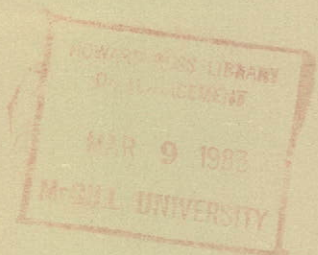


# Annual Report 1982

The Imperial Life Assurance  
Company of Canada



**IMPERIAL LIFE**



**T**he Imperial Life Assurance Company of Canada, incorporated in 1896 and a member of The Laurentian Group of companies since 1977, issues a comprehensive line of coverages designed for today's growing insurance market. The range of plans includes all the usual forms of life, term and disability income insurance; annuities; equity plans; employee benefit plans for life, health, long-term disability and pensions; and group creditor life insurance. In addition, the Company sells personalized property/casualty insurance in the Province of Ontario, Canada.

With its Head Office in Toronto, Ontario, Imperial Life has branches and sales offices throughout Canada, in Great Britain and in The Bahamas. Its American subsidiary, Loyal American Life Insurance Company, based in Mobile, Alabama, is licensed to operate in 47 states and the District of Columbia.

In this year's annual report we are featuring photographs of our sales representatives and staff whose extensive knowledge of our products and services ensures that our policyholders receive professional and competent advice on their insurance needs. Shown on the front cover is John Palmer, C.L.U., of the York Branch in Toronto, engaged in an interview with clients. The photographs inside the report depict the employees and agents of Imperial Life at work.





## The Year in Review

As we indicated in last year's annual report, we anticipated that 1982 would be a difficult year. The uncertainty emanating from Mr. MacEachen's budget of November 1981, combined with the decline in the economy generally, were the most significant factors. These concerns turned out to be correct in that we had a very sharp drop in annuity business, and although activity in this area improved during the latter half of 1982, our final results fell considerably short of 1981.

The life insurance industry, through the Canadian Life and Health Insurance Association, entered into numerous discussions with members of the government as well as with officials of the Department of Finance to express our serious concerns and to appeal for a considerable number of modifications in the proposed tax legislation. The main issues were clarified considerably in the subsequent revised federal budget in June, and further modifications were agreed upon in December following the cabinet shuffle in which Mr. Lalonde took over the ministry.

The concessions made were a great improvement over the initial proposals. However, the uncertainty created during the period of negotiation and revision made it difficult for our representatives to advise their clients confidently, which in turn created consumer reluctance to make decisions about the purchase of insurance products when their tax status was unknown.

Once the main issues were clarified with regard to the taxation of the interest accumulation of cash values, and guidelines were formulated determining exempt and non-exempt insurance plans, activity picked up considerably. We believe that almost all of the life insurance products now sold by the Company fall into the definition of exempt insurance plans. Sales of whole life and term plans registered a sharp improvement in the latter half of the year.

Poor economic conditions are expected to continue, at least throughout the first half of 1983, and this is bound to affect our growth in both profits and assets this year.

As a result of the state of the economy, the Company's management felt that some major steps should be taken to reduce our operating costs. In September we embarked upon a value analysis program in Canada to review all our procedures both in Head Office and the branches in an attempt to improve our efficiency and the effectiveness of administrative procedures. In addition, we offered an enhanced early retirement program to staff members 55 years of age or older. Out of 77 people to whom this was offered, 55 accepted, and only 13 of these were replaced. We went through a



total revision of our travel expense guidelines and placed a freeze on any staff additions or replacements, unless approved by the President. In taking these measures, we were able to keep our costs well below budget, and look to further cost reductions as our value analysis program proceeds during 1983.



In order to prepare ourselves for the anticipated growth in pension business, we created a separate group pension department and activated a subsidiary company, Impco Investment Management Limited, to manage pension funds. Both of these organizations will benefit from the installation and start-up of our new Corfax pension system, which is scheduled for early 1983. Advances were also made during 1982 in the restructuring and rebuilding of our data processing operations at Head Office, which will be key in the future to the servicing of our policyholders and field force. Another initiative that has proven to be most successful was the licensing of our Ontario-based sales representatives to sell property/casualty insurance products through The Laurentian Shield, a member of The Laurentian Group of companies. In addition, the training program developed by the Company to train its agents in these product lines proved to be so successful that we are now marketing it to other insurance companies.

Our organization in Great Britain had a very busy year. Activities included the launch of new unit-linked products, the entry into the guaranteed income bond market, the implementation of changes in the organizational structure of Chief Office, and the introduction of new systems for work measurement and management control. Work continued on the installation of data processing equipment, although at a slower pace than anticipated, and new offices for the Investment Department and some senior officers were opened in London.

Our American subsidiary, Loyal American Life Insurance Company, based in Mobile, Alabama, had an excellent year with net income for 1982 at \$5.2 million, compared with \$4.8 million in 1981. Earnings were well in excess of those of any preceding year, principally as the result of investment performance, improvements in their line of cancer insurance and a good level of capital gains. Although sales were below budget, they were augmented by the purchase from two companies of blocks of health business with annual premiums of \$2.2 million.

Imbrook Properties Limited, our Canadian real estate subsidiary, considerably expanded its asset base through the purchase of 15 properties in Western Canada, valued at \$80 million.









Total premium income of Imperial Life rose marginally from \$368,407,000 in 1981 to \$370,586,000 in 1982. The net income from interest, dividends and rents continued to grow strongly, reaching \$153,377,000 in 1982, compared with \$135,395,000 in 1981. The net rate of interest earned on the life and health assets increased from 11.62% in 1981 to 11.83% in 1982. Total life insurance in force increased from \$15,087,414,000 in 1981 to \$16,070,375,000 in 1982 and total assets including subsidiary companies reached \$1,975,734,000, an increase of more than \$253 million over the 1981 asset total of \$1,722,423,000.

The total liabilities for insurance and annuity contracts, including reserves for segregated investment funds, rose to \$1,809,237,000 at December 31, 1982.

Payments to policyholders and beneficiaries aggregated \$218,994,000 during the year, compared with \$200,499,000 in 1981. This total includes \$83,532,000 in death, disability and health claims and \$20,949,000 in dividends to holders of participating policies.

Consolidated non-par and shareholders' account earnings totalled \$4,015,000 after payment of dividends on preferred shares, compared with \$6,189,000 in 1981. The earnings per common share in 1982 thus amounted to \$4.02, compared with \$6.19 in 1981. It should be noted that our lower earnings in 1982 are mostly attributable to the peremptory change in the tax environment for life insurance and annuity sales. In the earnings reported for 1982, both realized and unrealized gains and losses on real estate investments have been brought into income on a basis similar to that used for common stock investments; this approach provides for a more consistent flow of earnings on these investments and allows each generation of policyholders to benefit from these earnings. The quarterly dividend to shareholders was raised to \$0.55 per common share at the beginning of the year, but no special dividends were declared during the year.

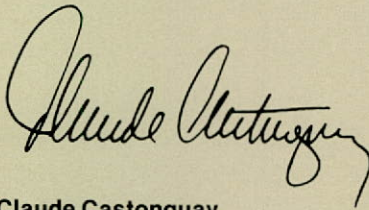
Holders of participating policies received dividends totalling \$20,949,000 in 1982, more than \$2,220,000 above those paid in 1981. The year closed with net earnings for the participating life insurance and annuity account of \$13,417,000, compared with \$11,444,000 in 1981.

In April of 1982 we were deeply saddened by the death of former President and Chairman of the Board, Mr. A. Ross Poyntz, who at the time of his death was a member of the Board of Directors. Over the years he had made a significant contribution to Imperial Life. His friends and colleagues will remember him not only for his superb intellect and judgment, but also for his immense integrity.

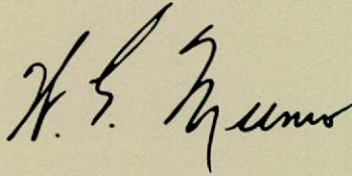


In November of 1982 Mr. Jean-Marie Poitras, O.C., stepped down as President and Chief Executive Officer of The Laurentian Mutual Insurance and Chief Executive Officer of The Laurentian Group Corporation, to be succeeded by Mr. Claude Castonguay, C.C., F.C.I.A. Mr. Poitras has been the driving force behind the success and growth of The Laurentian Group for many years, but The Group will not lose the benefit of his energies, insight, and enthusiasm since he will remain as Chairman of the Board of both The Laurentian Mutual Insurance and The Laurentian Group Corporation.

It is only fitting that we pay tribute to the contributions made to the Company by our sales representatives and staff during 1982. It was a difficult year, fraught with unexpected changes and considerable disappointments about the performance of the economy. Our results attest to the fact that our agents and staff made enormous efforts to cope with this confusing environment and our success is largely due to their perseverance and their willingness to devote themselves to the job at hand. Even though it is unlikely our economy will pick up to any significant degree, at least during the first half of 1983, we are confident that with sound, competitive products and devoted, competent staff, we will continue to grow and prosper.



**Claude Castonguay**  
Chairman of the Board



**W. G. Munro**  
President

Toronto, Canada  
February 23, 1983



## Marketing — Canada and The Bahamas

**T**he past year was an extremely difficult one for the North American marketing operations of Imperial Life. After three years of extremely rapid growth in new individual premiums, we were faced in November 1981 with a new federal budget that had very negative effects not only on our sales of life insurance, but more particularly on the sales of income averaging annuities and non-registered deferred annuities. In the past Imperial Life had developed an extremely strong position in these two areas, capitalizing on the opportunities of the marketplace.

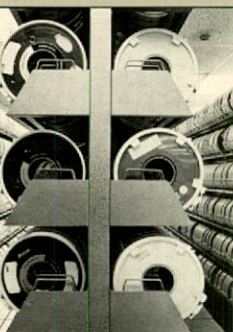
We were able to counter quickly the negative effects of the budget on basic life insurance through positive marketing actions and new product development. To a lesser extent, we were able to overcome the loss of income averaging annuities by a more vigorous approach to immediate annuities. However, we were not able to combat the effects of the federal budget on single premium products where we had previously held a predominant market position. The net result was a decrease of nearly 47% in total individual premium income in 1982. Our attainment of \$72,524,000 in premium income, compared with \$135,581,000 in 1981, was a reasonable result. The 1982 premium income did not contain \$31,000,000 in income averaging annuities or \$27,000,000 in flexible premium retirement annuities since single premium sales were adversely affected by tax legislation.

It is a credit to our field organization that they were able to adjust their marketing approaches to place greater emphasis on other product lines, each of which showed very good gains. The support of both marketing division personnel and other corporate staff in providing new products and investment opportunities enabled us to avert what could have been very dismal results.

New individual life and term premium income set new records at \$7,300,000, up 15% over the 1981 results of \$6,327,000. Flexible premium retirement annuity new premiums reached nearly \$30,000,000, up 68% over 1981. Single premium immediate annuities totalled nearly \$30,000,000, an increase of 3% in the year as well.

We experienced a small decrease of 19 in manpower during the year, compared with a very substantial gain of 49 in the previous year. However, our experienced manpower gain was the best of the past three years, and our retention rates improved substantially.

Overall there were very good increases in all our product lines, except those directly affected by the budget and we experienced an increase of 5% in our case activity in individual life and term products.











During the year we completed our first full year of selling property/casualty insurance through all our branches in Ontario. We achieved our targets and showed a 208% increase in home and auto premiums, amounting to \$1,100,000, based on 3,500 cases.

Overall, premium income from individual marketing in Canada and Nassau, both first year and renewal premiums, increased at a satisfactory rate. Also, the average size of case and the average premium per case showed quite satisfactory gains.

It is interesting to note that Best's Insurance Survey of the 500 leading life insurance companies in North America, based on premium income, showed our 1981 position to be very satisfactory. On this basis of comparison using total company premium income, we were the 80th largest company in North America in 1971, the 72nd largest in 1980, and the 67th largest in 1981. Our ten-year growth rate was 16.3%, compared to the industry's rate of 14.7%. In 1981 our growth rate was an exceptional 26.2%.

During 1982 we re-evaluated our marketing distribution system and rededicated ourselves to the concept of a career agency system. With this in mind, we reviewed our product portfolio and redesigned several of our plans, the most notable of which was the Executive Whole Life plan, launched in October of 1982. This product proved to be an instant success with very strong sales in the last quarter of the year, particularly in the area of term conversions.

A new Guaranteed Income Accumulator plan was introduced in December of 1982, which, coupled with changes in our Multiflex plan, should provide us with very strong growth in accumulation plans, particularly RRSP's and deferred profit sharing plans.

We have ambitious plans for product development in 1983, including our smoker/non-smoker rates for basic life plans, the development of sub-standard annuities and adjustments to our disability income rate structure. Beyond these, three major initiatives are scheduled for implementation in 1983. The first of these is a response marketing product, called "Protection Plus," offered to our present policyholders as a hedge against inflation. We anticipate that through this program we can increase the incomes of our sales representatives and achieve 8,000 sales accounting for \$2,400,000 of additional premium income during 1983. Under the direction of W. L. Stanley, F.L.M.I., we will open a women's financial planning centre in Toronto based on new and experimental marketing initiatives. We are hopeful that this concept can be expanded to all our branches in Canada and Nassau in the years ahead. In 1982 we introduced computer-based branch office support systems in Toronto and Winnipeg. The success of these pilot projects will be evaluated in 1983 with the intention of extending them eventually throughout our entire branch network.



We intend to support products through a sales strategy and administrative backup that will simplify functions and open avenues for sequential sales. The purpose of these initiatives is to expand our product lines, thus increasing agents' productivity and incomes. In addition, we plan to alter the nature of our agents' jobs so that they are able to spend more time counselling prospects and clients face-to-face.

The key to a successful agency system of the future lies in improving productivity substantially, thus improving retention rates of agents, and enhancing the attractiveness of a sales career, while at the same time bringing about reduced expense ratios. At Imperial Life we feel that we are not only pioneering in these areas, but leading the industry with innovative and exciting initiatives.

### **Great Britain**

**T**he past year was a positive one for Imperial Life in Great Britain with successes and innovations in many areas. There were also a few disappointments despite a commendable twelve months' effort by all the members of the British organization.

Our activities were conducted against a mixed economic background. Inflation and interest rates fell, but sterling weakened, unemployment rose, and the gross national product was stagnant.

New premium income for the year totalled nearly £22 million. Of this, more than £12 million was produced by our field force with sales of plans in our regular portfolio, an increase of 16.4% over 1981. Traditional life insurance plans remained the largest selling product line, accounting for 34% of the £12 million total. However, growth in this sector was limited to 5% against a 28% growth in unit-linked sales, a 57% growth in individual pension sales, and a 33% growth in single premiums. The moves towards the tax-effective individual pension market and the unit-linked sector reflect general trends in our industry and will see further development in the future.

The overall increase in business sold by our field force was above objective and was achieved in the main through higher productivity, average monthly sales increasing from 5.3 to 5.5 per life underwriter and average monthly premiums rising from £1,860 to £2,109. Total field force personnel increased marginally to 409, but this growth was substantially below objectives. Consequently, field recruitment remains a problem to be tackled in 1983.

As part of our planned expansion program, a new branch was established in Canterbury, Kent, and a further branch and sales office was opened in London.



The regionalization of field force management continued with the appointment of two further regional managers and our marketing thrust was strengthened with developments in the marketing services area. Notable amongst marketing services' activities was the introduction of video playback equipment into each branch and the production of the first in a series of video programs designed to assist recruitment, training and motivation.



The high point of the field force year was November, which was designated Jean-Marie Poitras month to mark Mr. Poitras' retirement as President and Chief Executive Officer of The Laurentian Mutual Insurance and Chief Executive Officer of The Laurentian Group Corporation. It resulted in both a new record for field force production and in record levels of individual productivity, with one life underwriter, Mr. Christopher Coleridge Cole of Whitehall branch submitting an astonishing 112 applications during the period.

In the second half of the year we entered the guaranteed income bond market for the first time. The bond was offered in two blocks totalling almost £10 million. Both issues were fully subscribed and the single premiums resulting made up the balance of our £22 million total of new premium income. The bond was marketed through both our own field force and the insurance broking subsidiaries of the four main clearing banks. This was a corporate undertaking, involving all divisions of the organization, and will have a positive effect on our earnings per share.

In order to help control increases in operating costs, we engaged management consultants to examine our organizational procedures and to introduce systems for work measurement and management control. This study indicated that it was possible to reduce the number of Chief Office staff in Guildford, Surrey, while at the same time increasing the amount of work handled. Some redundancies became evident in Chief Office, and these situations were treated both generously and on an individual basis. The number of these cases was kept to a minimum by a freeze on new recruitment and some early retirements.

Work continued on the preparations for our new computer to go on-line in 1983. Conversion had been planned for 1982, but this proved not to be possible and was a major disappointment. We recruited Mr. Nigel Ratcliffe as Head of Information Systems, a significant appointment in assuring a satisfactory conversion and the subsequent successful development of our computer operations.

At the end of 1982 the Company's assets under management in Britain exceeded £210 million at book value. The main life fund grew to £133 million and was invested 41 % in gilts and debentures, 33% in property, and 13 % in equities. Our separate asset funds continued to perform well, and a number of them were featured during







the year in the top 10 funds in their category in a survey produced by a leading financial journal. In particular the pension managed fund, which over the seven years to 1982 achieved an average growth rate of more than 17% every year, was a valuable advantage to the field force in its penetration of the individual pensions market. During the year the Investment Department moved to our prestigious new offices which house our board room near Buckingham Palace.

In November the mayor and mayoress of Guildford opened our new training centre in Chief Office, visible evidence of our commitment to the training and development of individuals as a means to better efficiency, professionalism and improved standards of service to both policyholders and our field force. This aim is also reflected in our widely-reported support for a system of licensing for life assurance intermediaries, a principle advocated by the Life Insurance Association and its 1982-83 President, Mr. George Ratcliffe, Manager of our Manchester branch.

As we enter 1983, we still face an uncertain economic picture. However, we have ambitious plans and targets which will help ensure that our policyholders and shareholders continue to receive an improving return.

### **North American Group Operations**

**I**n North America the group life and health insurance industry experienced adverse external pressures on its production and growth during 1982. The generally poor economy forced employers to search for ways to improve their cash flow; it caused employers to hold or decrease their staff levels; and it brought about increased bankruptcies. All of these have had a negative effect on the sale and growth of employee benefit plans. As well, employers showed less interest in health and dental plans during the first six months of the year when uncertainty about the tax status of these plans prevailed as a result of the federal budget proposals.

Imperial Life's North American group operations were not immune to these external pressures. Group life and health sales were dampened, particularly during the first half of the year when the lingering federal tax proposals were still on the table. In-force groups did not show the growth we anticipated because of staff freezes, staff decreases and lay-offs in many employer groups and unions. We experienced higher plan terminations and lower premium growth for our group life and health accounts because of increased bankruptcies and cash flow problems faced by employers. Higher plan terminations were also the result of our own actions to turn around unprofitable cases on the books. However, in spite of these adverse events, in-force annualized group life and health premiums grew from \$62,846,000 to \$68,845,000 or 9.5%, which compares quite favourably with industry growth estimated to be between 8% and 10%.





Imperial Life's North American group pension operations showed high new sales and strong growth in 1982. New group pension sales produced \$30,577,000 of premium income, including \$26,902,000 of single premium business. Total pension premium income climbed from \$27,013,000 to \$60,642,000, a 124% increase. We expect to see continued strong growth in group pensions during 1983 since our investment performance has been excellent and because our new pension administration system will be able to handle new business early in 1983. In addition, Canadians are continuing to express interest in the need for more and better pension arrangements.

During 1982 we bolstered our field organization by adding experienced group representatives to our group offices in Toronto, Calgary and Vancouver. In addition, we added an experienced group manager to our Montreal group office. Plans were formulated so that Loyal American, our U.S. subsidiary, will write all future group life business in the United States. This change enables Imperial Life to concentrate on the Canadian and Bahamian markets, and allows us, through Loyal American, to expand our group life market to the 47 states and the District of Columbia where Loyal American is licensed to operate.

We continue to emphasize excellence in customer service as a priority in our day-to-day operations, with the firm belief that this is crucial to our profit and growth objectives.

We are entering 1983 very positively with a financially solid block of business on the books, capable and dedicated staff and field representatives, a budget of lower increases in expenses due to our cost management program, and a more optimistic outlook for an improved economy, lower inflation, interest rates and taxation.

## **Investments**

**T**he economies of Canada and the United States plunged more deeply into recession in 1982. Unemployment rose to record levels for the post-war period. The financial condition of businesses large and small deteriorated acutely, forcing sharp cutbacks in capital spending. As well, the number of bankruptcies soared. In the U.K., the recovery, which was beginning to take shape the year before, stalled. Other major economies, that of Japan and the European countries as a whole, weakened further and recession rapidly became a world-wide phenomenon, affecting all countries and every economic sector.



By summer the Federal Reserve Board in the United States found that policies of restraint designed to contain inflation had set in motion unexpectedly severe recessionary forces. The major concern was no longer inflation, but the precarious condition of the international financial system as well as growing domestic pressures. The Board responded to this quickly by reversing the course of its monetary policy and moved aggressively to reduce interest rates in U.S. money markets. The North American bond and stock market recovered strongly as interest rates dropped. Other key stock markets in Japan, West Germany and France firmed up and the U.K. market, which had held up remarkably well, rose to new highs.

Even though Imperial Life's cash operating income was some 11 % lower than in 1981, as the result of lower single premium annuity sales in Canada, funds available for discretionary investment were \$153,000,000, 3 % above the previous year. Somewhat surprisingly, given the economic environment and the relatively high level of interest rates that still prevailed, policy loan demand was only moderate. The increase overall in loan balances amounted to less than 8 %.

The dramatic, world-wide downturn in interest rates caused us to extend significantly the term of Imperial Life's debt securities and to reduce our short term money market holdings. We made substantial purchases of government bonds in all areas to take advantage of the rising markets after mid-year. However, since bonds and money market instruments are combined on a consolidated accounting basis, these bond assets showed an increase on the year of only \$13,900,000.

Mortgage markets shrank in response to reduced demand caused by economic contraction and high interest rates earlier in the year. Later, as rates declined, borrowers stayed on the sidelines awaiting further rate reductions. As a result, on a consolidated basis, the net increase in the mortgage account for 1982 was only \$23,000,000.

Stock markets were on a roller-coaster ride during the past year. In the early months of deepening recession and deteriorating corporate profits, we were inactive investors, upgrading portfolio quality and retaining the buying reserves established from sales in 1981. Later, the turnaround in market sentiment, resulting from the favourable effects of lower interest rates, brought the reactivation of stock portfolio acquisitions. For the year there were net purchases of \$16,800,000 by Imperial Life's general fund, including the acquisition of a further 35 % interest in Castlemere Properties Limited in Great Britain. On a consolidated basis, stocks increased by \$15,000,000.

During the year the amount invested in real estate increased by more than \$71,000,000, primarily through the activities of our various subsidiary property companies. Some \$26,000,000 of this was funded through loans and mortgages and was carried in the liabilities.









As the result of a new treatment of real estate in the accounts, 7% of the realized and unrealized gains and losses are flowed through income and the book value is adjusted by formula on a basis comparable to the treatment for stocks. This is more fully described in the "Summary of Significant Accounting Policies" on page 23. On a gross consolidated basis, general funds property assets increased to \$256,576,000.

A good increase in clients and in contributions, coupled with gains in market values in all categories of assets, increased the total value of our segregated funds by 30%, or \$105,000,000.

Despite the poor economic environment, Impco Health Services Ltd., the Company's subsidiary providing corporate medical and fitness examinations in Canada, had an 8% increase in its revenues. Impco Health undertook some 4,250 examinations for 330 corporate clients and managed 14 corporate fitness programs with over 900 individual participants.

Including the assets of Loyal American Life Insurance Company, whose activities are dealt with separately in this report, the total of consolidated assets reached \$1,975,734,000 at the end of 1982.

The general decline in interest rates through the year resulted in a smaller increase in the net yield rate earned on invested assets. The rate for combined life and health assets of Imperial Life in 1982, calculated on a basis comparable to that of the previous year, was 11.83%, an increase of .21%.

### **Loyal American Life Insurance Company**

**L**oyal American Life Insurance Company, based in Mobile, Alabama, has been a subsidiary of Imperial Life and a member of The Laurentian Group since April, 1980. Licensed in 47 states and the District of Columbia, it writes individual and group life and health business.

Loyal American has handled all new individual sales in the United States for The Laurentian Group since 1980. Late in 1982 steps were taken to have Loyal American replace Imperial Life as the writer of several innovative and competitive group coverages in the United States. This transfer process will be completed in 1983.

In February Mr. Matthew Metcalfe became Vice-Chairman of the Board, and Mr. H. A. Rippy, Jr. succeeded him as President. Mr. Metcalfe remains as Chief Executive Officer and Mr. Rippy will function as the company's Chief Operating Officer.





Sales results in 1982 equalled the record pace of 1981. Earnings exceeded those of any other year and surpassed by a wide margin the general trend of earnings in recent years. Sales were augmented by purchases from two companies of blocks of health business with annual premiums totalling \$2.2 million.

Total GAAP income of \$28.3 million consisted of premium income of \$22.8 million and investment income of \$5.5 million. Benefits paid and increases in the provisions for future benefits totalled \$14.6 million. GAAP expenses and the provision for deferred income taxes totalled \$9.5 million. With realized capital gains of \$1.0 million, GAAP net income for 1982 was \$5.2 million.

The net earnings of \$5.2 million compared most favourably with those of all earlier years, including the previous high of \$4.8 million in 1981. Stockholder dividends were increased from \$1.2 million in 1981 to \$1.5 million in 1982.

The excellent results of Loyal American continue to indicate good progress. We have every reason to anticipate a continuation of similar results in 1983.

### **Imbrook Properties Limited**

**T**his year was the fourth full year of operation for Imbrook Properties Limited, Imperial Life's 56% -owned subsidiary responsible for the Company's Canadian property development and management activities.

As we anticipated, real estate market conditions continued to be difficult throughout 1982. Depressed general economic conditions had a negative impact on leasing markets in all major areas. New space absorption rates experienced sharp declines and increasing amounts of existing space became available for sub-letting. The deferment or cancellation of new developments became commonplace. Generally, property values declined as weaker companies were forced to sell properties into a market of reduced expectations. While these conditions existed throughout the year, some recovery in market values occurred in the fourth quarter, as declining interest rates began to influence domestic investors and currency value considerations increased the attractiveness of Canadian real estate to foreigners. Despite market conditions, Imbrook had an active year, during which it maintained its total revenues and increased its assets by 33% to \$147,174,000.

Because of prevailing markets, little new development was justified and we concentrated on the acquisition of income-producing properties. The purchase of a 190,000 square foot office building in Calgary closed on schedule during the first quarter. In December an agreement was reached with Highfield Property Investments Limited





to acquire 15 properties with total space of 800,000 square feet for closing during the first quarter of 1983. These properties, mainly of office space but with some commercial space, are located in Edmonton, Calgary and Vancouver. All are income-producing.

In terms of property development, the 175,000 square foot office project in Vancouver we began in 1981 was delayed for some months because of the bankruptcy of a major sub-contractor. As a result, the building was redesigned and re-tendered with some resulting savings. Construction recommenced in the fourth quarter and completion is now scheduled for early 1984. A proposed 100,000 square foot retail centre in Woodbridge, Ontario, is now in its final approval stage and, with acceptable pre-leasing, could be under construction by the end of the year. A 65,000 square foot redevelopment of our Connor property in Halifax is still under consideration, but is unlikely to get underway until 1984.

At year-end a one-half interest in the 160,000 square foot 330 Bay Street building in Toronto was sold to the Royal London Mutual Insurance Society, resulting in a capital gain.

1982 was also an active leasing year. Despite some lessee failures, Imbrook was able to lease 110,000 square feet, net of new vacancies, and reduce the total of vacant space to 295,000 square feet, or 13% of the total space under management.

A primary objective for 1982 was to identify and form associations with investor partners. We are very pleased that, as a result of these efforts, we were able to welcome the Royal London Mutual Insurance Society as our joint venture partner in 330 Bay Street, and Country and New Town Properties Limited as our joint venture partner in the Highfield acquisition.

We expect that leasing markets will continue to be difficult in 1983, but that property values will continue their recent improvement. There has been a notable decline in the number and quality of properties under offer during the past two months, and this trend should continue. We expect to be able to increase the company's revenues in 1983, but it may be difficult to maintain the recent rate of asset growth.

<b>Financial Data</b>	<b>1982</b>	<b>1981</b>
Revenue-producing properties	\$ 49,035,000	\$ 35,865,000
Properties under development	63,603,000	55,548,000
Total assets	147,174,000	110,788,000
Space under management	2,200,000 sq. ft.	2,000,000 sq. ft.
Space owned or under development	1,550,000 sq. ft.	1,400,000 sq. ft.



## Board of Directors

\*°**Claude Castonguay**, C.C., F.C.I.A.  
Quebec, Quebec  
Chairman of the Board,  
The Imperial Life  
Assurance Company  
of Canada;

President and  
Chief Executive Officer,  
The Laurentian  
Group Corporation;

President and  
Chief Executive Officer,  
The Laurentian  
Mutual Insurance

\*°**Jean-Marie Poitras**, O.C.  
Quebec, Quebec  
Vice-Chairman of the Board,  
The Imperial Life  
Assurance Company  
of Canada;

Chairman of the Board,  
The Laurentian  
Group Corporation;

Chairman of the Board,  
The Laurentian  
Mutual Insurance

\*°**William G. Munro**, F.L.M.I.  
Toronto, Ontario  
President,  
The Imperial Life  
Assurance Company  
of Canada

\*†**René Amyot**, Q.C.  
Quebec, Quebec  
Vice-President,  
The Imperial Life  
Assurance Company  
of Canada;

Chairman of the Board,  
Air Canada;  
Senior Partner,  
Létourneau, Stein & Amyot

•**André Bérard**  
Montreal, Quebec  
Executive Vice-President —  
Corporate Banking,  
National Bank of Canada

•**John B. W. Carmichael**  
Toronto, Ontario  
Company Director

•†**Frank E. Case**  
Toronto, Ontario  
Company Director

°**Philippe de Monplanet**  
Paris, France  
Vice-President,  
L'Abeille-Paix-Vie

**Robert Gachet**  
Paris, France  
President,  
Compagnie Financière  
du Groupe Victoire

•**J. Douglas Gibson**, O.B.E.  
Toronto, Ontario  
Company Director

•**Lawrence G. Greenwood**  
Toronto, Ontario  
Director,  
Canadian Imperial  
Bank of Commerce;

Chairman,  
Canadian Reinsurance Company  
Canadian Reassurance Company

°**John A. Kempton**  
London, England  
Company Director

†**J. Louis Lebel**, Q.C.  
Calgary, Alberta  
President,  
Dome Canada Limited;  
Counsel,  
McLaws & Company

†**Harold A. Renouf**, O.C., F.C.A.  
Halifax, Nova Scotia  
Chairman,  
Via Rail Canada Inc.

**Donald J. Wilkins**  
Toronto, Ontario  
Chairman of the Board,  
Acklands Limited

### Advisory Board for The Bahamas

**Robert H. Symonette**  
Nassau, Bahamas  
Chairman of the Advisory Board;  
President,  
Automotive Industrial Distributors

**Albert Joel Miller**, M.B.E., Q.P.M., C.P.M.  
Freeport, Bahamas  
President,  
The Grand Bahama Port Authority Limited

**Warren Logan Rolle**, F.C.C.A.  
Nassau, Bahamas  
Managing Director,  
Bahamas Development Bank

### Advisory Board for Great Britain

**John A. Kempton**  
London, England  
Chairman of the Advisory Board;  
Company Director

**The Rt. Hon. Lady Baden-Powell**  
Ripley, England  
Chief Commissioner, The Girl Guides Association

**Sir Henry Johnson**, K.B.E.  
Chalfont St. Giles, England  
Company Director

**The Rt. Hon. The Lord Marsh of Mannington**  
London, England  
Chairman, Newspaper Publishers' Association

**André J. Plagnol**  
London, England  
Vice-President, Europe, Middle-East  
and African Division,  
National Bank of Canada

**Roger H. A. Wain**  
Senior Vice-President and General Manager  
for Great Britain,  
The Imperial Life Assurance Company of Canada

\*Member of the  
Executive Committee

•Member of the  
Compensation Committee

†Member of the  
Audit Committee

°Member of the  
Great Britain Committee



## Officers of Imperial Life

**Claude Castonguay, C.C., F.C.I.A.**  
Chairman of the Board  
and Chairman of the  
Executive Committee  
of the Board

**William G. Munro, F.L.M.I.**  
President

**René Amyot, Q.C.**  
Vice-President

**J. B. Purdy, C.F.A., F.L.M.I.**  
Senior Vice-President —  
Investments

**Grant D. Sylvester, C.L.U., R.H.U.**  
Senior Vice-President —  
Marketing

**John J. Breithaupt**  
Vice-President —  
Human Resources  
and Administration

**Alan R. Brereton, F.C.I.A.**  
Vice-President —  
Group Operations

**R. Lewis Dunn, F.C.I.A.**  
Vice-President —  
Data Processing

**Michael A. Hale, F.C.I.A.**  
Vice-President  
and Actuary

**Gordon H. Johnson, F.C.A., F.L.M.I.**  
Vice-President —  
Finance

### Officers of Impco Health Services Ltd.

**F. Murray Hall, M.D., F.R.C.P.(C)**  
President

**James F. Massie**  
Vice-President and General Manager

### Officers of Imbrook Properties Limited

**Maurice W. Facey**  
President

**John H. McMeekin, C.F.A., F.L.M.I.**  
Executive Vice-President

**Anthony P. Alberga**  
Vice-President —  
Development

**Glenn R. Swanick, F.C.I.A.**  
Vice-President —  
Corporate Planning

**E. Harold Wykes**  
Vice-President,  
General Counsel and Secretary

**William R. Brown, F.L.M.I.**  
Executive Director —  
Administrative Services

**John N. Elder, C.L.U.**  
Executive Director —  
Property/Casualty Marketing

**Hugh C. Fardy, C.L.U.**  
Executive Director —  
Marketing Administration

**Brian A. Hurley, A.A.C.I., S.R.P.A.**  
Executive Director —  
Mortgage Investments

**Thomas A. Milburn, F.C.I.A.**  
Research Actuary

**John D. Ogden, C.L.U., R.H.U.**  
Executive Director —  
Marketing Development

**Thomas Porter, M.D.**  
Medical Director

**W. Alan Teeter, C.L.U.**  
Executive Director —  
Marketing Operations

**Peter M. Walter, C.F.A., F.L.M.I.**  
Executive Director —  
Investment Policy

### Officers of Castlemere Properties Limited

**Archie J. Preston**  
Chairman of the Board

**Stephen G. Lindemann**  
Executive Director

**Brian E. Richardson**  
Vice-President —  
Finance

**W. Dennis Young**  
Vice-President —  
Operations

### In Great Britain

**Roger H. A. Wain**  
Senior Vice-President  
and General Manager for  
Great Britain

**W. Nicholas Anderton, F.I.A.**  
Actuary for Great Britain

**Elizabeth F. Hogg**  
Director of Personnel

**Eric R. Paton**  
Director of Marketing

**David G. Peters, A.C.I.S., A.C.I.I., A.M.B.I.M.**  
Director of Financial Services

**Michael C. Spillman**  
Director of Marketing Services

**John C. Walton**  
Director of Investments

### Officers of Loyal American Life Insurance Company

**Claude Castonguay, C.C., F.C.I.A.**  
Chairman of the Board

**Matthew S. Metcalfe**  
Vice-Chairman of the Board  
and Chief Executive Officer

**H. A. Rippy, Jr.**  
President

**V. Lamar Eaker**  
First Senior Vice-President,  
Marketing and Field Operations

**John G. Strom**  
Senior Vice-President  
and Treasurer

**Jo Williams**  
Secretary

**E. C. Dahmer, Jr.**  
Vice-President, Comptroller

**Gale S. Fly**  
Vice-President, Data Division

**Thomas D. Rogers**  
Vice-President, Assistant Director  
of Field Operations

**Glenn R. Swanick, F.C.I.A.**  
Vice-President, Corporate Planning



## Financial Results





## Financial Highlights

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### The Imperial Life Assurance Company of Canada

	1982	1981
	\$	\$
New individual insurance sold	1,718,985,000	1,775,037,000
New group life and annuities	595,424,000	813,699,000
Total new insurance sold	2,314,409,000	2,588,736,000
Annual premiums from new sales of individual life and health	57,794,000	44,411,000
New single premiums	65,658,000	117,758,000
New group insurance premiums	40,845,000	16,072,000
Total new premiums	164,297,000	178,241,000
Total life insurance in force at year-end	16,070,375,000	15,087,414,000
Death claims	42,969,000	39,054,000
Dividends to policyholders	20,949,000	18,728,000
Total payments to policyholders and beneficiaries	218,994,000	200,499,000
Total premium income	370,586,000	368,407,000
Total assets including subsidiary companies	1,975,734,000	1,722,423,000
Net interest rate earned	11.83%	11.62%

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# Summary of Significant Accounting Policies to the Consolidated Financial Statements

## The Imperial Life Assurance Company of Canada

December 31, 1982

The accounting practices followed by the Company are as prescribed or permitted by the Department of Insurance of Canada modified to reflect a formula basis for the recognition of gains and losses on real estate for the purpose of reporting to policyholders and shareholders. The treatment of realized and unrealized gains on real estate has been modified to the more appropriate basis proposed in the Report of the CICA/CIA Joint Task Force on Generally Accepted Accounting Principles for Life Insurance Companies tabled with both Institutes on December 1, 1982. These accounting practices differ from generally accepted accounting principles primarily in regard to the valuation of investments, the treatment of currency translation, the discounting of deferred income taxes and the charging of depreciation.

### Principles of consolidation

The consolidated financial statements include all operating subsidiaries and combine the life, health and segregated investment fund insurance branches of the Company. The excess of the price paid for the shares of Loyal American and Castlemere Properties over the underlying net asset value upon acquisition, described in the balance sheet as goodwill, is being amortized on a straight-line basis over a period of 20 years and 10 years respectively.

### Foreign currency translation

All foreign currency items in each year are translated into Canadian dollars using rates set at the beginning of that year, which rates are anticipated by the Company to approximate the average exchange rates which will prevail during that year. If appropriate, these rates are adjusted at the beginning of the following year with the resulting gain and loss being reflected in that year's income.

### Asset valuation

Bonds and debentures are carried at amortized cost plus or minus the unamortized balance of net realized gains or losses, except for those of Loyal American which are carried at amortized cost.

Stocks are carried at cost plus or minus a "formula adjustment" as prescribed by the Department of Insurance of Canada representing the unamortized realized net gains or losses on sales of stocks and also an adjustment for unrealized net gains on stocks, except for those of Loyal American which are carried at market value.

Mortgages are carried at their outstanding principal balances.

Real estate is carried at cost less accumulated depreciation to December 31, 1981, plus or minus a "formula adjustment" representing the unamortized realized net gains or losses on sales of real estate and also an adjustment for unrealized net gains on real estate. Market values are established by a scheduled program of independent market appraisals every five years with regard to each property and by internal appraisals by qualified staff appraisers for each of the intervening years. The full portfolio is thus independently appraised every five years. The market value established is an estimate of the realizable value of each property and thus recognizes in that determination any element of depreciation. No provision for depreciation of real estate investments is therefore required.

Oil and gas properties held directly are carried at cost to the Company.

Policy loans are carried at their unpaid balance and are fully secured by the value of the policies on which the respective loans are made.

Collateral loans, made to certain annuitants, are carried at their unpaid balance and are fully secured through the assignment of all payments made on the underlying contracts. These payments are sufficient to repay all loans and interest due over the term of such contracts.

Investments held for segregated funds are carried at market value. The liability to policyholders equals the net assets in each fund.

Furniture, equipment and leasehold improvements are carried at cost less depreciation.

### Joint ventures

#### (a) Real estate

The Company, through its Canadian property investment subsidiaries, participates in various real estate joint ventures in all of which it has an ownership of 50% or more. They are all accounted for on a proportionate consolidation basis.

#### (b) Oil and gas properties

The Company has entered into joint ventures through which it participates in oil and gas exploration and development. They are accounted for on an equity basis.

### Depreciation

No depreciation is charged on real estate. Furniture, equipment and leasehold improvements are depreciated on a straight-line basis at rates of 10% to 30%.

### Present value of liabilities under assurance and annuity contracts

The present value of liabilities under life assurance and annuity contracts, except for those of Loyal American, are determined by the Valuation Actuary to be an amount which, together with future premiums and interest, is sufficient to meet all future benefits and expenses. In compliance with the Canadian and British Insurance Companies Act, the method used defers acquisition expenses, to a maximum statutory amount, over the premium-paying period of the policy. It also allows for a sufficient margin to enable the Company to meet future dividend expectations. Investment returns, mortality, morbidity, expenses, policy retention rates and other assumptions appropriate to the circumstances of the Company and the policies in force are used.

Loyal American's reserving methods, as determined by its consulting actuaries, are on the basis of generally accepted accounting principles in the United States, which basis is comparable to the above except that the total acquisition costs are deferred and amortized over the premium-paying period of the policy.

A mortality fluctuation provision is maintained within the actuarial liabilities to counteract any mortality strain experience which deviates from the normal range. If an abnormal deviation occurs, the provision is adjusted by formula thereby neutralizing its impact on net income. No such reserve is maintained by Loyal American.

Liabilities for individual health insurance are determined on a two-year preliminary term basis and for group health insurance on the basis of unearned premiums plus an additional reserve.

### Income taxes

The Company and its subsidiaries provide for deferred income taxes. Imperial Life calculates its deferred income taxes on a discounted basis. The provision for deferred income taxes arises mainly as the result of timing differences between income reported for statement purposes and income for tax purposes relating principally to policyholders' reserves, depreciation and the accounting for investments.



# Consolidated Balance Sheet

## The Imperial Life Assurance Company of Canada

As at December 31, 1982

Notes

1982

1981

(thousands of dollars)

### Assets

		\$	\$
Bonds and debentures	3	436,697	422,829
Stocks	4	123,856	108,867
Mortgages		432,998	410,034
Real estate	5	256,576	185,596
Oil and gas properties	6	2,176	2,383
Loans to policyholders		91,342	85,660
Collateral loans		30,552	31,963
Goodwill	7	16,651	15,861
Segregated investment funds' assets	11	456,578	351,561
Cash and term deposits		38,424	40,980
Premiums in course of collection		12,380	11,767
Accrued investment income		25,118	23,070
Furniture, equipment and leasehold improvements	8	8,831	7,508
Other assets		43,555	24,344

1,975,734

1,722,423

On behalf of the Board

C. Castonguay,  
Chairman of the Board

W. G. Munro,  
President

## Auditors' Report

To the Policyholders and Shareholders of  
The Imperial Life Assurance Company of Canada

We have examined the consolidated balance sheet of The Imperial Life Assurance Company of Canada 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.

In our opinion, 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 accounting principles as explained in the summary of significant accounting policies to the consolidated financial statements.

Toronto, Canada  
January 28, 1983

Coopers & Lybrand  
Chartered Accountants



	Notes	1982	1981
		(thousands of dollars)	
<b>Liabilities</b>		\$	\$
Present value of liabilities under assurance and annuity contracts	9	1,045,228	951,498
Policy proceeds, dividends and other amounts on deposit		41,152	38,224
Present value of liabilities under Company retirement funds	10	26,589	25,527
Segregated investment funds' liabilities to policyholders	11	456,578	351,561
Provision for dividends to policyholders		20,307	18,600
Policy claims in course of settlement and provision for unreported claims		46,704	38,891
Bank loans		59,965	39,145
Mortgages on real estate investments		48,145	42,660
Income and premium taxes payable		1,014	1,544
Deferred income taxes	12	15,932	11,851
Other liabilities and provisions		47,623	53,729
		<u>1,809,237</u>	<u>1,573,230</u>
<b>Policyholders' and Shareholders' Equity</b>			
Capital stock	13		
Preferred shares		23,935	24,538
Common shares		1,000	1,000
Contributed surplus	14	59	15
Retained earnings			
Shareholders'	15	1	371
Appropriated, primarily for solvency purposes	16	46,068	42,177
Unappropriated, primarily for the protection of policyholders		95,434	81,092
		<u>166,497</u>	<u>149,193</u>
		<u>1,975,734</u>	<u>1,722,423</u>

## Valuation Actuary's Report

To the Policyholders and Shareholders of  
The Imperial Life Assurance Company of Canada

I have made the valuation of policy benefit liabilities of The Imperial Life Assurance Company of Canada for the consolidated balance sheet as at December 31, 1982 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended.

In regard to the policy benefit liabilities of the United States subsidiary insurance company, I have relied upon the valuation made by the consulting actuaries of the subsidiary company.

Toronto, Canada  
January 28, 1983

In my opinion, for all other policy benefit liabilities (i) the valuation conforms to the Recommendations for Insurance Company Financial Reporting of the Canadian Institute of Actuaries, (ii) the amount of policy benefit liabilities makes proper provision for the future payments under the Company's policies, (iii) a proper charge on account of those liabilities has been made in the consolidated statement of income, and (iv) the amount of retained earnings appropriated for policies whose cash values exceed their policy benefit liabilities is proper.

M. A. Hale, F.C.I.A.  
Vice-President and Actuary



## Consolidated Statement of Retained Earnings

### The Imperial Life Assurance Company of Canada

For the year ended December 31, 1982

**Shareholders' Appropriated** (thousands of dollars)

		Participating	Non-Participating	Total
	\$	\$	\$	\$
Retained earnings, beginning of year	371	22,412	19,765	42,177
Net income for the year	4,778	—	—	—
Strengthen (release) appropriations for the year	—	3,774	117	3,891
Dividends to shareholders — preferred	(2,948)	—	—	—
— common	(2,200)	—	—	—
Retained earnings, end of year	<u>1</u>	<u>26,186</u>	<u>19,882</u>	<u>46,068</u>
	(note 15)			(note 16)

**Unappropriated** (thousands of dollars)

	Participating	Non-Participating	Total
	\$	\$	\$
Retained earnings, beginning of year	64,345	16,747	81,092
Minority interest adjustment	1,806	825	2,631
Retained earnings restated	66,151	17,572	83,723
Net income for the year	13,417	2,185	15,602
Strengthen (release) appropriations for the year	(3,774)	(117)	(3,891)
Dividends to shareholders — preferred	—	—	—
— common	—	—	—
Retained earnings, end of year	<u>75,794</u>	<u>19,640</u>	<u>95,434</u>

## Consolidated Earnings per Common Share

### The Imperial Life Assurance Company of Canada

For the year ended December 31, 1982

**1982 1981**

(thousands of dollars)

	\$	\$
Non-participating account net income for the year	2,185	7,535
Shareholders' account net income for the year	<u>4,778</u>	<u>112</u>
	6,963	7,647
Less preferred share dividend	<u>2,948</u>	<u>1,458</u>
Earnings applicable to common shares	<u>4,015</u>	<u>6,189</u>
Basic earnings per common share	<u>\$4.02</u>	<u>\$6.19</u>



# Consolidated Statement of Income

## The Imperial Life Assurance Company of Canada

For the year ended December 31, 1982

Notes

1982

1981

(thousands of dollars)

Income		\$	\$
Premiums	17	370,586	368,407
Investment income	18	153,377	135,395
Investment income from segregated investment funds	11	77,136	22,973
Currency translation gain (loss)	2	(216)	1,631
		<u>600,883</u>	<u>528,406</u>
<b>Benefits and Operating Costs</b>			
Death claims		42,969	39,054
Disability and health insurance claims		40,563	34,298
Matured endowments		5,746	5,951
Annuity benefits		39,564	25,349
Surrender value benefits		69,202	77,118
Additions to funds held for future payments to policyholders		124,307	150,845
Additions to segregated investment funds		116,428	43,581
Interest credited to funds on deposit and Company retirement funds		9,557	7,259
Commissions, marketing and operating expenses		<u>110,280</u>	<u>103,015</u>
		<u>558,616</u>	<u>486,470</u>
<b>Operating Income</b> before dividends and taxes		42,267	41,936
Dividends to policyholders		<u>20,949</u>	<u>18,728</u>
<b>Income</b> before taxes and extraordinary item		<u>21,318</u>	<u>23,208</u>
Current income and premium taxes		2,097	1,621
Deferred income taxes		<u>384</u>	<u>2,496</u>
		<u>2,481</u>	<u>4,117</u>
<b>Income</b> before extraordinary item		<u>18,837</u>	<u>19,091</u>
Gain on sale of Trinidad insurance business and investments	20	<u>1,543</u>	<u>—</u>
<b>Net Income</b>		<u><u>20,380</u></u>	<u><u>19,091</u></u>
		\$	\$
Non-participating account		2,185	7,535
Shareholders' account		<u>4,778</u>	<u>112</u>
Non-participating and shareholders' account		6,963	7,647
Participating life account		<u>13,417</u>	<u>11,444</u>
		<u><u>20,380</u></u>	<u><u>19,091</u></u>



## Consolidated Statement of Changes in Financial Position

**The Imperial Life Assurance  
Company of Canada**

For the year ended December 31, 1982

1982

1981

(thousands of dollars)

### Source of Funds

Source of Funds		
Net income	20,380	19,091
Non-cash charges (credits):		
Increase in policyholders' reserve	122,710	148,428
Other	(10,675)	(7,894)
Funds provided from operations	132,415	159,625
Principal repayments or disposition of investments:		
Bonds	89,212	53,403
Stocks	53,408	66,627
Mortgages	27,261	24,013
Real estate	9,959	34,279
Loans to policyholders	7,350	5,584
	187,190	183,906
	319,605	343,531
Increase in prepaid premiums	—	1,306
Issue of preferred shares	—	25,000
Increase in amounts on deposit	10,902	4,442
Increase in bank loans	13,900	12,908
Increase in mortgages on real estate investments	8,120	5,513
Refund of prior years' income taxes	4,944	5,472
	357,471	398,172
<b>Application of Funds</b>		
New investments		
Bonds	146,356	136,883
Stocks	60,464	62,893
Mortgages	53,136	57,181
Real estate	49,652	60,299
Oil and gas properties	499	991
Loans to policyholders	9,472	19,596
Collateral loans	—	31,963
	319,579	369,806
Acquisition of Castlemere Properties Limited:		
Net assets acquired	4,506	—
Goodwill	1,631	—
	6,137	—
	325,716	369,806
Redemption of preferred share capital stock	559	447
Policyholder benefits	7,416	8,514
Company retirement fund payments	3,083	2,638
Repayment of mortgages on real estate	1,256	510
Purchase of furniture, equipment and leasehold improvements	5,224	2,920
Shareholders' dividends — preferred	2,948	1,458
— common	2,200	3,000
Other	10,236	2,146
	358,638	391,439
Sale of Trinidad insurance business:		
Liabilities transferred, at book value	7,406	—
Non-cash assets transferred, at book value	(5,581)	—
Gain on sale of insurance business	(436)	—
Cash transferred	1,389	—
	360,027	391,439
Increase (decrease) in cash and term deposits	(2,556)	6,733
Cash and term deposits, beginning of year	40,980	34,247
Cash and term deposits, end of year	38,424	40,980



# Notes to Consolidated Financial Statements

## The Imperial Life Assurance Company of Canada

December 31, 1982

### 1 Accounting policies

The more significant accounting policies used by the Company are set out in the preceding Summary of Significant Accounting Policies.

### 2 Currency translation

Effective January 1, 1983 the book currency translation rate for certain currencies will be changed to more appropriate rates. This will result in a currency translation gain of \$1,387,000 (1982 \$3,325,000 loss). The assets and liabilities as shown at December 31, 1982 will be decreased on January 1, 1983 by \$47,890,000 and \$49,277,000 respectively by this change.

The following are the more significant currency translation rates used for the years 1981 and 1982 together with those to be used for 1983:

	1983	1982	1981
	\$	\$	\$
Great Britain pound	2.00	2.30	2.60
United States dollar	1.20	1.15	1.15
Bahamian dollar	1.20	1.15	1.15

### 3 Bonds and debentures

	1982	1981
	\$	\$
Cost	430,235,000	416,284,000
Unamortized losses	6,462,000	6,545,000
	<u>436,697,000</u>	<u>422,829,000</u>
Market values	<u>428,391,000</u>	<u>347,701,000</u>

The amortization of losses expensed in the year was \$1,170,000 (1981 \$1,067,000).

### 4 Stocks

	1982	1981
	\$	\$
Cost	158,087,000	142,653,000
Less formula adjustment	34,231,000	33,786,000
	<u>123,856,000</u>	<u>108,867,000</u>
Market values	<u>208,775,000</u>	<u>193,142,000</u>

The formula adjustment amount included in income in the year was \$6,469,000 (1981 \$6,407,000).

### 5 Real estate

	1982	1981
	\$	\$
(a) Real estate, at cost		
Properties under development	72,044,000	70,662,000
Investment properties	166,423,000	99,527,000
Home Office and branch office properties	27,305,000	27,871,000
Total — at cost	<u>265,772,000</u>	<u>198,060,000</u>
Less accumulated depreciation	12,386,000	12,464,000
	<u>253,386,000</u>	<u>185,596,000</u>
Plus formula adjustment	3,190,000	—
	<u>256,576,000</u>	<u>185,596,000</u>
Market values	<u>378,549,000</u>	

The formula adjustment amount included in income in the year was \$9,143,000 of which \$5,953,000 related to realized gains.

No depreciation was charged for the year (1981 \$1,342,000).

### (b) Interest in real estate joint ventures

The Company's proportionate share, through its subsidiaries, in all its real estate joint ventures' assets and liabilities is summarized as follows:

	1982	1981
	\$	\$
Assets	52,282,000	34,080,000
Liabilities	35,177,000	21,163,000

### 6 Oil and gas properties

The Company has invested in oil and gas exploration and production through limited partnerships and joint ventures as follows:

	1982	1981
	\$	\$
Limited partnerships	239,000	945,000
Joint ventures	1,937,000	1,438,000
	<u>2,176,000</u>	<u>2,383,000</u>

Both the partnerships and the joint ventures in their accounts follow the full cost method of accounting for oil and gas property operations.

### 7 Goodwill

During the year the Company increased its holding in Castle-mere Properties Limited to 85%. The excess paid for the additional shares over the underlying net asset value was \$1,631,000. Total goodwill amortized in the year amounted to \$841,000 (1981 \$841,000).

### 8 Furniture, equipment and leasehold improvements

	1982	1981
	\$	\$
Cost	14,974,000	12,294,000
Less accumulated depreciation	6,143,000	4,786,000
	<u>8,831,000</u>	<u>7,508,000</u>

These amounts include the cost of the Company's computer of \$863,000 less accumulated depreciation of \$720,000. The consolidated depreciation charge for the year amounted to \$1,954,000 (1981 \$1,586,000).

### 9 The present value of liabilities under assurance and annuity contracts

	1982	1981
	\$	\$
Life:		
participating	441,343,000	436,131,000
participating mortality fluctuation provision	3,405,000	3,643,000
non-participating	588,377,000	502,999,000
non-participating mortality fluctuation provision	2,761,000	2,106,000
Health:		
individual	8,414,000	6,468,000
group	928,000	151,000
	<u>1,045,228,000</u>	<u>951,498,000</u>



# Notes to Consolidated Financial Statements (continued)

## 10 Company pension plans

The Company has contributory pension plans covering substantially all of its employees and branch managers and retirement benefit arrangements for its full-time agents. The total liability in all funds is made up as follows:

	1982	1981
	\$	\$
General funds:		
active participants	12,902,000	12,146,000
retired participants	13,687,000	13,381,000
	<u>26,589,000</u>	<u>25,527,000</u>
Segregated funds:		
active participants	45,058,000	37,471,000
retired participants	12,476,000	9,762,000
	<u>57,534,000</u>	<u>47,233,000</u>
	<u>84,123,000</u>	<u>72,760,000</u>

The Company contribution to pension plans for the year amounted to \$2,255,000.

## 11 Segregated investment funds

The net assets of each fund amounted to:

	1982	1981
	\$	\$
Group contract funds:		
Bond	17,887,000	14,308,000
Equity	34,488,000	30,818,000
Mortgage	46,311,000	38,193,000
Diversified	71,553,000	55,578,000
Money market	6,756,000	1,153,000
Segregated employer funds	121,372,000	82,331,000
Great Britain retirement & death benefit funds	25,285,000	19,022,000
Individual contract funds:		
Great Britain property	4,230,000	2,249,000
Great Britain secure capital	325,000	279,000
Great Britain fixed interest	1,705,000	1,468,000
Great Britain equity	1,598,000	863,000
Great Britain managed	19,044,000	11,792,000
Great Britain growth	36,202,000	40,304,000
Great Britain pension managed	65,521,000	48,941,000
Impco growth	1,014,000	990,000
Impco retirement growth	3,287,000	3,272,000
	<u>456,578,000</u>	<u>351,561,000</u>

The Consolidated Statement of Income includes the net investment income, net unrealized capital gains and operating transactions of the segregated funds for the year.

## 12 Deferred income taxes

The deferred income taxes are made up as follows:

	1982	1981
	\$	\$
Imperial Life	1,011,000	1,727,000
Loyal American	8,975,000	7,298,000
Other subsidiaries	5,946,000	2,826,000
	<u>15,932,000</u>	<u>11,851,000</u>

## 13 Capital stock

### (a) Preferred shares

Authorized:

1,200,000 preferred shares of \$25 par value.

Issued and outstanding:

\$3.0625 (12.25% per annum) cumulative redeemable preferred shares, series A.

	1982	1981	1982	1981
	Shares	Shares	\$	\$
Outstanding — beginning of year	981,500	—	24,538,000	—
Issued on July 9, 1981	—	1,000,000	—	25,000,000
Redeemed during year	24,100	18,500	603,000	462,000
Outstanding — end of year	<u>957,400</u>	<u>981,500</u>	<u>23,935,000</u>	<u>24,538,000</u>

### (b) Common shares

Authorized:

15,000,000 shares of \$1 par value

Issued and outstanding:

	1982	1981
	\$	\$
1,000,000 Shares	<u>1,000,000</u>	<u>1,000,000</u>

## 14 Contributed surplus

	1982	1981
	\$	\$
The difference between cost and par value on preferred shares purchased for redemption	<u>59,000</u>	<u>15,000</u>

## 15 Shareholders' retained earnings

The shareholders' retained earnings is a segregation of earnings from which common and preferred shareholder dividends are paid. The Company funds this account in each quarter to meet all dividend requirements. Legislation permits discretion in transfers from non-participating retained earnings to shareholders' retained earnings.

## 16 Appropriated retained earnings

The Company is required by the Department of Insurance of Canada to maintain certain appropriations within its retained earnings to provide for (a) market and currency value fluctuations within its invested assets, (b) the undepreciated value of its furniture, equipment and leasehold improvements, excluding computers, and (c) the excess of policy cash surrender values over the present value of related policy contract liabilities.

The amounts appropriated to meet these requirements at December 31 were:

	Invested Asset Valuation Reserve	Miscellaneous Asset Valuation Reserve	Cash Surrender Value Reserve	Total
	\$	\$	\$	\$
1982				
participating	12,025,000	3,263,000	10,898,000	26,186,000
non-participating	4,379,000	3,639,000	11,864,000	19,882,000
	<u>16,404,000</u>	<u>6,902,000</u>	<u>22,762,000</u>	<u>46,068,000</u>
1981				
participating	12,025,000	2,861,000	7,526,000	22,412,000
non-participating	4,379,000	2,660,000	12,726,000	19,765,000
	<u>16,404,000</u>	<u>5,521,000</u>	<u>20,252,000</u>	<u>42,177,000</u>



**17 Premium income**

Premium income was derived from the following lines of business:

	1982	1981
	\$	\$
participating individual life	89,437,000	89,454,000
participating individual annuity	8,731,000	18,268,000
non-participating individual life	49,877,000	26,241,000
non-participating individual annuity	49,343,000	105,804,000
group life	32,396,000	31,139,000
group annuity	24,358,000	10,920,000
individual health	14,424,000	13,034,000
group health	41,123,000	34,746,000
segregated funds	60,897,000	38,801,000
	<u>370,586,000</u>	<u>368,407,000</u>

**18 Investment income**

Investment income, including realized and unrealized net gains on investments less investment expenses, was derived from:

	1982	1981
	\$	\$
Bonds and debentures	42,733,000	35,674,000
Stocks	17,109,000	17,441,000
Mortgages on real estate	48,063,000	42,874,000
Real estate	28,243,000	22,813,000
Loans to policyholders	5,990,000	5,249,000
Collateral loans	4,468,000	3,699,000
Term deposits	13,851,000	14,983,000
Other	2,884,000	2,871,000
	<u>163,341,000</u>	<u>145,604,000</u>
Expenses	<u>9,964,000</u>	<u>10,209,000</u>
	<u>153,377,000</u>	<u>135,395,000</u>

**19 Lease commitments**

The Company has contractual obligations in respect of rents payable on leased premises and equipment as follows:

	1982	1981
	\$	\$
1982		3,113,000
1983	4,126,000	2,766,000
1984	3,532,000	2,304,000
1985	2,632,000	1,695,000
1986	2,295,000	1,468,000
1987	1,161,000	
Remaining years	<u>8,686,000</u>	<u>11,777,000</u>
	<u>22,432,000</u>	<u>23,123,000</u>

**20 Trinidad insurance business**

On September 30, 1982 in accordance with an agreement entered into on June 19, 1981 the Company sold all its life insurance business in Trinidad to Maritime Life (Caribbean) Limited. The gain from the sale of the insurance business of \$436,000 and the gain from the sale of investments of \$1,107,000 reflect a total gain of \$1,543,000. The book values of the assets amounted to \$6,970,000 and the liabilities amounted to \$7,406,000.

**21 Subsidiary companies**

The subsidiary companies whose financial results are consolidated in these statements are:

Name of company	Percentage of voting equity shares held	Location	Nature of business
Impco Health Services Ltd.	100%	Canada	Medical examination service and physical fitness centre
Impco Properties Limited	100%	Canada	Real estate investments
Impco Investment Management Limited	100%	Canada	Investment management
Imbrook Properties Limited	56.19%	Canada	Real estate investments
Loyal American Life Insurance Company	100%	United States	Life and health insurance
Its subsidiary:			
Long Beach Development Corporation	100%	United States	Real estate investments
Impco Properties G.B. Limited	100%	Great Britain	Real estate investments
Its subsidiaries:			
The Invicta Investment Company Limited	100%	Great Britain	Real estate investments
Imperial Life Property Management Company (G.B.) Limited	100%	Great Britain	Real estate investments
Castlemere Properties Limited	85%	Great Britain	Real estate investments
Its subsidiaries:			
Property Investment and Finance Limited	100%	Great Britain	Real estate investments
Property Investment and Finance (Developments) Limited	100%	Great Britain	Real estate investments
Grandchester Properties Limited	100%	Great Britain	Real estate investments
Impan Properties Limited	80%	Jamaica	Real estate investments



## Ten-Year Review

### The Imperial Life Assurance Company of Canada

	1982	1981	1980	1979	1978*	1977	1976	1975	1974	1973
(dollar amounts in thousands)										
Revenue:	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Premiums	370,586	368,407	289,056	212,919	163,568	135,361	132,705	110,106	98,389	91,550
Investment	230,513	158,368	147,099	102,623	79,517	70,955	55,844	55,815	32,264	33,186
Total paid or credited to policyholders and beneficiaries excluding dividends	448,336	383,455	316,758	233,062	162,403	144,635	131,844	115,328	85,430	83,797
Dividends to policyholders	20,949	18,728	16,272	13,056	12,106	9,957	10,069	10,061	9,556	8,990
Commissions, branch office, agency and operating expenses	110,280	103,015	88,015	61,173	53,662	45,806	44,242	38,973	33,632	29,767
Dividends to shareholders										
— Preferred	2,948	1,458	—	—	—	—	—	—	—	—
— Common	2,200	3,000	1,800	1,600	1,060	920	720	720	700	640
Total assets	1,975,734	1,722,423	1,416,360	1,114,852	940,056	812,393	756,896	713,595	654,244	621,051
Life insurance in force	16,070,375	15,087,414	12,719,006	9,105,964	7,670,914	6,340,190	6,003,198	5,557,828	4,963,307	4,286,669
Net rate of interest earned	11.83%	11.62%	10.59%	9.58%	8.70%	7.99%	7.57%	7.37%	7.16%	6.93%
Earnings per share	\$4.02**	\$6.19**	\$3.31	\$4.24***	\$3.53	\$2.07	\$0.93	\$1.47	\$0.89	\$1.20
Number of agents	759	745	775	701	735	738	745	723	702	702
Number of employees	1,479	1,538	1,507	1,278	1,218	1,201	1,254	1,253	1,228	1,155

\*Statutory accounting rules were significantly changed for 1978 and subsequent years.

\*\*Basic earnings per share, after Preferred Share dividend.

\*\*\*Restated due to change in accounting policy.

## Summary of Capital and Retained Earnings

At December 31	1982	1981	1980	1979	1978*	1977	1976	1975	1974	1973
(dollar amounts in thousands)										
Appropriated	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Participating account	26,186	22,412	24,409	18,344	23,563	10,525	10,525	10,525	9,057	12,057
Non-participating account	19,882	19,765	17,039	14,269	15,339	3,600	3,600	3,600	3,270	3,269
Shareholders' Capital Stock										
— Preferred	23,935	24,538**	—	—	—	—	—	—	—	—
— Common	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Retained earnings	1	371	4,717	4,667	4,646	3,395	3,057	2,754	2,454	2,204
Unappropriated										
Participating account										
Life retained earnings	75,794	64,345	50,904	42,984***	39,095	28,324	27,189	26,910	30,528	32,160
Non-participating account										
Life retained earnings	19,414	14,140	11,197	10,517***	12,096	6,546	6,202	7,046	7,381	7,379
Health retained earnings	226	2,607	741	2,732	2,910	2,483	2,013	1,263	934	992

\*Statutory accounting rules were significantly changed for 1978 and subsequent years.

\*\*Issued capital stock increased by issue of 1,000,000 Cumulative Redeemable Preferred Shares of \$25 par value each on July 9, 1981.

\*\*\*Restated due to change in accounting policy.



# Imperial Life Offices

## Head Office

Imperial Life Building,  
95 St. Clair Avenue West,  
Toronto, Canada  
M4V 1N7

## Branch and Sales Offices in Canada

### Western Region

W. H. Kamineski, C.L.U.  
Director of Marketing —  
Western Region

Brandon, Man.  
R. W. MacKalski

Calgary, Alta.  
R. D. McCorquodale, C.L.U.

Edmonton, Alta.  
C. B. Schultz, C.L.U.

Kamloops, B.C.  
C. W. Abbott, C.L.U.

Regina, Sask.  
R. J. Blouin

Saskatoon, Sask.  
J. A. Meckelborg

Vancouver, B.C.  
J. A. C. MacIntosh, C.L.U.

Victoria, B.C.  
P. N. Hutchinson

Winnipeg, Man.  
A. C. Campeau, C.L.U.

### Sales Offices

Penticton, B.C.  
Prince Albert, Sask.  
Prince George, B.C.

### Ontario Region

V. Joannette, C.L.U.  
Director of Marketing —  
Ontario Region

Barrie, Ont.  
D. A. Conway, C.L.U.

Hamilton, Ont.  
H. K. Kay, C.L.U.

Kingston, Ont.  
E. W. Stewart-Normans

Kitchener, Ont.  
N. D. Trotter, C.L.U.

London, Ont.  
B. K. McBain, F.L.M.I.

North Bay, Ont.  
V. A. Shelp, C.L.U.

Oshawa, Ont.  
D. Westlake, C.L.U.

Ottawa, Ont.  
L. J. Canavan

St. Catharines, Ont.  
B. G. Garnett

Toronto, Ont.  
V. Chin

Toronto, Ont.  
J. D. Duckworth, C.L.U.

Toronto, Ont.  
D. Zwicker

Toronto, Ont.  
C. D. Leroux, C.L.U.

### Sales Offices

Kemptville, Ont.  
Kirkland Lake, Ont.  
Niagara Falls, Ont.  
Sarnia, Ont.  
Stayner, Ont.  
Stratford, Ont.  
Windsor, Ont.  
Woodstock, Ont.

### Quebec/Atlantic Region

K. M. Sopora, C.L.U., F.L.M.I.  
Director of Marketing —  
Quebec/Atlantic Region

Charlottetown, P.E.I.  
E. D. Grant

Halifax, N.S.  
R. W. Davison

Moncton, N.B.  
D. B. MacKay, C.L.U.

Montreal, Que.  
L. Couture, C.L.U.

Montreal, Que.  
E. W. Tobin, C.L.U.

Quebec, Que.  
G. Pineau

Rimouski, Que.  
P.-E. Levesque

St. John's, Nfld.  
R. K. Moores, C.L.U.

Thetford Mines, Que.  
J.-G. Cyr, C.L.U.

### Sales Offices

Chandler, Que.  
Lévis, Que.  
Matane, Que.  
Saint John, N.B.  
Sherbrooke, Que.  
Ste-Anne-des-Monts, Que.  
Summerside, P.E.I.  
Sydney, N.S.

### Toronto Brokerage Services Branch

F. E. Murphy, C.L.U.  
Brokerage Manager

## Branch Office in the South

Nassau, Bahamas  
G. A. Sweeting, C.L.U.

## Investment Office in the South

Nassau, Bahamas  
M. J. Hutchinson  
Investment Manager

## In the United States Loyal American Life Insurance Company

Head Office in Mobile, Alabama  
Licensed to operate in 47 states  
and the District of Columbia

## Group Insurance Offices in Canada

Calgary, Alta.  
J. G. Brown, C.L.U.

Montreal, Que.  
L. Kato

Toronto, Ont.  
D. N. Harvey

Vancouver, B.C.  
D. G. Emo, C.L.U.

## Mortgage Loan Offices in Canada

Calgary, Alta.  
W. G. McDougall, A.A.C.I.

Halifax, N.S.  
G. McDonald

Montreal, Que.  
J.-P. Morin

Vancouver, B.C.  
K. K. Jerome, A.A.C.I., M.A.I.

## Imperial Life Offices in Great Britain

### Chief Office

Imperial Life House  
London Road  
Guildford, Surrey  
GU1 1TA

### Branch and Sales Offices

#### London Region

D. Schiff  
London Area Director

Aldwych  
A. Charvonia

City  
R. W. J. Exall

Haymarket  
A. H. Evans

Holborn  
B. Roden

Kingsway  
A. R. Woolf

South London  
G. F. Garfield

University  
J. A. Jacobs

Whitehall  
J. M. Locke

### Sales Office

Wardour St.

### Midland Region

D. S. Lee  
Regional Manager —  
Midlands

Nottingham  
D. S. Lee

Birmingham

Leeds  
P. A. Dodds

Leicester  
M. M. Leask

Manchester  
G. Ratcliffe

### South West Region

H. G. Spencer-Mustoe  
Regional Manager —  
South West

Exeter  
H. G. Spencer-Mustoe

Bristol  
E. P. Bamford

Cardiff  
B. J. Cross

Plymouth  
I. D. Hopkins

Southampton  
J. F. Wilson

Canterbury  
T. Painter

Central London  
D. Morris

Glasgow  
J. M. Goudie

Langham  
C. D. H. MacLean

Newcastle  
E. G. Hill

North London  
C. Burman

### Sales Office

Liverpool

### South East Region

R. A. Knox-Johnston  
Regional Manager —  
South East

Surrey  
R. A. Knox-Johnston

Brighton  
T. T. Hyde

Cambridge  
D. F. Morley

Maidstone  
C. M. Haley

North Kent  
S. Freedman

Oxford  
J. E. Barlow

### Group and Pensions Sales Office

London  
B. J. Porter

### Group Brokerage Office

P. J. West  
Broker Director —  
Group and Pensions  
Guildford  
A. J. Childs



