



HOWARD ROSS LIBRARY
OF MANAGEMENT
AUG 14 1978
MCGILL UNIVERSITY

Canada Life Assurance
Co.
1977 131st.

R. Morrison

The 131st
Annual Report of
The Canada Life
Assurance Company

The family is the central theme of the painting on the reverse side by Will Davies.

The family is still the cornerstone of our society; by preserving it we preserve our future. That is why we, at Canada Life, are proud of our record of sound financial planning for families over the past one hundred and thirty-one years.

Our painting depicts the family in action together. We can draw an analogy here because the Canada Life "family" works together for the benefit of our policyholders; a variety of professional and skilled technical people co-operate with each other and with our representatives in serving you.

Our financial statement for the past year records a further step in our growth. It shows the positive results of our dedication to the ideas of providing individual attention, backed by professional teamwork.

President

BOARD OF DIRECTORS

E.H. CRAWFORD
President

A.H. LEMMON
Chairman of the Board

J.G. HUNGERFORD, Q.C.
*Chairman of the Executive
Committee of the Board*

BEVERLEY MATTHEWS, C.B.E., Q.C.
Vice-President of the Board
Partner
McCarthy and McCarthy

DAVID W. BARR
Vice-President of the Board
Chairman of the Board
Moore Corporation Limited

ARTHUR J.E. CHILD
President and Chief Executive Officer
Burns Foods Limited
Calgary

E. JACQUES COURTOIS, Q.C.
Courtois, Clarkson,
Parson & Tétrault
Montreal

NATHANAEL V. DAVIS
Chairman of the Board
and Chief Executive Officer
Alcan Aluminium Limited
Montreal

GRAHAM R. DAWSON
Chairman and President
Dawson Construction Limited
Vancouver

GÉRARD FILION, C.C.
Montreal

E.C. GILL
Formerly Vice-Chairman
and a Past President

L. EDWARD GRUBB
Former Chairman and Chief Officer
of Inco Limited

RUSSELL E. HARRISON
Chairman and
Chief Executive Officer
Canadian Imperial Bank of Commerce

J.D. LEITCH
President
Upper Lakes Shipping Limited

JOHN L. MCCARTHY
Toronto

The Right Honourable
LORD McFADZEAN, K.T.
Honorary President
British Insulated Callender's
Cables Limited
London, England

ELLMORE C. PATTERSON
Chairman of the Executive Committee
J.P. Morgan & Co. Incorporated
New York

MRS. A.F.W. PLUMPTRE
Ottawa

C.E. RITCHIE
Chairman of the Board
President and Chief Executive Officer
The Bank of Nova Scotia

MANAGEMENT OFFICERS

D.D. DENNIS, O.B.E.
Senior Vice-President and
General Manager, U.K.
and Ireland

D.I. FRASER, F.L.M.I.
Vice-President Administration
and Secretary

J.C. MAYNARD, F.S.A., F.C.I.A.
Senior Vice-President
and Chief Actuary

J.M. MUNRO
Senior Vice-President
and Director of Agencies

R.D. RADFORD, F.L.M.I.
Vice-President and Treasurer

J.B. WALKER, F.S.A., F.C.I.A.
Executive Vice-President
and
Director United States Division

W.B. WAUGH, F.S.A., F.C.I.A.
Vice-President and Controller

HONORARY DIRECTORS

A.C. ASHFORTH
J. ROY GORDON

J. GORDON BEATTY, M.C.
S.M. WEDD

THE YEAR AT A GLANCE

Highlights of the Consolidated Annual Report	1977	1976
Payments under Policy Contracts	\$234,608,000	\$214,501,000
First Year Premiums on New Business	130,673,000	82,809,000
including —		
Individual Insurance	16,458,000	15,947,000
Group Insurance	13,670,000	10,571,000
Guaranteed Annuities	59,888,000	45,918,000
Variable Insurances and Annuities	40,657,000	10,373,000
Life Insurance and Annuities in Force	26,238,016,000	22,793,676,000
Assets	2,279,045,000	2,057,681,000
Net Rate of Interest Earned	8.14%	7.82%

CONSOLIDATED STATEMENT OF OPERATIONS

We Received	1977	1976
Premiums for insurances and guaranteed annuities	\$314,582,000	\$279,807,000
Amounts received for segregated annuity funds	74,113,000	40,493,000
Net investment income	164,807,000	145,107,000
Profits on sale of assets	1,577,000	581,000
Increase in market value of assets held for variable insurances and segregated annuity funds	14,459,000	12,263,000
	<u>\$569,538,000</u>	<u>\$478,251,000</u>
We Paid or Set Aside for Future Payment		
To policyholders and beneficiaries:		
Death benefits	\$ 68,275,000	\$ 61,068,000
Disability benefits	31,989,000	25,484,000
Matured endowments	10,139,000	11,034,000
Annuities	36,237,000	30,724,000
Cash surrender options	44,119,000	43,436,000
Policy dividends allotted	29,861,000	29,467,000
Payments under segregated annuity funds	13,988,000	13,288,000
	<u>234,608,000</u>	<u>214,501,000</u>
Interest on amounts left on deposit	4,260,000	4,186,000
Increase in actuarial reserves (note 4).	145,938,000	116,761,000
Expenses of administration, sales and service	71,392,000	64,264,000
Income, premium and sundry taxes	11,018,000	9,909,000
Amount written off assets	500,000	196,000
Loss on currency translation and transactions	939,000	364,000
Net increase in segregated annuity funds	92,798,000	60,897,000
Addition to general contingency reserve	3,000,000	3,000,000
Addition to surplus held as an additional protection for policyholders and beneficiaries	5,085,000	4,173,000
Balance at Dec. 31, 1977 \$83,742,000		
Balance at Dec. 31, 1976 \$78,657,000		
	<u>\$569,538,000</u>	<u>\$478,251,000</u>

(See accompanying notes)

CONSOLIDATED BALANCE SHEET
at December 31, 1977

Assets	1977	1976
Bonds:		
Government	\$ 173,287,000	\$ 154,628,000
Corporate	485,108,000	449,211,000
	<u>658,395,000</u>	<u>603,839,000</u>
Mortgage loans	655,781,000	607,480,000
Stocks:		
Preferred	27,218,000	27,456,000
Common	163,315,000	152,271,000
	<u>190,533,000</u>	<u>179,727,000</u>
Real Estate:		
Company premises	25,407,000	26,555,000
Held for investment	84,272,000	82,475,000
	<u>109,679,000</u>	<u>109,030,000</u>
Loans on policies	183,974,000	180,658,000
Cash and interest bearing deposits	26,324,000	21,214,000
Premiums in course of collection	16,860,000	13,610,000
Interest and rents due and accrued	28,818,000	25,806,000
Other assets	12,663,000	13,295,000
	<u>1,883,027,000</u>	<u>1,754,461,000</u>
Net assets of segregated annuity funds (note 3.(d)).	396,018,000	303,220,000
	<u>\$2,279,045,000</u>	<u>\$2,057,681,000</u>

Liabilities and Surplus		
Actuarial reserves (note 4).	\$1,583,436,000	\$1,481,729,000
Benefits in course of payment and provision for unreported claims	50,977,000	41,310,000
Policyholders' amounts left on deposit at interest	49,943,000	45,160,000
Provision for future policy dividends	38,811,000	39,586,000
Miscellaneous liabilities (including unallocated amounts and provision for outstanding taxes and expenses)	38,118,000	33,019,000
General contingency reserve	38,000,000	35,000,000
Surplus held as an additional protection for policyholders and beneficiaries	83,742,000	78,657,000
	<u>1,883,027,000</u>	<u>1,754,461,000</u>
Funds held for segregated annuities	396,018,000	303,220,000
	<u>\$2,279,045,000</u>	<u>\$2,057,681,000</u>

(See accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1977

- Accounting Policy—The accounting practices followed by the Company are those prescribed or permitted by the Department of Insurance, Canada, as the Company is subject to regulation under the Canadian and British Insurance Companies Act which emphasizes solvency for the protection of policyholders. These financial statements consolidate the operating results and financial position of the Company's wholly-owned subsidiaries.

- Currency Translation—Throughout these statements United States currency is included at the rate of \$1.00 Canadian to the U.S. dollar. British and Irish currencies are included at \$1.70 Canadian to the pound for 1977 (\$2.10 for 1976). As a result of the change in rate the Canadian dollar equivalent of assets and liabilities in pounds was reduced by approximately \$49,000,000. Effective January 1, 1978 the Company adopted a translation rate of \$2.00 Canadian to the pound. If current rates of exchange had been used for all currencies in the 1977 balance sheet, prior to the application of the investment valuation allowance, assets would have increased by approximately \$100,098,000 and surplus would have increased by approximately \$6,578,000.

- Valuation of Assets
 - Assets held for the life insurance business are carried as follows: bonds at amortized cost, stocks at cost, mortgage loans at unpaid principal balance and real estate at cost less accumulated depreciation provided on the sinking fund basis. The carrying value of bonds at December 31, 1977 has been reduced by the investment valuation allowance of \$36,728,000 (\$35,890,000 in 1976). The valuations of these assets prescribed by the insurance law of Canada, in total, are greater than the adjusted carrying value.
 - Assets held for the health insurance business are carried at market value for bonds and unpaid principal balance for mortgages as follows:

	1977	1976
Bonds:		
Government	\$ 2,333,000	\$ 2,331,000
Corporate	12,043,000	11,611,000
Mortgage loans	<u>22,779,000</u>	<u>13,956,000</u>
	<u>\$37,155,000</u>	<u>\$27,898,000</u>

- Assets held for variable insurance contracts are included at market value as follows:

	1977	1976
Bonds:		
Government	\$ 1,070,000	\$ 1,239,000
Corporate	2,140,000	2,179,000
Common stocks	<u>30,968,000</u>	<u>25,116,000</u>
	<u>\$34,178,000</u>	<u>\$28,534,000</u>

- Net assets held for variable segregated annuity contracts are carried at market value and are analyzed in the following schedule:

	1977	1976
Bonds:		
Government	\$ 11,881,000	\$ 11,477,000
Corporate	163,539,000	124,290,000
Mortgage loans	85,055,000	54,917,000
Stocks:		
Preferred	566,000	395,000
Common	130,172,000	107,589,000
Cash and interest bearing deposits	1,382,000	1,610,000
Interest due and accrued	5,735,000	4,298,000
Amounts owed investment dealers and others	(2,312,000)	(1,356,000)
	<u>\$396,018,000</u>	<u>\$303,220,000</u>

- Actuarial Reserves—Actuarial reserves represent the amount required, in addition to future premiums and interest, to provide for future payments under insurances and guaranteed annuities. Reserves for annual premium life insurance and annuity contracts are determined on the net level premium method. Changes during the year are as follows:

	1977	1976
Balance, beginning of year	\$1,481,729,000	\$1,395,461,000
Set aside on new and existing business	137,061,000	115,248,000
Change due to fluctuations in the market value of assets held for variable insurances	7,537,000	(1,367,000)
Set aside for contingent payments	<u>1,340,000</u>	<u>2,880,000</u>
	<u>145,938,000</u>	<u>116,761,000</u>
Canadian dollar effect of the change in currency translation rates	(44,231,000)	(30,493,000)
Balance, end of year	<u>\$1,583,436,000</u>	<u>\$1,481,729,000</u>

- United States Assets—At December 31, 1977, assets included in the accompanying consolidated balance sheet held in trust by The Canada Life Assurance Company (exclusive of its subsidiaries) for the protection of its United States policyholders totalled more than \$235,000,000 which exceeded net liabilities to its United States policyholders at that date.

ACTUARY'S REPORT

To the Policyholders and Directors of
The Canada Life Assurance Company:

I have certified that the actuarial reserves exceed the reserves required by the Canadian and British Insurance Companies Act, and in my opinion, these reserves together with the other liabilities shown in the consolidated balance sheet at December 31, 1977, make good and sufficient provision for all unmatured obligations of the Companies under the terms of their policies.

Toronto, Canada
February 8, 1978.

J.C. Maynard, F.S.A., F.C.I.A.
Senior Vice-President and Chief Actuary

AUDITORS' REPORT

To the Policyholders and Directors of
The Canada Life Assurance Company:

We have examined the consolidated balance sheet of The Canada Life Assurance Company as at December 31, 1977 and the consolidated statement of operations for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; the actuarial reserves were determined and certified by the Company's Senior Vice-President and Chief Actuary.

In our opinion, based on our examination and the certificate of the Senior Vice-President and Chief Actuary, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1977 and the results of its operations for the year then ended, in accordance with accounting practices prescribed or permitted by the Department of Insurance, Canada.

Toronto, Canada
February 8, 1978.

Clarkson, Gordon & Co.
Chartered Accountants

Every holder of a Canada Life participating policy under which no premiums are due and unpaid is entitled to attend General Meetings of the Company and to vote in person or by proxy. The person named as proxy must himself be a policyholder entitled to vote at meetings of the Company, and to be valid proxy forms must be filed with the Secretary at the Head Office at least ten days before a meeting at which the proxy is to be used. A policyholder may revoke his proxy at any time. The Annual Meeting of The Canada Life Assurance Company is held at the Head Office of the Company on the first Thursday of March in each year.

You may receive more than one copy of this report if there are additional policies in force on members of your household. The cost of sorting out all duplications would far exceed material and postage costs.



CANADA LIFE

Head Office, Toronto, Canada