa	- - - - - D. A. WAUGH, A.I.I.C.
Metropolitan Toronto	- - - - - 165 University Avenue, Toronto	- - - - - R. H. LOUGHEED
Mid-West	- - - - - 209 Notre Dame Avenue, Winnipeg	- - - - - M. E. RICHARDSON, F.I.I.C.
Quebec	- - - - - 1080 Beaver Hall Hill, Montreal	- - - - - S. J. DAVIDSON, F.I.I.C.

ONTARIO SERVICE OFFICES

Barrie	- - - - - 34 Clapperton Street	
Central Ontario	- - - - - 165 University Avenue, Toronto	
Chatham	- - - - - 143 Wellington Street West	
Hamilton	- - - - - 135 James Street South	
Kitchener	- - - - - 678 Belmont Avenue West	
London	- - - - - 361 Richmond Street	
Owen Sound	- - - - - 291-9th Street East	
St. Catharines	- - - - - 195 King Street	
Thunder Bay	- - - - - 200 South Syndicate Avenue	
Windsor	- - - - - 374 Ouellette Avenue	

Life Insurance Officials

GENERAL MANAGER AND ACTUARY - - - - - J. S. M. WASON, F.F.A., F.C.I.A., A.S.A.
 ACCOUNTS - - - - - G. B. HOULDEN, F.L.M.I., *Manager*
 ACTUARIAL - - - - - D. C. TOWNSEND, B.Sc., F.S.A., F.C.I.A.,
Assistant Actuary
 ADMINISTRATION - - - - - A. L. FARLEY, F.L.M.I., *Administrative Assistant*
 AGENCY ADMINISTRATION - - - - - R. W. VALLAT, F.L.M.I., *Manager*
 AGENCY DEVELOPMENT - - - - - J. D. Y. DALGETTY, C.L.U., *Superintendent*
 CONSERVATION AND MARKETING SERVICES - - - - - S. J. HARRIS, C.L.U., *Superintendent*
 DATA PROCESSING - - - - - B. A. EDGAR, F.I.I.C., F.L.M.I., *Manager*
 INVESTMENT - - - - - B. E. PURVIS, *Assistant Treasurer*
 MEDICAL - - - - - EUGENE MONTGOMERY, M.D., *Medical Director*
 PERSONNEL AND PURCHASING - - - - - L. H. TEMPLE, *Manager*
 SECRETARY - - - - - F. G. ELLIOTT, F.I.I.C.

Branch Manager

BRANCH OFFICES

Calgary	- - - - - 540-12th Avenue S.W.	- - - - - F. M. JAMES, C.L.U.
Hamilton	- - - - - 135 James Street South	- - - - - R. REICHERTZ
London	- - - - - 361 Richmond Street	- - - - - W. ATTLESEY
Montreal Provincial	- - - - - 50 Crémazie Boulevard West	- - - - - L. H. LARAMEE
Ottawa	- - - - - 151 Slater Street	- - - - - G. M. HOWE, C.L.U.
Toronto Metro	- - - - - 2 Carlton Street	- - - - - C. F. WOODWARD, C.L.U.
Vancouver	- - - - - 1309 West Pender Street	- - - - - L. GARRISON, C.L.U.

Subsidiary Companies



THE EMPIRE LIFE INSURANCE COMPANY



THE DOMINION OF CANADA
GENERAL INSURANCE COMPANY



THE CASUALTY COMPANY OF CANADA





THE EMPIRE LIFE INSURANCE COMPANY
STATEMENT OF REVENUE AND EXPENDITURE

Year Ended December 31, 1971

	1971	1970 (for comparison)
Revenue		
Premium income - - - - -	\$17,733,570	\$17,712,953
Consideration for settlement annuities - - - - -	57,652	58,080
Investment income, less investment expenses - - - - -	6,389,578	5,732,933
Staff pension fund contributions and grants - - - - -	103,473	97,292
Miscellaneous income - - - - -	1,281	7,325
	<u>24,285,554</u>	<u>23,608,583</u>
This revenue was used for		
Death claims - - - - -	2,886,688	3,084,539
Matured endowments - - - - -	520,056	499,601
Disability claims - - - - -	619,970	488,724
Annuity payments - - - - -	339,595	237,435
Payments under settlement annuities - - - - -	103,819	87,378
Surrender values - - - - -	3,101,572	3,155,952
Interest credited to amounts on deposit - - - - -	163,629	142,395
Interest on claims - - - - -	62,418	58,717
Increase in actuarial reserve - - - - -	8,453,108	7,549,844
Taxes, excluding corporate income taxes - - - - -	302,502	287,891
Commissions - - - - -	1,515,953	1,462,812
Directors' fees - - - - -	15,200	13,525
Operating expenses - - - - -	3,818,869	3,729,886
Premiums transferred to segregated fund - - - - -	1,005,520	1,018,678
Increase in staff pension fund - - - - -	103,331	114,158
Payments from staff pension fund - - - - -	125,732	107,075
	<u>23,137,962</u>	<u>22,038,610</u>
Net revenue before undernoted items - - - - -	<u>1,147,592</u>	<u>1,569,973</u>
Deduct		
Income taxes - - - - -	504,000	119,992
Dividends to policyowners - - - - -	1,037,660	1,017,507
Increase in provision for future dividends - - - - -	100,000	100,000
	<u>1,641,660</u>	<u>1,237,499</u>
	<u>(494,068)</u>	<u>332,474</u>
Profit (loss) from insurance operations		
Policyowners - - - - -	(290,714)	3,752
Shareholders - - - - -	(203,354)	328,722
	<u>(494,068)</u>	<u>332,474</u>
Profit (loss) on sale of securities		
Policyowners - - - - -	(904)	292,415
Shareholders - - - - -	(1,073)	316,900
	<u>(1,977)</u>	<u>609,315</u>
Profit (loss) before undernoted extraordinary item - - - - -	<u>(496,045)</u>	<u>941,789</u>
Net realization on sale of Jamaican Agency		
Shareholders - - - - -	300,000	
	<u>\$ (196,045)</u>	<u>\$ 941,789</u>
Total profit (loss) transferred to surplus		
Policyowners - - - - -	(291,618)	296,167
Shareholders - - - - -	95,573	645,622
	<u>\$ (196,045)</u>	<u>\$ 941,789</u>

THE EMPIRE LIFE INSURANCE COMPANY

Balance Sheet, December 31, 1971

ASSETS

	1971	1970 (for comparison)
Cash - - - - -	\$ 1,215	\$ 559,525
Short term investments - - - - -	280,495	342,111
Bonds and debentures - - - - -	22,908,548	19,009,501
First mortgages on real estate - - - - -	55,919,536	53,636,188
Preferred and common stocks - - - - -	16,445,941	14,260,088
Real estate (less amounts written off for depreciation)		
Held for the production of income - - - - -	200,965	174,076
Head office and branch premises - - - - -	579,217	575,841
Loans on policies - - - - -	7,126,820	7,212,115
Outstanding premiums - - - - -	455,153	485,346
Interest, due and accrued - - - - -	1,012,413	1,001,499
Segregated investment fund - - - - -	4,613,544	3,234,344
All other assets - - - - -	1,904	37,084

<u>\$109,545,751</u>	<u>\$100,527,718</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, 1971, 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 20, 1972

LIABILITIES

	1971	1970 (for comparison)
Policy reserves - - - - -	\$86,137,845	\$78,871,386
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 - - - - -	2,092,469	2,046,353
Amounts left with the company at interest - - - - -	2,915,956	2,543,891
Policy proceeds, dividends, etc.		
Provision for profits to policyowners - - - - -	2,915,973	2,884,973
Bank advances (secured) - - - - -	58,708	
Staff pension fund - - - - -	2,087,652	1,984,321
See also segregated investment fund below.		
Premium and other taxes payable - - - - -	203,253	80,027
Accounts payable, agents' credit balances and other amounts due and accrued - - - - -	194,848	218,451
Amounts received, not yet allocated - - - - -	598,811	459,465
Segregated investment fund - - - - -	4,613,544	3,234,344
Including \$711,020 (1970 - \$508,059) belonging to staff pension fund.		
	<u>101,819,059</u>	<u>92,323,211</u>
Policyowners' equity		
Reserve for investments and contingencies - - - - -	734,190	794,190
Surplus - - - - -	251,139	644,757
	<u>985,329</u>	<u>1,438,947</u>
Shareholders' equity		
Capital stock, fully paid (note 2) - - - - -	704,528	704,528
Reserve for investments and contingencies - - - - -	1,505,810	1,205,810
Surplus (note 4) - - - - -	4,531,025	4,855,222
	<u>6,741,363</u>	<u>6,765,560</u>
	<u>7,726,692</u>	<u>8,204,507</u>
	<u>\$109,545,751</u>	<u>\$100,527,718</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, 1971, and the results of its operations for the year then ended.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants

THE EMPIRE LIFE INSURANCE COMPANY

STATEMENT OF SURPLUS

YEAR ENDED DECEMBER 31, 1971

	1971			1970
	Policyowners	Shareholders	Total	(for comparison) Total
Balance, beginning of year - - - - -	\$ 644,757	\$ 4,855,222	\$ 5,499,979	\$ 5,255,604
Transferred from statement of revenue and expenditure - - - - -	(291,618)	95,573	(196,045)	941,789
Adjustment re sale of Jamaican Agency (note 3) - - - - -	(102,000)		(102,000)	
	<u>251,139</u>	<u>4,950,795</u>	<u>5,201,934</u>	<u>6,197,393</u>
Discretionary transfer to reserve for investment and contingencies - - - - -		300,000	300,000	600,000
Transferred to staff pension fund - - - -				12,871
Dividends paid - - - - -		119,770	119,770	84,543
		<u>419,770</u>	<u>419,770</u>	<u>697,414</u>
Balance, end of year - - - - -	\$ 251,139	\$ 4,531,025	\$ 4,782,164	\$ 5,499,979

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 Jamaican Agency was sold to the Life of Jamaica Ltd. as at June 30, 1971, and the balance sheet for 1971 reflects the post sale condition (policy reserves of \$1,186,649, provision for profits to Jamaican policyowners of \$69,000 and additional surplus for protection of Jamaican policyowners of \$102,000 have been deleted).
4. Included in shareholders' surplus is an amount of approximately \$4,300,000 which would be subject to corporate income taxes if distributed to shareholders.

The net rate of interest earned on the invested assets, after allowance for investment expenses, was 6.56% in 1971.

Total business in force, after deducting Jamaica business of \$9,000,000 and reinsurance ceded, was \$1,063,600,000 as at 31 December, 1971.

