

C

Trilon Financial Corporation

1982 ANNUAL REPORTS



Contents

- 1 **Trilon Report**
 - 2 Board of Directors Report
 - 3 Consolidated Financial Statements
 - 7 Financial Notes
 - 9 Directors and Officers
 - 11 **London Life Report**
 - 11 Facts at a Glance
 - 12 Board of Directors Report
 - 14 Management Report
 - 20 Financial Commentary
 - 22 Consolidated Financial Statements
 - 29 Financial Notes
 - 33 Directors and Senior Officers
 - 34 Ten Year Review
 - 36 Administrative Officers
 - 36 Regional Offices
-

Trilon Financial Corporation

1982 ANNUAL REPORTS



These annual reports are combined because of the close association between Trilon Financial Corporation, a newly formed public financial services company, and London Life Insurance Company, whose business and assets represent the strength of Trilon.

Trilon was formed in November 1982, and substantially all London Life shareholders exchanged their London Life shares for shares of Trilon on the basis of one London Life share for 20 Class A shares of Trilon. The close links between London Life and Trilon will benefit both companies as opportunities are sought for diversification, growth and acquisitions in the years ahead.

Trilon Financial Corporation Head Office: Suite 3501, P.O. Box 86,
Toronto Dominion Centre, Toronto, Ontario, M5K 1G8
Incorporated under the Canada Business Corporation Act

London Life Insurance Company Head Office: 255 Dufferin Avenue,
London, Ontario, N6A 4K1
Incorporated by special act under the Laws of Canada

Pour recevoir ces rapports annuel en français, il suffit d'en faire la demande.

Trilon Board of Directors Report

Trilon Financial Corporation was formed in 1982 to acquire investments in life insurance and other financial businesses in Canada and the United States. Trilon will control and manage a limited number of financial services enterprises that have superior profit characteristics.

The financial services area is an integral part of all business activity and the experience of large North American companies that have specialized in this sector clearly indicates it is a growth area. Extensive studies conducted by London Life management, and confirmed by the company's major shareholders, identified above-average potential in many segments of the North American financial services market.

Trilon's initial investment in the London Life Insurance Company, achieved through a share exchange in late 1982, provides Trilon with an immediate and substantial operating base. Founded in 1874, London Life is one of Canada's largest insurance companies, with the most extensive national sales force in the industry and a network of offices coast to coast. More than 1.2 million Canadians and 11,000 businesses own London Life policies and use its financial services.

Senior executive positions in Trilon are held by officers of the insurance company, giving Trilon the benefit of their senior experience and capabilities which are supplemented by close links with Brascan Limited.

Financial Position and Results

The accompanying Trilon financial statements consolidate the position and results of London Life. It will be seen that Trilon commences its activities with a strong financial position. The interest of Trilon shareholders in the consolidated income would have been \$2.38 per share, had Trilon's year end interest in London Life prevailed for all of 1982.

The effectiveness of London Life's senior management is demonstrated in the company's record of achievement during the past several years. The return on equity, earnings per share, book value per share and shareholder dividends have been well above average, making London Life a leader in the life insurance industry.

A detailed description of the operations and financial position of London Life, together with its superior results for 1982, will be found in the London Life section of these annual reports.

Opportunities for Trilon

It is the intention of the Trilon Board of Directors and management to draw upon the management skills of its major shareholders to aid Trilon in exploiting its position as a significant presence in the Canadian financial services sector.

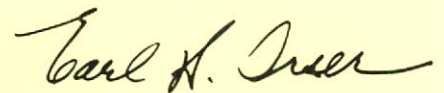
To spearhead Trilon's initiatives, a vice-president of corporate development has been appointed to implement diversification strategies and identify enterprises which represent opportunity. Among the opportunities to be considered by Trilon will be the purchase of Brascan's 18 per cent investment in Royal Trustco Limited.

It is anticipated that the initial equity position of the large shareholders will be reduced over time through distribution to the public, and a broad public shareholder base will be encouraged. Trilon will give its shareholders participation in a broader range of enterprises than London Life is able to undertake, while at the same time offering shares that are more marketable than were the London Life shares.

With the expected economic recovery will come additional investment opportunities for Trilon and resulting benefits for shareholders.



Allen T. Lambert, O.C.
Chairman of the Board



Earl H. Orser
President and
Chief Executive Officer

Responsibility for Financial Statements

Board of Directors

The accompanying financial statements were approved by the Board of Directors which has overall responsibility for their contents.

Audit Committee

The Board of Directors is assisted in its responsibilities for these financial statements by its Audit Committee. This Committee consists of five directors. Four of these directors are not involved in the daily operations of Trilon. The function of this committee is to:

- Review all formal financial statements and recommend them for approval to the Board of Directors.
- Review the systems of internal control and security.
- Recommend the appointment of the external auditors and their fee arrangements to the Board of Directors.
- Review other accounting, financial and security matters as required.

In carrying out the above responsibilities, this committee meets regularly with management and the Corporation's external auditors to approve the scope and timing of audits, to review audit findings and to satisfy itself that their responsibilities have been properly discharged.

Management

The annual report was prepared by management. The consolidated financial statements were prepared in accordance with the accounting policies prescribed or permitted by the Department of Insurance of Canada based on information available up to January 31, 1983. In the opinion of management the accounting policies utilized are appropriate in the circumstances and properly reflect the financial position, results of operations and changes in financial position of Trilon within reasonable limits of materiality.

External Auditors

Clarkson Gordon have been appointed external auditors to report to the shareholders regarding the fairness of presentation of Trilon's financial position and results of operations as shown in the annual financial statements.

The opinion of the external auditors is based upon an evaluation of the Corporation's accounting systems, procedures and internal controls together with appropriate tests of accounting records and other procedures which provide reasonable assurance that the financial statements are presented fairly and on a consistent basis. Their opinion is expressed below.

Auditors' Report

To the Shareholders of
Trilon Financial Corporation:

We have examined the consolidated balance sheet of Trilon Financial Corporation as at December 31, 1982 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the opinion of the Valuation Actuary of London Life Insurance Company as to the amount of the actuarial liabilities as shown in note 4 and the related charges to operations.

In our opinion, based on our examination and the opinion of the Valuation Actuary, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles described in note 1 which principles are consistent with those applied by London Life Insurance Company in the preceding year.

Clarkson Gordon
Chartered Accountants

Toronto, Canada
January 31, 1983

Consolidated Statement of Income and Retained Earnings

For the year ended December 31
(thousands of dollars except earnings per share)

	1982	1981
Income		(note 1)
Premiums	\$ 717,360	\$ 656,193
Net investment income	417,955	353,175
Segregated funds' income	25,717	6,909
	1,161,032	1,016,277
Expense		
Policyowner and beneficiary expenses	774,070	656,387
Operating expenses	185,835	166,433
	959,905	822,820
Income from operations	201,127	193,457
Dividends to policyowners	151,074	130,069
Income before the undernoted	50,053	63,388
Income taxes including \$9,802 future taxes (\$9,390 in 1981)	11,052	16,905
Net income of London Life	39,001	46,483
Policyowners' interest in net income of London Life	15,232	23,460
Net income attributable to shareholders of London Life	23,769	\$ 23,023
Deduct:		
Interest of minority shareholders	104	
Net income of London Life prior to acquisition (note 2)	19,899	
	20,003	
Net Income of Trilon subsequent to November 1982, acquisition of London Life	3,766	
Less share issue expenses	86	
Retained earnings, end of year	\$ 3,680	
Earnings per Class A Share and Class B Non-Voting Share	\$ 0.39	
Pro forma earnings per Class A Share and Class B Non-Voting Share (note 1)	\$ 2.38	\$ 2.30

(see accompanying notes)

Consolidated Balance Sheet

As at December 31
(thousands of dollars)

Assets	1982	1981
		(note 1)
Bonds and debentures	\$1,133,823	\$ 829,935
Stocks	103,051	164,037
Mortgages	2,463,413	2,439,571
Real estate (note 3)	125,942	64,705
Loans on insurance policies	373,882	343,789
Cash and short-term deposits	155,763	142,290
Investment and premium income receivable	89,331	71,781
Other assets	42,160	23,512
Segregated funds' assets	138,576	120,628
Total assets	\$4,625,941	\$4,200,248

Liabilities and Shareholders' Equity

Policy reserves (note 4)	\$2,772,630	\$2,552,070
Other obligations to policyowners	715,393	649,200
Staff pension and insurance reserves (note 5)	333,466	301,979
Current and future income and other taxes	52,563	38,752
Other liabilities	101,393	65,741
Segregated funds' policy reserves and liabilities	138,576	120,628
Total liabilities	4,114,021	3,728,370
Policyowners' and minority shareholders' interest (note 6)	333,078	313,116
Share capital (note 7)	175,162	1,000
Retained earnings	3,680	157,762
Total shareholders' equity	178,842	158,762
Total liabilities and shareholders' equity	\$4,625,941	\$4,200,248

(see accompanying notes)

On behalf of the Board:

A. T. Lambert, Director

E. H. Orser, Director

Consolidated Statement of Changes in Financial Position (excluding segregated funds)

For the year ended December 31
(thousands of dollars)

	1982	1981
Sources of cash		(note 1)
Operations		
Net Income of London Life	\$ 39,001	\$ 46,483
Charges not affecting cash and short-term deposits		
Additions to policy reserves	220,560	208,291
Additions to other reserves and other charges	78,661	65,804
Total from operations	338,222	320,578
Sale and repayment of mortgages	288,132	210,684
Sale and maturity of bonds and debentures	424,431	160,573
Repayment of policy loans	35,507	30,355
Sale of stocks	91,451	24,241
Miscellaneous	42,146	27,715
	1,219,889	774,146
Applications of cash		
Advances on mortgages	316,872	325,050
Purchase of bonds and debentures	737,275	199,370
Advances on policy loans	66,041	95,717
Purchase of stocks	26,668	39,497
Purchase of real estate	44,085	26,760
Dividends to London Life shareholders	6,500	5,500
Additions to furniture, fixtures and leasehold improvements	8,975	5,314
	1,206,416	697,208
Increase in cash and short-term deposits	13,473	76,938
London Life's cash and short-term deposits, beginning of 1981		65,352
Less increase in cash and short-term deposits to date of acquisition of London Life	88,234	
Cash and short-term deposits applied since date of acquisition	(74,761)	
Cash and short-term deposits of London Life at date of acquisition	230,524	
Cash and short-term deposits, end of year	\$ 155,763	\$142,290

(see accompanying notes)

4. Actuarial liabilities

The liabilities certified by the Valuation Actuary of London Life consist of the following:

	1982	1981
	thousands of dollars	
Policy reserves, net of deferred acquisition costs of \$157,009 in 1982 (\$143,457 in 1981)	\$2,772,630	\$2,552,070
Provision for dividends payable to policyowners	153,119	130,458
Provision for unreported claims	28,150	24,219
Staff pension and insurance reserves	333,466	301,979
Segregated funds	137,349	120,524
	\$3,424,714	\$3,129,250

The Valuation Actuary's report is included with the consolidated financial statements of London Life and is reproduced on page 28 of these annual reports.

5. Staff pension plan

London Life has a contributory pension plan which includes substantially all that company's employees and sales representatives, and provides them with retirement benefits based on compensation and length of service. Current service costs for London Life's pension plan are expensed as incurred. These costs amounted to \$6,731,000 in 1982 (\$6,419,000 in 1981). A valuation of the pension plan was performed in 1982. There is no unfunded past service liability as at December 31, 1982 (\$1,203,000 in 1981). The pension plan's share of London Life's assets was \$312,028,000 as at December 31, 1982 (\$282,583,000 in 1981).

6. Policyowners' and minority shareholders' interest

Included in this account is \$4,729,000 (Nil in 1981) representing the interest of minority shareholders of London Life.

Policyowners' interest represents the undistributed earnings of participating policyowners of London Life, net of the portion of those accumulated earnings (\$8,419,000 in 1982 and \$8,029,000 in 1981) attributable to shareholders of London Life.

7. Share capital

By Articles of Amendment dated November 2, 1982, Trilon increased its authorized share capital to unlimited numbers of Class I and Class II Preferred Shares, both issuable in series, and unlimited numbers of Class A Shares and Class B Non-Voting Shares. The Class A Shares were convertible into Class B Non-Voting Shares on a share-for-share basis up to December 31, 1982. The Class B Non-Voting Shares are entitled to a preferential non-cumulative quarterly dividend of \$0.03 per share in priority to the Class A Shares and, after declaration of an equal quarterly dividend on the Class A Shares, to participate equally with the Class A Shares in further quarterly dividends.

At December 31, 1982 the issued and outstanding share capital of Trilon, after conversion of 1,460,000 Class A Shares into an equal number of Class B Non-Voting Shares was as follows:

8,271,240 Class A Shares	\$148,882,320
1,460,000 Class B Non-Voting Shares	26,280,000
<u>9,731,240</u>	<u>\$175,162,320</u>

8. Commitments

London Life has entered into lease agreements for equipment and regional office facilities for varying periods up to 1992. The approximate future payments are as follows:

	Regional Office Facilities	Equipment	Total
	thousands of dollars		
1983	\$ 5,073	\$3,547	\$ 8,620
1984	4,541	2,301	6,842
1985	3,668	1,991	5,659
1986	3,045	27	3,072
1987	2,321		2,321
1988-1992	5,543		5,543
	<u>\$24,191</u>	<u>\$7,866</u>	<u>\$32,057</u>

Trilon Financial Corporation

Directors and Senior Officers

Directors

Allen T. Lambert, O.C.

Chairman of the Board

Melvin M. Hawkrigg

Deputy Chairman of the Board

Earl H. Orser

President and
Chief Executive Officer

Jack L. Cockwell

Executive Vice-President
Brascan Limited

Gordon R. Cunningham

Partner
Tory, Tory, DesLauriers & Binnington

Robert A. Dunford

Senior Vice-President
Brascan Limited

J. Trevor Eyton, Q.C.

President and Chief Executive Officer
Brascan Limited

Alan B. Hockin

Executive Vice-President
Investment Division
The Toronto-Dominion Bank

Alexander H. Jeffery, Q.C.

Chairman of the Board
London Life

Joseph Jeffery

O.B.E., C.D., Q.C., LL.D.
Honorary Chairman of the Board
London Life

Douglas R. Simmons

Assistant General Manager
Equity Portfolio
The Toronto-Dominion Bank

Officers

Allen T. Lambert, O.C.

Chairman of the Board

Melvin M. Hawkrigg

Deputy Chairman of the Board

Earl H. Orser

President and
Chief Executive Officer

R. Thomas M. Allan

Vice-President, Investments

Lowell A. Allen

Secretary

Norman D. Epp

Vice-President and Treasurer

London Life Annual Report

London Life was founded in 1874 and today operates across Canada providing life insurance and financial services to more than 2,000,000 Canadians. The fourth largest life insurance company in the country, we are a leading investor in mortgages, real estate and the financial markets, supplying funds for a broad range of Canadian businesses and developments.

A company with a proven record of innovation and industry leadership, London Life is known for its ethics and integrity in dealing with employees and customers.

We operate a national network of regional offices with a sales force of more than 2,200 supported by 800 administrative staff and a corporate headquarters group in London, Ontario, of 1,700 employees.

London Life continues to employ the latest in electronic technology, stimulating new efficiencies and high standards of performance. Investments in training and development of staff ensure our clients receive comprehensive service on an individual basis.

We take pride in our company and the efforts of our people to serve the needs of our customers. Our overall objective is to be the leading Canadian life insurance company justifying the confidence and trust placed in us by our policyowners, employees and shareholders.

Facts at a Glance

108th Annual Report of London Life Insurance Company
for the year ended December 31, 1982

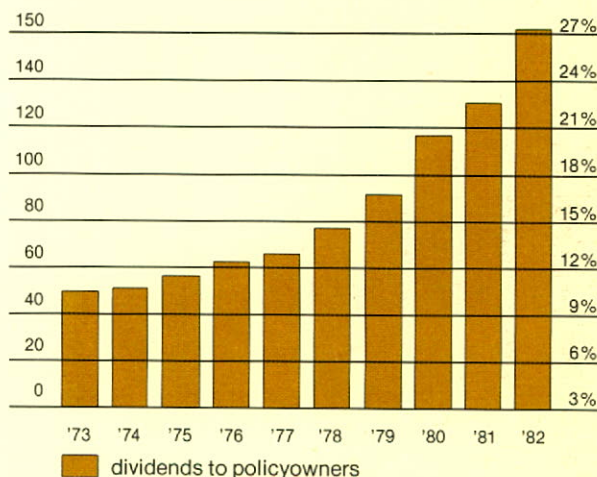
(dollars are in millions except per share information)

	1982	1981	% Increase (Decrease)
New life insurance issued	\$ 5,752	\$ 4,350	32.2
Life insurance in force	\$39,828	\$36,179	10.1
Premium income	\$ 717	\$ 656	9.3
Net investment income	\$ 418	\$ 353	18.3
Benefits to policyowners and beneficiaries	\$ 471	\$ 377	24.9
Dividends to policyowners	\$ 151	\$ 130	16.2
Net income*	\$ 39	\$ 46	(16.1)
Total assets	\$ 4,618	\$ 4,200	10.0
Investment return on invested assets	10.44%	9.54%	
Number of employees			
Sales	2,275	2,089	8.9
Administration	2,506	2,535	(1.1)
Total	4,781	4,624	3.4
Earnings per share	\$ 47.54	\$ 46.05	3.2
Return on shareholders' equity	14.9%	16.2%	
Dividends per share	\$ 13.00	\$ 11.00	18.2
Book value per share	\$352.06	\$317.52	10.9

* includes shareholders' portion of net income of \$24 (\$23 in 1981)

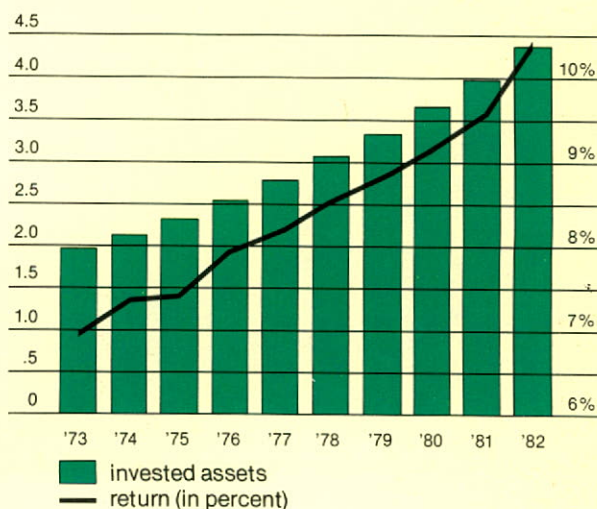
Dividends to Policyowners

in millions of dollars



Invested Assets

in billions of dollars



Board of Directors Report



Alexander H. Jeffery, Chairman of the Board



*Earl H. Orser, President and
Chief Executive Officer*

Despite the effects of Canada's recession during 1982, London Life continued to grow and record a strong financial performance. London Life leads the Canadian life insurance industry in our ability to compete successfully and earn our policyowners and shareholders steadily increasing returns and dividends.

During 1982 we paid out \$151 million in dividends to policyowners, a 16.2 per cent increase over 1981. Earnings per share increased by 3.2 per cent to \$47.54.

London Life maintained its position as the leading provider of individual insurance policies to Canadians and our business expanded across a wide spectrum of financial services. We feel our proven ability to improve performance year by year is due to the depth and strength of our management team, and the continued success of our unique Canada-wide network of proficient sales representatives.

Increased unemployment and widespread business failures in Canada had an inevitable effect on parts of our business as it became difficult for some of our customers to purchase and pay for our products. There were increases in dividend withdrawals and some of the increases in policy surrenders were attributable to the financial problems of our policyowners. We also had above-average claims in our group life and health areas.

Nevertheless, we were able to balance the negative factors through increased returns from investments and continued strong performance by our sales forces.

While marginal improvement in the Canadian economy is expected later in 1983, we will not relax our efforts to contain costs and increase productivity.

We congratulate the management and staff for their success in helping the company achieve superior results among Canadian stock life insurance companies.

The Environment

London Life and the entire industry entered 1982 under the threat of federal tax legislation that would have unfairly penalized life insurance policyowners. Government's intentions to impose taxes on income built up in permanent life insurance policies were moderated following lengthy discussions with the federal Ministry of Finance. While a small number of issues continue to cause confusion among our policyowners, we feel acceptable compromises were reached.

We trust the federal government is now satisfied with the tax structure as it affects life insurance and that there will be no further upheaval for some time to come. Finance Minister Marc Lalonde's announced policy to maintain a more open dialogue with the private sector on future tax changes is encouraging. Close consultations between our industry and governments will be all the more important as we move closer to major revisions of the Canadian and British Insurance Companies Act.

On the provincial side, the announced intention of the Manitoba Government to enter the life insurance business in competition with private enterprise has serious implications.

London Life strongly supported the efforts of the Federal Government in 1982 to fight inflation. We believe that reduction of inflation is a critical requirement for long-term economic recovery in Canada. Therefore we adopted the so-called "six and five" program and our wage adjustments for salaried positions were held to an average of 6% for 1983.

Business Strategies

London Life is placing special emphasis on development of new products to meet the changing needs of our customers. The major initiatives of 1982 will be continued.

Marketing and investment continue to be our two main thrusts for industry leadership. During 1982 we made exceptional gains in our investment operations. These reflected the prevailing high interest rates for much of the year but also indicated clearly that the results of our new investment strategies are exceeding goals.

Further productivity increases were noted during 1982 due to the commitment by all staff to contain costs and introduce new efficiencies.

Trilon Financial Corporation

Earlier in these combined annual reports of London Life and Trilon Financial Corporation, details are provided on the creation of Trilon as a significant new public financial services company. A number of London Life's executives also hold senior positions with Trilon, recognizing the complementary goals of the two companies to expand in financial services markets.

We have no plans to dilute our position in the Canadian life, health and pension fields and, in fact, will expand our efforts through introduction of new kinds of financial services. We expect to gain strength on all fronts through association with Trilon and foresee substantial benefit to London Life and our customers from participation in new enterprises.

Development plans call for a close examination of opportunities in both Canada and the United States.

Board Changes

Two long-time members of the Board retire this year, having reached the mandatory retirement age. Captain Joseph Jeffery, who stepped down as Chairman last year, retires as a Director and Honorary Chairman of the Board. Mr. J. Allyn Taylor retires as a Director.

Captain Jeffery ends 53 years of active association with the company which was founded by his grandfather. Captain Jeffery became President of London Life in 1953 and was elected Chairman of the Board in 1958. During his long career the company grew substantially and expanded across Canada.

Mr. Taylor's advice over many years has been of great value to the company, particularly during the recent reorganization of management.

Mr. Alexander H. Jeffery will retire as Chairman of the Board at the time of our annual meeting but will continue as a Director. He has served

London Life well for 48 years, including holding the position of President, and his wise counsel has been valuable to the growth and success of the company.

1983 Outlook

While we view the coming year with more confidence than in 1982, we see the need for vigilant management and close attention to control of all aspects of our operations. Above-average effort by the management team and staff helped the company achieve its 1982 results during the worst of the recession. We had a strong finish in sales at year end which carried over to the New Year. Nevertheless, continuing dedication and alertness will be required in 1983.

Competition will increase, demanding innovation by all sectors of the company. New products, continuing initiatives by our marketing groups, close attention to cost control, and fine-tuning of our corporate strategies will all strengthen our drive to improve services and maintain satisfactory returns to our policyowners and shareholders.

By restructuring management and streamlining technology, we feel we've laid the foundation for continued success. We proved we could advance in the face of the recession and any upturns can only benefit our future performance.

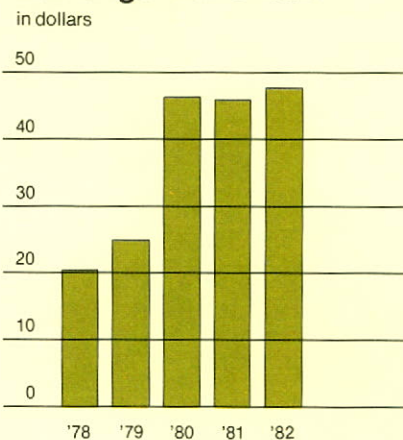


Alexander H. Jeffery
Chairman of the Board

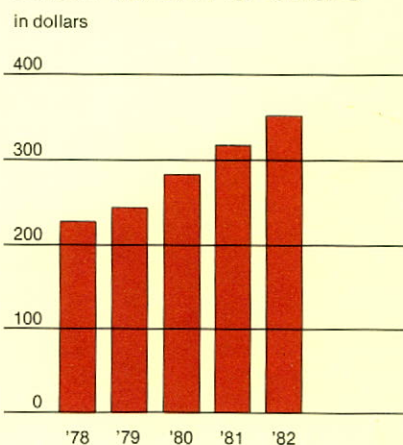


Earl H. Orser
President and
Chief Executive Officer

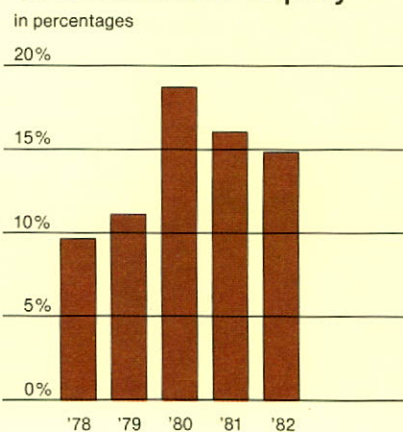
Earnings Per Share



Book Value Per Share



Return On Shareholders' Equity



Management Report

London Life premium revenue, investment income and income from operations all reached record levels in 1982, reflecting a good level of new business, excellent investment returns and satisfactory expense control.

Earnings per share increased from \$46.05 in 1981 to \$47.54 in 1982.

Total revenues from insurance and annuity premiums, investments and segregated funds increased by 14.2% to \$1.161 billion. Income from operations was \$201.1 million last year, an increase of \$7.6 million over 1981.

As shown in our financial statements, increased profits were earned in most categories of individual insurance and annuities, together with group annuities, but we suffered a loss of \$1.2 million in our health insurance due to increased claims. Our Group business was particularly hard hit by the side effects of the recession where a large number of lapses in Group contracts resulted from financial difficulties of clients. Lapses overall are of growing concern to the Company and special efforts are being made to retain business and clients during 1983.

Dividends to policyowners, including a special \$11.5 million payment to group life policyowners, increased 16.2%, bringing the total for 1982 to \$151 million. Dividends to shareholders were increased by two dollars per share, to \$13.

While we were not immune from the effects of Canada's recession during 1982, we made progress across a broad front due to the successful efforts of our sales force, management and staff. We expect stiff challenges in 1983 in an industry that is undergoing rapid change but feel we are prepared and organized to improve services, products and performance.

Individual Marketing

Sales of life insurance and annuity products showed strong signs of improvement at the end of 1982 compared to earlier in the year, when a number of factors caused lower than expected results. The lingering uncertainties caused by federal government proposals to tax individual life insurance and annuities had a negative impact on our business, as did Canada's deepening recession and a discernible shift in customer priorities in savings and protection needs.

By year's end, our marketing operations showed improvement in most parts of the country, partly due to introduction of popular new products by London Life but also as a result of the federal government modifying its planned taxation measures.

New life insurance sales were modestly ahead of the previous year's and the most substantial gains occurred in the last five months of 1982. Individual sales volume totalled \$3.4 billion.

Members of the London Life Operating Committee are, left to right, D.E. Creighton, Senior Vice-President, Individual Marketing; C.L. Kimball, Vice-President, Group Insurance; Earl H. Orser, President; R.G. Mephram, Vice-President, Administration and Customer Service; R.T.M. Allan, Vice-President, Investments; H.M. Ballantyne, Vice-President and Secretary; L.B. Fewster, Vice-President and Chief Actuary; N.D. Epp, Vice-President, Finance.



The year saw an acceleration of the changing character in individual marketing operations, as reflected by a continuing trend toward "accumulation" or savings vehicles. Sales of these products accounted for premiums of \$58.3 million, well ahead of last year.

Premium income on new life insurance sales was \$138.5 million, bringing total premiums for the year to a record level of \$418.5 million.

Individual life insurance in force reached \$24.2 billion, up from \$22.9 billion the previous year. In this regard, London Life continues as the leading provider of individual life insurance in Canada. In 1982, permanent plans accounted for 48.5% of all new sales, maintaining a trend unique in the industry.

The number of new life insurance sales was lower than anticipated, although in the latter part of 1982 sales improved. Policy surrenders increased, compared to the previous year, 19.7% to \$130.4 million, while new policy loans reached \$71.3 million, a decrease of 29%.

The rising incidence of policy surrenders due to replacement by competitors is a growing concern. London Life is strongly backing industry initiatives aimed at informing policyowners of the implications of replacing or cancelling their existing policies.

New Products Introduced

Econolife, a special option which uses dividends to purchase a combination of term insurance and paid-up coverage, was one of two new products introduced in 1982. With this dividend option a policyowner can triple the basic plan's protection.

Introduced at the same time was *CurrInt Life*, designed to fill a product need in times of rising interest rates. The plan is reviewed at three-year intervals and premiums or coverage may be adjusted depending on new interest, claims and expense assumptions. Both products placed us in a much better competitive position.

Early in 1982 the term portfolio was repriced so as to utilize more

sophisticated methods in determining premium rates. Called *Lifestyle Term*, this concept takes into account smoking habits and family health history.

We also developed a flexible-deposit accumulation plan based on daily interest rates and designed for registered or non-registered markets for introduction at the beginning of 1983.

Recruiting Strategies

Among the company's key strategies for the 1980s is expansion of field sales and management operations. Strong progress was achieved during 1982 as the number of individual sales representatives across Canada grew by 161 to 1,866.

We will continue to place major emphasis on recruiting and training of high quality representatives as the primary factor in achieving our objectives in the years ahead. We enter the new year with the largest national sales force in the Canadian insurance industry and with the best product portfolio in recent years. With prospects of growing consumer confidence and expanded economic activity, we are confident that the 1983 sales objectives will be attained.

Group Division

The Group Division completed its first full year of operation as a separately managed unit, and despite sharply increased claims in the health branch was able to show acceptable results for 1982.

New business premium amounted to \$46.6 million, a gain of 12% over the \$39.3 million posted a year earlier. While increases occurred in each of the life, health and pension lines, the health branch was affected more by the economic downturn, particularly in London Life's traditional small business market. As a result a small loss was incurred in the group health business.

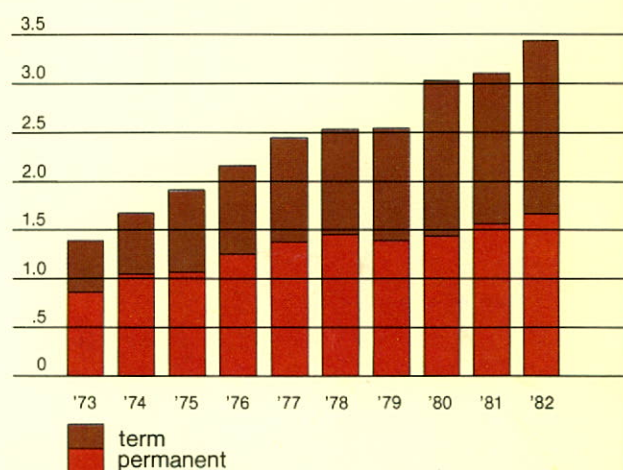
Strong sales results in the medium to large group contracts were successful in offsetting a decline in sales to the small case market. One feature of a depressed economy is that employees tend to increase their use of company health plans, particularly disability benefits.



London Life representative Jim Sheldon meets with a family to discuss their insurance and financial needs. Last year London Life recruited an additional 161 sales representatives making our national sales force the largest of any Canadian insurance company.

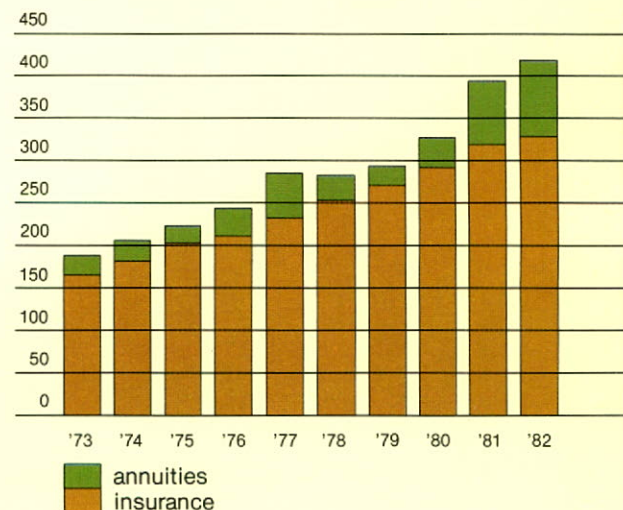
Individual Life Insurance Issued

in billions of dollars



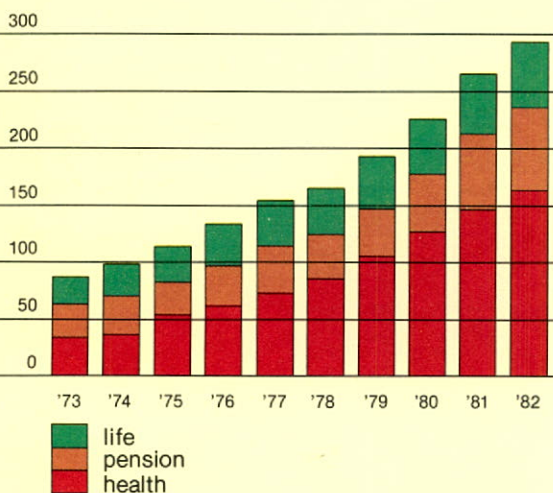
Individual Premiums

in millions of dollars



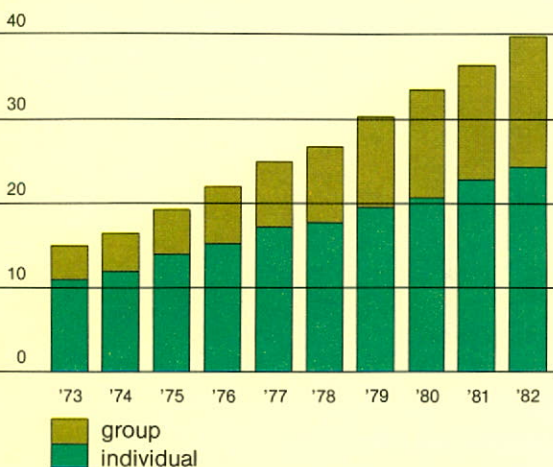
Group Premium Income

in millions of dollars



Total Insurance in Force

in billions of dollars



Recognition of this trend in 1982 led the company to offset higher claims levels with increased premium rates.

Premium growth declined in the group health area, due to depressed business conditions, higher unemployment and lower levels of inflation.

London Life has established a reputation for product service to large groups and we are putting special emphasis on this area.

Premium revenue for life and health business combined rose to \$221.3 million compared to \$194.6 million a year ago, an increase of 13.7%. Clients with London Life group coverage totalled 10,965 at the end of 1982, representing more than 630,000 insured individuals.

Pension Business Growth

New pension business growth reflects the concentrated effort of new product development in this area. The option to convert existing group annuity contracts to more acceptable investment vehicles has been well received. For the second straight year it has been possible to increase benefits for existing retired employees through the group annuity experience rating program.

During 1982 considerable progress was made in design improvements for computer systems supporting all group product lines.

A major undertaking launched at year end involved the winding up of the company's group life participating fund and a transfer of existing business to a new non-participating fund. This will involve a special dividend payout of more than \$11 million to clients in 1983. London Life was one of the few companies continuing to offer participating group life contracts.

Loss of business due to lapses will continue to be a concern should business failures and bankruptcies become even more prevalent throughout 1983. During 1982 the company identified 40% of its lapses in group contracts as a direct result of the financial difficulties of its clients.

The outlook for 1983 is tempered by the continuing effects of the depressed economy. Increased premiums in group health are expected to offset higher expected claims and restore adequate profit margins.

London Life continues to have the largest individual and group sales staff in Canada. The key to London Life's success in Group is the coordination of marketing efforts between Group sales and the Canada-wide agency force. Group sales has 90 specialists in 24 regional Group offices supporting the sales efforts of over 1,800 agents.

Investments

Net investment income for the year was \$418 million, an 18.3% increase from \$353 million earned for 1981. Net invested assets were \$4.4 billion in 1982, compared to the 1981 year-end total of \$3.9 billion, representing a 9.3% increase.

The earned rate on London Life's total investment portfolio reached 10.44% at year end compared to 9.54% in 1981. The portfolio yield is expected to increase further in 1983 and will be at levels in excess of short-term savings rates available in the Canadian financial markets in 1983. This change in interest rate relationships will provide owners of London Life traditional insurance products with more attractive returns.

Our generally improved investment returns were the result of several factors. Investment income and asset growth were supplemented by increased cash flow for reinvestment arising out of our policy of shortening the term of the portfolios, prevailing high interest rates through most of the year, and good growth in our annuity sales.

Bonds and Private Placements

A prime focus of London Life investment activity in 1982 was in both public bonds and private placements. We were able to achieve net additions to the bond portfolios in 1982 of \$303 million. This was the result of increased depth and specialization in the management of these portfolios and the reduced demand for mortgages experienced in 1982 due to recessionary factors. Within the bond and money market portfolios an active short-term trading stance was taken, which enabled London Life to take advantage of opportunities in the market.

1982 was the first full year of operation for our private placement activities and we committed more than \$90 million in investments. Although the primary emphasis was on debt-related investments, significant equity-related investments of \$7.6 million were also made. This program supported the development and growth of a wide range of companies and projects across Canada.

Our real estate investments were also successful. The company committed \$40 million which will result in the acquisition of interests in real estate valued at \$60 million. The strategy focussed on the acquisition of existing, fully leased, commercial properties in major urban areas across Canada. Among the major equity positions taken was the purchase of three industrial buildings, two in the Burnside Industrial Park in Halifax, Nova Scotia and the other in Lovell Industrial Park in Cambridge, Ontario. The remaining 50% ownership of 2001 University Street in Montreal was acquired. Other office building purchases included the Humford House in Regina, Saskatchewan, and a 50% interest in a four-building office complex on Baseline Road in Ottawa.

We had an active year in the common stock portfolio. During the year new common stock investments were made of \$21 million. One significant change in our holdings involved the sale of 779,053 shares of Canada Trustco Mortgage Company as part of a realignment of this portfolio.



This gas pipeline project in northwestern British Columbia undertaken by Pacific Northern Pipeline Ltd. was partially financed by London Life as part of its \$90 million private placement program during 1982. London Life has more than \$4.4 billion invested in real estate, bonds, mortgages, stocks and other assets.

Mortgages

Mortgages continued to be a major outlet for investment for London Life. However, overall mortgage activity was reduced due to economic conditions and a strategy of gradually reducing the percentage of total company assets in mortgages, thus providing a better diversification among investment portfolios and improved returns. New mortgage advances exceeded \$243 million and our residential and commercial mortgages in force totalled \$2.463 billion. Total mortgage approvals in 1982 were \$256 million.

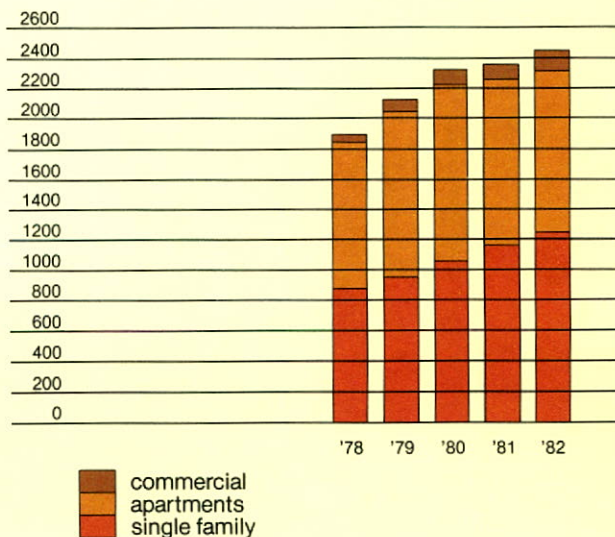
Mortgage Arrears

It is noteworthy that while the recession has caused an increase in mortgage arrears, London Life has proportionately fewer arrears than the industry due to a tradition of selectivity over the years. As at September 30, 1982 London Life mortgages three months or more in arrears were .25% by dollar volume compared to the industry average of .896%.

We had no losses in the mortgage portfolio during 1982. We feel this is an enviable record in the current economic times with the mounting loan losses being experienced by a number of Canadian financial institutions.

Mortgages by Type of Security

in millions of dollars





Construction was completed during 1982 on a one million-square-foot office tower in the College Park development in downtown Toronto. The project includes an apartment building and the Chelsea Inn hotel. A 600-room addition is planned for the hotel in 1983.

Toronto College Street

London Life owns a 60% interest in Toronto College Street Centre Limited, which is developing a mixed-use, 11-acre site in downtown Toronto. Development to date includes the Chelsea Inn Hotel, an office building and an apartment building. During 1982, construction was completed of a one million square-foot office building on the site with Maclean Hunter Limited as the major tenant. It is expected that construction on a 600-room addition to the Chelsea Inn will be commenced in 1983. London Life's total investment in Toronto College Street at this time is \$43 million.

New Technology

London Life has long been a leader in the application of information technology in the life insurance field. Through the continuing updating of systems during 1982 further advances were made in the integration of technology in the operation of the company.

More than 2,000 staff members are trained and authorized to use computing facilities and on a given day approximately 1,250 staff call upon the company's information processing facilities through over 800 terminals. Of the total resources required for effective administration and management of the company, 60 percent are being delivered through the use of technology in one form or another. Routine company operations are highly automated, and major management reporting systems have been developed during the past few years.

We continue to assign a high priority and considerable resources to systems because we see the aggressive pursuit and application of leading edge office systems technology as vital to productivity improvement and competitive effectiveness.

The near future, we feel, will see continued integration and strategic application of processing technology in our business. Particular attention will be paid to automation in support of our sales representatives in the areas of prospecting for new clients, supporting the sales role, and improving service to clients.

Administration

Human Resources

During 1982 London Life updated and expanded its comprehensive human resources policies and programs, paying special attention to staffing levels in the face of reduced market growth and taking a new initiative to increase the number of women in management.

Very early in the year it became apparent that the deepening recession would mean our planned hiring program could not be justified if the company was to hold the line on

costs and maintain desired productivity. Employment levels were carefully controlled in administrative areas and some staff reductions were allowed to occur through attrition bringing numbers of staff into line with current needs.

However, we actively recruited sales representatives and all net growth in staff was in our field operations. At year end the total number of London Life employees was 4,781, compared to 4,624 at the end of 1981.

London Life is a major employer of women with 75% of non-sales staff being female. Concerned that recruitment and promotion policies might not be giving the fullest possible opportunity for women to move into the ranks of management, we named a task force on human resources development with special emphasis on women. The 1982 report of that task force led to an action plan and management commitment to increase the proportion of women in management.

Customer Service

London Life has traditionally emphasized the provision of high quality service to our customers. Our sales representatives are regularly provided with training programs to increase their knowledge of company products and assist them in developing new contacts.

During 1982 we initiated a comprehensive study of customer service and the role of all employees in meeting customer needs. This is one of the first studies of its kind in Canada. We expect our research to tell us how much today's customer values service as compared to price, product characteristics and the proficiency of the sales force.

Head Office Modernization

A complete redevelopment of the Head Office facilities neared completion during 1982. This two-year modernization program employing new technology and state-of-the-art office planning makes our headquarters among the most efficient and modern of Canadian companies.

The modernization created a more convenient and efficient office environment employing the latest in electronic communication and record-keeping equipment, with extensive use of word processors.

The \$16 million renovation project resulted in more productive use of space and freed up 88,000 square feet for lease to business and professional tenants. This section of the headquarter facilities was renamed the Victoria Park Executive Centre and includes new corporate executive offices of London Life.

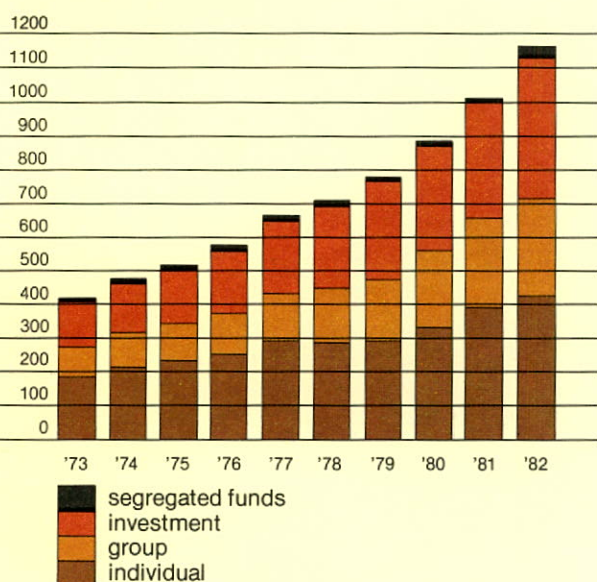
The 1982 annual senior management conference was videotaped so that the proceedings could be viewed by management staff throughout the company. Through such modern technology, effective two-way communication is encouraged at all levels of London Life.



London Life Financial Commentary

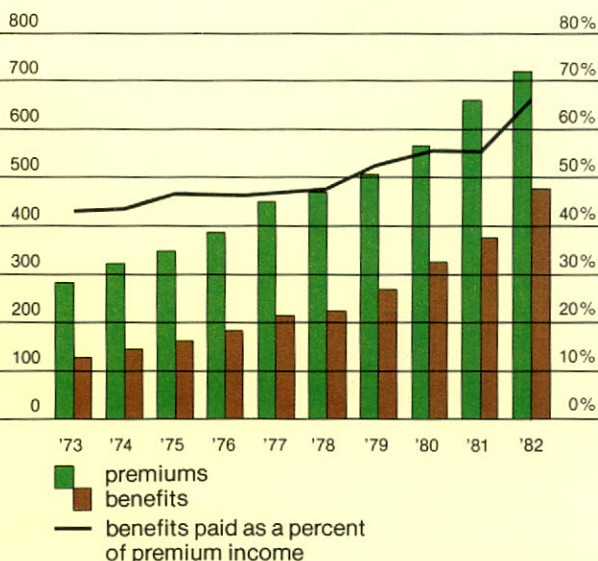
Income By Source

in millions of dollars



Benefits Paid/Premium Income

in millions of dollars



This detailed commentary and analysis of the Company's financial performance and status is a new feature for 1982. It should also be noted that the accompanying financial statements and notes contain disclosures additional to that provided in previous years, including an analysis of income.

The sales of both insurance and annuity products were affected by recessionary conditions and severe price competition. Increases in sales force size and productivity, together with the introduction of several successful new products overcame these conditions and enabled the sales volume to increase by 9.3%. Total income increased by 14.2% over 1981 to \$1.161 billion. Insurance premium revenues of \$552.8 million were \$39.4 million over the previous year, while annuity premiums of \$164.5 million were \$21.8 million over 1981.

High yields available in the capital markets, together with investment policy decisions to shorten term and increase liquidity, led to a record increase in return on invested assets of .90% from 1981. Investment income increased by 18.3% to \$418.0 million and the average rate of return on the portfolio was 10.44% for the year.

Operating expenses were \$185.8 million, an 11.7% increase over 1981. However, expense control procedures enabled the Company to constrain the increase in operating expenses below the growth rate of

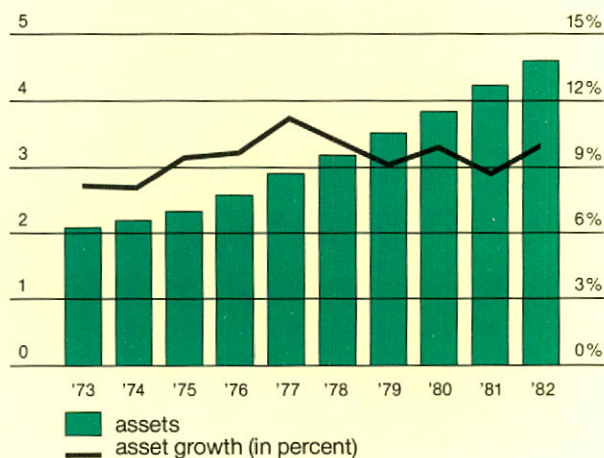
income for the past 10 years. Compensation for sales force and administrative staffs made up 79.7% of total operating expenses for 1982. These costs increased 11.1% during the year, while other operating expenses such as regional office rents increased by 15.8%.

Assets grew by 10.0%, an increase of \$418.1 million to \$4.618 billion. The bond portfolio grew 36.6% or \$303.9 million as a result of policy decisions to reduce the proportion of mortgages in the invested asset portfolio and to reduce the stock portfolio. Policy loans increased 8.8% over 1981, the lowest rate of increase since 1978 and the lowest year-over-year dollar increase since 1979. The proportion of policy loans outstanding to loans that could be made has stabilized at about 25%. Net income for the company was \$39.0 million. The policyowners' share of this net income was \$15.2 million, a decrease of 35.1% from 1981. The decrease in net income for policyowners was due to the increase in policyowner dividends of \$21.0 million.

Net income attributable to shareholders was \$23.8 million resulting in record earnings per share of \$47.54, an increase of 3.2% over 1981. In addition to the \$3.8 million transferred during the year to shareholders in connection with the payment of dividends, shareholders will be entitled, in connection with the payment of future dividends, to 2.5% of the 1982 net income for policy-

Total Assets

in billions of dollars



owners, or \$.4 million. This amount has been included in the determination of net income attributable to shareholders. Shareholder earnings are derived from the company's major lines of non-participating business: individual life insurance, individual annuities, group pension and group health. In addition, shareholders are entitled to 2.5% of the earnings of the participating policyowners' business.

Net income on individual non-participating life insurance was \$9.3 million on total income of \$65.4 million, a decrease of .9% from 1981. New business results in this line were disappointing due to severe price competition on term insurance products. As well, mortality experience was less favourable in 1982 than in the past several years. However, increased investment earnings were able to offset the combination of stagnant premium income and increased death claim costs.

Net income on the individual non-participating annuities line was \$1.6 million on total income of \$108.3 million, an improvement of \$2.8 million in net income over the 1981 loss of \$1.2 million. Income from this line has grown rapidly in the past two years as a result of the introduction of competitively priced products.

The group pension line was an important contributor to earnings with \$9.9 million net income on total income of \$120.5 million. This line has a substantial asset base that benefitted from high interest rates

available in the market, resulting in earnings that were 40.6% higher than in 1981.

The health insurance line had a loss of \$1.2 million in 1982, compared to the profit of \$3.8 million in 1981. Claims costs were substantially higher than planned, requiring a strengthening of reserves. While total income of \$183.8 million was 16.9% over 1981, the increase was not sufficient to offset the effect of increased claims and the reserve levels.

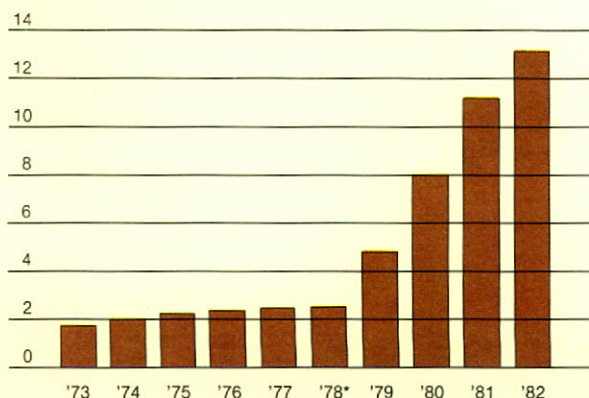
Shareholders earned \$4.2 million as their portion of the participating policyowners' businesses' income before dividends of \$166.6 million. The comparable earnings in 1981 were \$3.8 million. Shareholder dividends were \$13.00 per share, an increase of 18.2% over 1981. Shareholder dividends have increased from \$2.39 per share in 1977, an average growth rate of 42.9%. Return on shareholders' equity was 14.9%. The Company has achieved an average return on equity of 15.22% during the past four years.

Shareholder equity increased 11.1% to \$167.6 million. The ratio of shareholders' equity to related liabilities was 11.5%. Total equity of \$504.4 million increased \$32.5 million over 1981.

The book value per share was \$352.06, an increase of \$34.54 per share from 1981. Since 1978, book value per share has grown at an annual rate of 12.0%.

Dividends To Shareholders

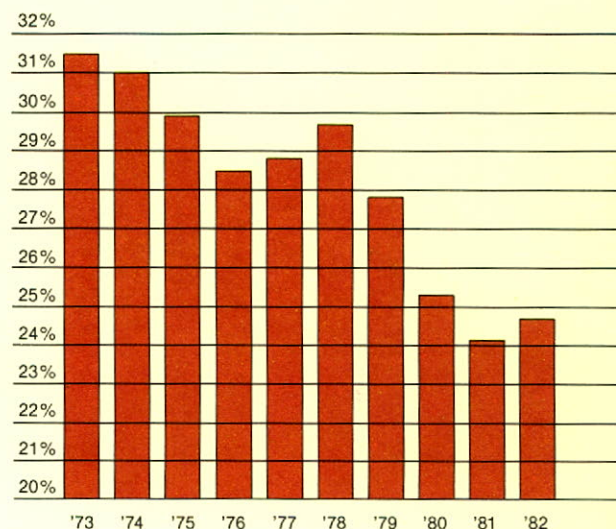
in dollars



* excludes special dividend of \$10.00 per share

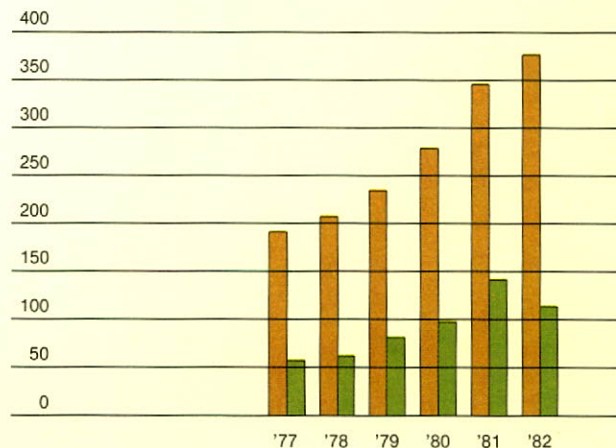
Net Operating Expenses/Premium Income

in percentages



Policy Loans

in millions of dollars



■ year end
■ new loans

Responsibility for Financial Statements

Board of Directors

The accompanying financial statements were approved by the Board of Directors which has overall responsibility for their contents.

Audit Committee

The Board of Directors is assisted in its responsibilities for these financial statements by its Audit Committee. This Committee consists of four directors not involved in the daily operations of the Company. The function of this committee is to:

- Review all formal financial statements and recommend them for approval to the Board of Directors.
- Review the systems of internal control and security.
- Recommend the appointment of the external auditors and their fee arrangements to the Board of Directors.
- Review other accounting, financial and security matters as required.

In carrying out the above responsibilities, this committee meets regularly with management and both the Company's external and internal auditors to approve the scope and timing of their respective audits and to review their findings and to satisfy itself that their responsibilities have been properly discharged.

Management

The annual report was prepared by management. The consolidated financial statements were prepared in accordance with the accounting policies prescribed or permitted by the Department of Insurance of Canada. Some of the assets and liabilities include amounts which are based on estimates and judgments as their final determination is dependent upon subsequent events. These estimates and judgments were based on information available up to January 31, 1983, the date the accompanying consolidated financial statements were approved by the Operating Committee. In the opinion of management the accounting policies utilized are appropriate in the circumstances and properly reflect the financial position, results of operations and changes in financial position of the Company within reasonable limits of materiality.

Valuation Actuary

The Valuation Actuary is appointed by the Board of Directors pursuant to Section 71.1 of the Canadian and British Insurance Companies Act. His function is to carry out an annual valuation of the Company's actuarial liabilities in accordance with the Recommendations for Insurance Company Financial Reporting of the Canadian Institute of Actuaries for the purpose of issuing reports to the external auditors, directors, policyowners, shareholders and Superintendent of Insurance. These reports express his opinion based on an informed judgment that:

- Good and sufficient provision has been made for all the obligations guaranteed under the terms of the policies in force.
- The assumptions for interest, mortality, morbidity and other contingencies are appropriate to the circumstances of the Company and the policies in force and are applied on consistent bases.
- The method used to calculate policy reserves produces a reserve in respect of each life insurance policy that is not less than the reserve produced by the use of methods as prescribed by statute.

External Auditors

Clarkson Gordon have been appointed external auditors pursuant to Section 78.1 of the Canadian and British Insurance Companies Act to report to the policyowners, shareholders and directors and to the Superintendent of Insurance regarding the fairness of presentation of the Company's financial position and results of operations as shown in the annual financial statements.

The opinion of the external auditors is based upon obtaining an understanding of the Company's accounting systems, procedures and internal controls. Based upon the evaluation of these systems the external auditors conduct appropriate tests of the Company's accounting records and obtain sufficient audit evidence to provide reasonable assurance that the financial statements are presented fairly and on a consistent basis. They are permitted, by statute, to rely on any reserve included in the financial statements in respect of which the Company's Valuation Actuary has given an opinion.

Consolidated Statement of Income

For the year ended December 31
(thousands of dollars except earnings per share)

	1982	1981	% Increase (Decrease)
Income			
Insurance premiums (note 9)	\$ 552,825	\$513,416	7.7
Annuity premiums (note 9)	164,535	142,777	15.2
Net investment income	417,955	353,175	18.3
Segregated funds' income	25,717	6,909	272.2
	1,161,032	1,016,277	14.2
Policyowner and beneficiary expenses			
Net increase in reserves established for future payment of contract liabilities	252,047	236,698	6.5
Health insurance benefits	131,789	105,590	24.8
Life insurance benefits	101,891	92,667	10.0
Life insurance policies surrendered	102,166	86,971	17.5
Annuity payments	109,011	83,949	29.9
Interest on funds left on deposit	51,449	43,603	18.0
Segregated funds' benefits	25,717	6,909	272.2
	774,070	656,387	17.9
Operating expenses			
Compensation for sales forces and administrative staff	148,173	133,361	11.1
Non-compensation expenses	28,935	24,987	15.8
Taxes on insurance premiums	8,727	8,085	7.9
	185,835	166,433	11.7
Income from operations			
	201,127	193,457	4.0
Dividends to policyowners	151,074	130,069	16.2
Net income before incomes taxes			
	50,053	63,388	(21.0)
Income taxes — current	1,250	7,515	(83.4)
— future	9,802	9,390	4.4
	11,052	16,905	(34.6)
Net income (notes 4 & 9)*			
	\$ 39,001	\$ 46,483	(16.1)
Earnings per share (note 4)			
	\$ 47.54	\$ 46.05	3.2

*includes shareholders' portion of net income of \$23,769 (\$23,023 in 1981)

(See accompanying notes)

Consolidated Balance Sheet

As at December 31
(thousands of dollars)

Assets	1982	1981	% Increase (Decrease)
Bonds and debentures	\$1,133,823	\$ 829,935	36.6
Stocks	103,051	164,037	(37.2)
Mortgages	2,463,413	2,439,571	1.0
Real estate			
Income-producing properties (note 8)	107,831	50,138	115.1
Head office premises (note 8)	18,111	14,567	24.3
Loans on insurance policies	373,882	343,789	8.8
Cash and short-term deposits	155,763	142,290	9.5
Total invested assets	4,355,874	3,984,327	9.3
Investment income earned but not yet received	68,036	51,144	33.0
Furniture, equipment and leasehold improvements (note 8)	15,192	8,085	87.9
Premiums earned but not yet received	21,295	20,637	3.2
Other assets	19,333	15,427	25.3
Segregated funds' assets	138,576	120,628	14.9
Total assets	\$4,618,306	\$4,200,248	10.0

(See accompanying notes)

Liabilities, capital stock and retained earnings	1982	1981	% Increase (Decrease)
Policy reserves which together with segregated funds' policy reserves, future premiums and interest earnings provide for the payment of benefits promised on all policies in force (note 2)	\$2,772,630	\$2,552,070	8.6
Other obligations to policyowners			
Dividends left by policyowners to accumulate with interest	489,083	452,222	8.2
Provision for future dividends payable to policyowners	153,119	130,458	17.4
Provision for unpaid and unreported claims	45,973	41,553	10.6
Premiums paid in advance of coverage period	15,308	12,624	21.3
Policy benefits left on deposit to accumulate with interest	11,910	12,343	(3.5)
Staff pension and insurance reserves (note 3)	333,466	301,979	10.4
Income and other taxes — current	14,057	10,048	39.9
— future	38,506	28,704	34.1
Other liabilities	101,299	65,741	54.1
Segregated funds' policy reserves and other liabilities	138,576	120,628	14.9
Total liabilities	4,113,927	3,728,370	10.3
Capital stock			
Authorized, issued and fully paid — 500,000 shares of \$2 par value	1,000	1,000	
Retained earnings			
Appropriated (note 5)	77,912	83,130	(6.3)
Unappropriated	425,467	387,748	9.7
Total capital stock and retained earnings	504,379	471,878	6.9
Total liabilities, capital stock and retained earnings	\$4,618,306	\$4,200,248	10.0

Consolidated Statement of Retained Earnings

For the year ended December 31
(thousands of dollars)

	Life branch Participating	Non- participating	Health branch	Shareholders' account	Total 1982	Total 1981
Appropriated (notes 1 & 5)						
Balance, beginning of year	\$ 53,713	\$ 17,917	\$11,500		\$ 83,130	\$ 70,431
Increase (decrease) in statutory investment reserves	(9,102)	(495)	(4,746)		(14,343)	7,070
Increase in other asset valuation reserves	5,127	3,230	768		9,125	5,629
	(3,975)	2,735	(3,978)		(5,218)	12,699
Balance, end of year	\$ 49,738	\$ 20,652	\$ 7,522		\$ 77,912	\$ 83,130
Unappropriated (note 4)						
Balance, beginning of year	\$267,432	\$113,979	\$ 5,643	\$ 694	\$387,748	\$359,464
Net income	19,396	20,668	(1,155)	92	39,001	46,483
Transfers to shareholders' account	(3,773)	(1,950)		5,723		
Appropriations (see above)	3,975	(2,735)	3,978		5,218	(12,699)
Dividends to shareholders				(6,500)	(6,500)	(5,500)
Balance, end of year	\$287,030	\$129,962	\$ 8,466	\$ 9	\$425,467	\$387,748

(See accompanying notes)

Consolidated Statement of Changes in Financial Position

For the year ended December 31
(thousands of dollars)

	1982	1981	% Increase (Decrease)
Sources of cash			
Operations			
Net income	\$ 39,001	\$ 46,483	(16.1)
Charges not affecting cash			
Additions to policy reserves	220,560	208,291	5.9
Additions to staff pension and insurance reserves	31,487	28,408	10.8
Increase in provision for dividends payable to policyowners	22,661	15,985	41.8
Other	24,513	21,411	14.5
Total from operations	338,222	320,578	5.5
Sale and repayment of mortgages	288,132	210,684	36.8
Sale and maturity of bonds and debentures	424,431	160,573	164.3
Repayment of policy loans	35,507	30,355	17.0
Sale of stocks	91,451	24,241	277.6
Increase in dividends due and left by policyowners to accumulate	36,861	23,164	59.1
Miscellaneous	5,285	4,551	16.1
	1,219,889	774,146	57.6
Applications of cash			
Advances on mortgages	316,872	325,050	(2.5)
Purchase of bonds and debentures	737,275	199,370	269.8
Advances on policy loans	66,041	95,717	(31.0)
Purchase of stocks	26,668	39,497	(32.5)
Purchase of real estate	44,085	26,760	64.7
Shareholders' dividends	6,500	5,500	18.2
Additions to furniture, fixtures and leasehold improvements	8,975	5,314	68.9
	1,206,416	697,208	73.0
Increase in cash and short-term deposits	13,473	76,938	(82.5)
Cash and short-term deposits, beginning of year	142,290	65,352	117.7
Cash and short-term deposits, end of year	\$ 155,763	\$142,290	9.5

(See accompanying notes)

Report of the Valuation Actuary

I have made the valuation of actuarial liabilities as set out in note 2 of the notes to consolidated financial statements, of London Life Insurance Company for its balance sheets at December 31, 1982 and 1981 and its income statements for the years then ended.

In my opinion, the valuations conform to the Recommendations for Insurance Company Financial Reporting of the Canadian Institute of Actuaries, the amounts of the actuarial liabilities make proper provisions for the obligations payable in the future under the Company's policies, and proper charges on account of those liabilities have been made in the income statements, all applied on consistent bases.

L. B. Fewster, F.S.A., F.C.I.A.

London, Canada
January 31, 1983

Auditors' Report

To the Policyowners,
Shareholders and Directors of
London Life Insurance Company:

We have examined the consolidated balance sheet of London Life Insurance Company as at December 31, 1982 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly, included such tests and other procedures as we considered necessary in the circumstances; we have relied on the opinion of the Company's Valuation Actuary as to the amount of the Company's actuarial liabilities as shown in note 2 and the related charges to operations.

In our opinion, based on our examination and the opinion of the Valuation Actuary, these consolidated financial statements present fairly the financial position of the company as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles described in note 1 applied on a basis consistent with that of the preceding year.

Clarkson Gordon

Chartered Accountants

London, Canada
January 31, 1983

Notes to Consolidated Financial Statements

For the year ended December 31, 1982

1. Summary of accounting policies

The accompanying consolidated financial statements have been prepared using accounting policies prescribed or permitted by the Department of Insurance of Canada. A summary of the significant policies is set out below.

Basis of consolidation

The consolidated financial statements combine the life and health insurance branches and include all wholly owned subsidiary companies. The revenues and expenses of these subsidiary companies are included in the consolidated statement of income.

Basis of accounting for non-consolidated long-term investments

Equity investments in Canadian real estate companies are accounted for on the equity method as prescribed by the Department of Insurance of Canada. Under this method these investments are carried at cost plus the Company's proportionate share of undistributed earnings since acquisition. The Company's proportionate share of net income is included in investment income.

Asset valuation

- Bonds and debentures in the life branch are shown at amortized cost minus or plus the balance of unamortized gains or losses on the disposal of such securities. The differences between the proceeds on disposal of the securities and their amortized costs are considered to be an adjustment of future portfolio yield and are amortized on a straight-line basis from the date of disposal to the date of maturity, or 20 years, whichever is less, as prescribed by statute. The balance of net unamortized losses added as at December 31, 1982 amounted to \$107,764,000 (\$108,383,000 in 1981). Gains and losses on the disposal of bonds and debentures in the health branch are recognized as realized.
- Stocks are shown at cost minus or plus an adjustment, as prescribed by statute, for realized and unrealized gains and losses. The net gains deducted as at December 31, 1982 amounted to \$18,752,000 (\$8,704,000 in 1981) and reflects the portion of the realized and unrealized net gains that will be taken into income in future years at 7% of the unamortized balance per year.

- Mortgages are valued at amortized cost less principal repayments minus or plus the balance of unamortized gains or losses on the disposal of such securities. The net unamortized losses amounted to \$40,135,000 at December 31, 1982 (\$26,855,000 in 1981) and are being amortized on a straight-line basis from the date of disposal to the maturity date, or 20 years, whichever is less.
- Real estate is shown at cost less accumulated depreciation.
- Loans on policies are shown at their unpaid balances and are fully secured by the cash surrender values of the policies on which the respective loans are made.
- Furniture, equipment and leasehold improvements are valued at cost less accumulated depreciation and amortization.
- Segregated funds' investments are valued at market.

Depreciation and amortization

- Income-producing properties are depreciated on a sinking-fund basis at rates based on the terms of the respective leases, or the estimated useful life of the property, whichever is appropriate.
- Head office premises are depreciated at various rates on a straight-line basis over their estimated useful lives.
- Electronic data processing equipment and furniture and fixtures are depreciated at various rates on a straight-line basis over their estimated useful lives.
- Leasehold improvements are amortized on a straight-line basis over the terms of the respective leases.

Policy reserves

Policy reserves represent the amount determined by the Valuation Actuary which, together with future premiums and interest, will provide for future benefits on insurance and annuity contracts. Policy reserves are equal to the minimum reserves required by statute recognizing a deduction for deferred acquisition costs. The reserves together with the provision for dividends payable to policyowners are not less than the cash value of the respective policies. The interest, mortality, morbidity and other assumptions used in the reserve calculations are appropriate to the circumstances of the Company and the policies in force. The deferred acquisition costs are amortized over all or part of the premium period of the policy within the limits prescribed by statute.

Income taxes

Income taxes are provided using the accrual method of tax allocation. Under this method, income taxes are provided on the basis of financial statement income rather than on taxable income. Accordingly, future income taxes are provided in the Company's accounts in respect of those elements of income and expense that are recognized for financial reporting and income tax purposes in different accounting periods.

The provision for future income taxes has been calculated by using the accrual method on a discounted basis. Under this method, the balance of future income taxes at the end of each year is determined by applying that year's effective income tax rate to the identified timing differences, and discounting the resulting amount to present value by using an appropriate interest factor and taking into consideration the period and manner in which such timing differences are expected to reverse.

Changes in the future income tax balances, arising due to changes in the interest rate assumptions or effective income tax rates, are included in income in the year in which such changes occur.

Distribution of net income

Distribution of net income to the participating policyowners and shareholders is determined by the Board of Directors. The net income available to shareholders includes those of the health branch, life branch non-participating policies, investment earnings credited to the shareholders' account and a portion of the life branch participating policies. The amount available for transfer to the shareholders' account from the life branch participating accounts is limited by statute to a maximum of 2½% of the income of the participating policies distributed to the policyowners and shareholders. All distributions are made by resolution of the Board of Directors.

Appropriated retained earnings

- Investment reserves

The investment reserves represent appropriations to provide for declines in invested asset values. The methods used in determining the amounts are the minimums as prescribed by statute.

- Other asset valuation reserves

Certain assets recorded in the accounts are excluded

by the Department of Insurance of Canada in their solvency tests. Because of this, the Company must appropriate retained earnings equal to the respective assets' net book values. These special reserves are shown as other asset valuation reserves and are in respect of the following:

- Furniture and fixtures
- Leasehold improvements
- Agents' debit balances
- Premiums in arrears more than 90 days
- Other non-admitted assets

2. Actuarial liabilities

The liabilities certified by the Valuation Actuary consist of the following:

	1982	1981
	thousands of dollars	
Policy reserves*	\$2,772,630	\$2,552,070
Provision for dividends payable to policyowners	153,119	130,458
Provision for unreported claims	28,150	24,219
Staff pension and insurance reserves	333,466	301,979
Segregated funds	137,349	120,524
	\$3,424,714	\$3,129,250

*after deducting deferred acquisition costs of \$157,009 in 1982 and \$143,457 in 1981.

3. Staff pension plan

The Company has a contributory pension plan which includes substantially all employees and sales representatives, and provides them with retirement benefits based on compensation and length of service. Current service costs for the Company's pension plan are expensed as incurred. These costs amounted to \$6,731,000 in 1982 (\$6,419,000 in 1981). A valuation of the pension plan was performed in 1982. There is no unfunded past service liability as at December 31, 1982 (\$1,203,000 in 1981). The pension plan's share of the Company's assets was \$312,028,000 as at December 31, 1982 (\$282,583,000 in 1981).

4. Distribution of net income

The net income of the Company is allocated between policyowners and shareholders according to the distribution of net income policy described in note 1 to these financial statements.

Net income attributable to shareholders includes 2½% of the earnings from participating policies before distribution to policyowners and shareholders. The amount transferred during the year was 2½% of the dividends distributed to participating policyowners. The amount eligible for future transfer to shareholders can be transferred only when dividends are paid to participating policyowners. The cumulative amount eligible for future transfer of \$8,419,000 at December 31, 1982 (\$8,029,000 in 1981) is included in the determination of book value per share.

The earnings per share of \$47.54 (\$46.05 in 1981) have been calculated on the basis of 500,000 shares and the following earnings attributable to the shareholders:

	1982	1981
	thousands of dollars	
Total net income	\$ 39,001	\$46,483
Less: Net income on participating policies	19,396	27,290
	19,605	19,193
Plus: Shareholders' portion of net income on participating policies:		
Transferred during the year	3,773	3,228
Eligible for future transfer	391	602
	4,164	3,830
Net income attributable to shareholders	\$23,769	\$23,023

5. Appropriated retained earnings

Appropriated retained earnings represent the following reserve amounts:

	1982	1981
	thousands of dollars	
Investment reserves	\$57,096	\$71,439
Other asset valuation reserves	20,816	11,691
	\$77,912	\$83,130

6. Commitments

The company has entered into lease agreements for furniture, equipment and regional office facilities for varying periods up to 1992. The approximate future payments are as follows:

	Regional Office Space	Equipment	Total
	thousands of dollars		
1983	\$ 5,073	\$ 3,547	\$ 8,620
1984	4,541	2,301	6,842
1985	3,668	1,991	5,659
1986	3,045	27	3,072
1987	2,321		2,321
1988-1992	5,543		5,543
	\$24,191	\$7,866	\$32,057

7. Comparative amounts

Certain of the 1981 amounts presented for comparative purposes have been reclassified to conform with the presentation adopted in the current year.

8. Real estate and fixed assets

	1982			1981
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
thousands of dollars				
Income producing properties	\$115,715	\$ 7,884	\$107,831	\$50,138
Head office premises	\$ 29,229	\$11,118	\$ 18,111	\$14,567
Furniture, equipment and leasehold improvements	\$ 25,766	\$10,574	\$ 15,192	\$ 8,085

9. Analysis of income

	1982			1981
	Premium Income	Investment Income Allocation	Net Income	Net Income
thousands of dollars				
Individual				
Life Insurance - Participating	\$283,854	\$230,893	\$23,186	\$ 23,029
Life Insurance - Non-participating	44,676	20,714	9,325	9,403
Annuities-Participating	11,226	11,067	887	1,507
Annuities-Non-participating	78,785	29,477	1,587	(1,250)
Total Individual	418,541	292,151	34,985	32,689
Group				
Life Insurance - Participating	58,215	8,580	(6,214) *	1,326
Life Insurance - Non - participating	14	33	(111)	1
Pension - Participating	1,130	3,044	1,049	974
Pension - Non-participating	62,020	58,473	9,862	7,015
Health Insurance	161,787	21,992	(1,231)	3,750
Total Group	283,166	92,122	3,355	13,066
Other	15,653	33,682	661	728
Total	\$717,360	\$417,955	\$39,001	\$ 46,483

*This amount includes a special dividend to policyowners of \$11.588 million less an income tax recovery of \$4.000 million.

London Life Directors and Senior Officers

Alexander H. Jeffery, Q.C.

Chairman of the Board

Allen T. Lambert, O.C.

Deputy Chairman of the Board

Joseph Jeffery

O.B.E., C.D., Q.C., LL.D.

Honorary Chairman of the Board

John H. Moore, LL.D.

Chairman of the Executive Committee

Earl H. Orser

President and Chief Executive Officer

John B. Cronyn

Corporate Director and Consultant
John Labatt Limited

J. Trevor Eyton, Q.C.

President and Chief Executive Officer
Brascan Limited

Melvin M. Hawkrigg

Senior Vice-President
Brascan Limited

Gordon D. Jeffery

Barrister and Solicitor

Patrick J. Keenan

Chairman and Chief Executive
Keewhit Investments Limited

A.J. Little

Director of Various Companies

Donald J. Smith

President
Ellis-Don Limited

J. Allyn Taylor, O.C.

Honorary Chairman
Canada Trust

John J. Wettlaufer, LL.D.

Professor
School of Business Administration
The University of Western Ontario

Committees of the Board

EXECUTIVE COMMITTEE

J.H. Moore, Chairman
A.H. Jeffery, Vice-Chairman
J.T. Eyton
M.M. Hawkrigg
Joseph Jeffery
A.T. Lambert
A.J. Little
E.H. Orser
J.A. Taylor

AUDIT COMMITTEE

A.J. Little, Chairman
J.B. Cronyn
M.M. Hawkrigg
P.J. Keenan

INVESTMENT COMMITTEE

E.H. Orser, Chairman
A.H. Jeffery, Vice-Chairman
M.M. Hawkrigg
Joseph Jeffery
J.H. Moore
J.A. Taylor

MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE

J.A. Taylor, Chairman
J.T. Eyton
A.T. Lambert
D.J. Smith
J.J. Wettlaufer

Vice-Presidents

D.E. Creighton

Senior Vice-President,
Individual Marketing

R.T.M. Allan

Vice-President, Investments

H.M. Ballantyne

Vice-President and Secretary

N.D. Epp

Vice-President, Finance

L.B. Fewster

Vice-President and Chief Actuary

C.L. Kimball

Vice-President, Group Insurance

R.G. Mephram

Vice-President, Administration
and Customer Service

Operating Committee

Vice-Presidents, chaired by President

Ten Year Review

(dollars are in millions except per share information)

	Compound Growth Rate		1982	1981	1980
	10 year	4 Year*			
New life insurance issued	13.5%	12.4%	\$ 5,752	\$ 4,350	\$ 4,211
Individual	10.3	7.9	3,357	3,023	3,005
Group	20.6	20.6	2,395	1,327	1,206
Total life insurance in force	11.5	9.8	39,828	36,179	33,383
Individual	9.1	7.0	24,216	22,946	21,597
Group	16.8	14.9	15,612	13,233	11,786
Premium Income					
Individual	9.2	9.9	419	393	330
Group	16.3	14.9	298	263	231
Benefits to policyowners and beneficiaries	15.2	19.9	471	377	325
Dividends to policyowners	12.9	18.3	151	130	117
Total assets*	9.5	9.4	4,618	4,200	3,860
Net investment income*	12.7	14.5	418	353	308
Investment return on invested assets*			10.44%	9.54%	9.16%
Net income total*		7.7	\$ 39	\$ 46	\$ 53
Attributable to shareholders*		24.5	24	23	23
Earnings per share*		24.1	47.54	46.05	46.43
Return on shareholders' equity *			14.9%	16.2%	18.6%
Book value per share*		12.0	\$352.06	\$317.52	\$282.48
Dividends to shareholders — per share**	12.6	49.0	\$ 13.00	\$ 11.00	\$ 8.00
Number of employees					
Sales	.5	1.4	2,275	2,089	2,084
Administration	(1.0)	.2	2,506	2,535	2,421

* As a result of the adoption in 1978 of certain changes in accounting principles, not all of which could be applied retroactively, the information for 1977 and prior years is not comparable with the amounts for 1978, and subsequent years.

** A special dividend was paid in 1978 in the amount of \$10.00 per share. This dividend was excluded from the growth calculations.

1979	1978	1977	1976	1975	1974	1973
\$ 3,837	\$ 3,606	\$ 3,290	\$ 3,495	\$ 2,610	\$ 2,208	\$ 1,793
2,482	2,473	2,428	2,147	1,922	1,704	1,442
1,355	1,133	862	1,348	688	504	351
30,202	27,404	24,547	21,862	18,947	16,957	14,996
19,828	18,462	16,917	15,241	13,754	12,394	11,163
10,374	8,942	7,630	6,621	5,193	4,563	3,833
299	287	287	248	226	209	191
195	171	156	134	112	99	85
271	228	215	183	162	143	125
92	77	66	62	57	52	50
3,513	3,223	2,926	2,625	2,392	2,188	2,023
276	243	212	186	162	145	129
8.92%	8.56%	8.23%	7.98%	7.42%	7.34%	6.95%
\$ 35	\$ 29					
12	10					
24.66	20.06					
11.1%	9.6%					
\$244.05	\$224.14					
\$ 4.75	\$ 12.64	\$ 2.39	\$ 2.24	\$ 2.20	\$ 2.00	\$ 1.80
2,071	2,154	2,112	2,056	2,052	2,166	2,172
2,478	2,490	2,480	2,468	2,536	2,719	2,767

London Life Administrative Officers

ACTUARIAL AND UNDERWRITING

A.S. Edwards, Director, Individual Actuarial Operations
J.E. Jeffery, Corporate Actuary
L.B. Sherwin, Director, Underwriting
I.R. Taylor, Actuary
J.S. Winder, M.D., Medical Director
J.B. Walker, M.D., Associate Medical Director

ADMINISTRATION AND CUSTOMER SERVICES

D.A. Bratton, Director, Human Resources
R.L. Low, Director, Regional Office Services
G.J. Tingey, Director, Individual Insurance Services
W.A. McCoy, Manager, Policy Change

CORPORATE AFFAIRS

J.G. Etherington, Director, Corporate Affairs

FINANCE

J.S. Andrachuk, Comptroller
I.P. Brady, Director, Information Services
J.C.A. Macdonald, Director, Taxation and Cash Management
D.J. McNaughton, Associate Director, Business Systems Development
J.H. Morris, Director, Operations Improvement

GROUP

R.E. Brown, Director, Group Insurance Administration
W.L. Cuthbert, Director, Group Pension
J.M. Littlehales, Director, Group Sales
J.A. Mereu, Group Actuary

R.H. Pyke, Area Director, West, Vancouver

A.A. Telfer, Area Director, East, Toronto

INVESTMENTS

R.D. Abercromby, Vice-President, Property Investments
T.W. Chapman, Director, Equities
G.A. Gloin, Director, Public Bonds
A.S. Murphy, Director, Private Placements

MARKETING

J.G. Cross, Director, Marketing, Individual Marketing
J.T. Morgan, Director, Advertising and Sales Promotion
T. Orr, Director, Consumer Affairs and Administration
J.B. Chick, Manager, Advertising and Sales Promotion

DISTRICT SALES DIVISION

B.R. Smith, Vice-President, District Sales Division
D.C. Anderson, Area Director, Halifax
C.G. Chenier, Area Director, Montreal
D. Goulden, Area Director, Vancouver
W.S. Kennedy, Area Director, London
D. MacDonald, Area Director, Winnipeg
K.M. O'Connor, Area Director, Hamilton
R.L. Reid, Area Director, Toronto

GENERAL SALES DIVISION

J.L. Carpenter, Vice-President, General Sales Division
J.P. Deschenes, Area Director, Eastern, Montreal
J.A. Fowler, Area Director, Central, Toronto
O.J. Keehr, Area Director, Western, Regina

London Life Regional Offices

London Life maintains a network of 148 offices across the nation. These offices provide service for both individual and group insurance and for the administration of London Life's extensive mortgage operations. In both Edmonton and Montreal there is one office which handles group insurance claims exclusively.

British Columbia

Burnaby (2 offices)
 Nanaimo
 Surrey
 Vancouver (7 offices)
 Victoria (2 offices)

Alberta

Calgary (6 offices)
 Edmonton (6 offices)
 Lethbridge
 Medicine Hat

Saskatchewan

Moose Jaw
 Regina (2 offices)
 Saskatoon (3 offices)

Manitoba

Winnipeg (6 offices)

Ontario

Barrie
 Belleville
 Brampton (3 offices)
 Brantford
 Brockville
 Burlington
 Cambridge
 Chatham
 Cornwall
 Guelph
 Hamilton (5 offices)
 Kingston (2 offices)
 Kirkland Lake
 Kitchener (3 offices)
 London (5 offices)

Niagara Falls

North Bay
 Orillia
 Oshawa (3 offices)
 Ottawa (4 offices)
 Peterborough
 Pickering
 St. Catharines (3 offices)
 St. Thomas
 Sarnia
 Sault Ste. Marie
 Stratford
 Sudbury (3 offices)
 Thunder Bay
 Timmins
 Toronto (21 offices)
 Welland
 Windsor (2 offices)
 Woodstock

Quebec

Montreal (17 offices)
 Rouyn-Noranda
 Sherbrooke
 St. Hyacinthe
 Val d'Or

New Brunswick

Moncton (2 offices)
 Saint John (2 offices)

Nova Scotia

Sydney
 Dartmouth
 Halifax (4 offices)

Newfoundland

St. John's

***Trilon
Financial
Corporation***



Registered trademark in Canada of London Life Insurance Company
Head Office | London Canada