



## **Board of Directors**

### **Louis R. Comeau\***

Chairman of the Board, Assumption Life

### **Denis Losier**

President and CEO, Assumption Life

### **Paul L. Bourque\*, CMA, CA**

President, Paul L. Bourque and Company

### **Jean Collin\*, CGA**

Project Manager, J.D. Irving Ltd.

### **Roger Fournier**

President, Triangle Kitchen Ltd.



**Noël M. Després**

General Manager, Comeau's Sea Foods Ltd.

**J. Bernard Marcil\*, FCA**

Vice Chairman of the Board, Assumption Life

**Jeannette Lalonde**

President, Le Groupe Lalonde-Bard Inc.

**Louis Benoit\*, CGA, CA**

Associate, Losier, Doiron, Larocque, Benoit

**Jean-Jacques Roy, Ing.**

President and CEO, Le Groupe Roy Consultants

\* Member of the Audit Committee

## Message from the President and Chief Executive Officer

The year 2001 can surely be viewed as a year full of ups and downs of all sorts. Atlantic Canada and Quebec were not spared from the effects of the events of September 11 or from the economic slowdown that followed.

In spite of everything, we have managed to surpass our objectives. Assumption Life has recorded the highest net earnings in its history, \$3.6 million. Total profit over the last 5 years now stands at \$13.9 million.

Although 2001 was a difficult year for the financial services industry, the Company's assets under management grew by 1.7% to reach \$707 million.

Total assets under management by Louisbourg Investments remained relatively stable at approximately \$1.3 billion as of December 31, 2001.

Our Company reached \$3,005,000 in individual life insurance sales, an increase of

58% over the last 5 years.

As for group insurance, this is the fourth year in a row that we have witnessed a meteoric rise in sales. In 2001 alone, this product line showed an increase of 34%. Our financial services sector posted sales of \$26,243,000.

In 2001, to better serve our customers, we invested approximately \$4 million in our computer systems and information technology.

Year after year, I am impressed by the extent and variety of contributions made by everyone involved toward the success of our business. By everyone, I mean the members of our Board of Directors, our Management team, our staff, our customers, and of course, our agents and brokers. I would like to thank each and every one of them for the role they have played in the growth of this company. I also extend special thanks to Jean Collin and Louis Comeau for their years of service on the Board of Directors.

The year 2002 is set to be an exciting one for Assumption Life. In September, we will be launching festivities marking the 100th year of our founding. It's not every day that a company celebrates a century of existence. I am sure this will be an opportunity for us to look back on our achievements and gain new energy with which to achieve all the ambitious objectives we have set for Assumption Life.



**Denis Losier**  
*President and CEO*

## Message from the Chairman of the Board of Directors

Assumption Life enjoyed the strongest financial performance in its entire history in 2001. Once again net earnings increased from year to year, and the financial outlook for Assumption Life is excellent. We will probably break the \$4 million mark sometime during the next few years.

Over the past decade, we have witnessed some major changes in the financial services industry. A new era marked by bankruptcies, mergers, acquisitions, demutualization and groundbreaking technology has dramatically transformed the way in which we do business.

Accordingly, the Board of Directors has studied in detail issues related to potential mergers and demutualization as part of the process of developing the Company's strategic plan. The members have come to the following conclusion: Assumption Life possesses the resources it needs to continue its economic

expansion without the need to fall back on these strategies.

The role and function of the Board of Directors have also changed greatly over the same period. The Board played a very active role in the implementation of a succession plan and a leadership development program to ensure that we have people positioned to move into the management structure when the time comes.

The Board also implemented the business government practices recommended for public companies and actively participated in the development of a compliance program to ensure sound risk management.

Our ongoing prosperity is assured, and will remain so thanks to the vision, commitment and perseverance of our directors and the teams that support them, which include all our employees and the members of the Board of Directors. I would like to express my deepest gratitude to all these

individuals, who truly take this Company's success to heart.

As for me, after nine years on the Board of Directors, my mandate has come to an end. However, I leave with a feeling of great accomplishment and the conviction that Assumption Life can look forward to a brilliant future.



**Louis Comeau**  
*Chairman of the Board*

## Valuation Actuary's Report

To the policyholders of  
Assumption Mutual Life  
Insurance Company:

I have valued the policy liabilities of **Assumption Mutual Life Insurance Company** for its consolidated balance sheet as at **December 31, 2001**, and their change in the consolidated statement of income for the year then ended in accordance with accepted actuarial practices, including the selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the consolidated financial statements fairly present the results of the valuation.



**Luc Farmer**

*Fellow,*

*Canadian Institute of Actuaries*

*Moncton, New Brunswick*

*February 13, 2002*

## Statement of Management's Responsibility

The financial statements of Assumption Mutual Life Insurance Company and all the financial information in this annual report are the responsibility of Management and have been approved by the Board of Directors.

The financial statements, prepared by Management in accordance with Canadian generally accepted accounting principles, include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Management is of the opinion that internal control mechanisms are adequate to ensure a reasonable degree of reliability pertaining to financial reporting and that the financial statements contained herein present fairly the results of operations of the Company.

Assumption Mutual Life Insurance Company's actuarial liabilities have been reviewed by an actuary appointed by the Board of Directors. He is responsible for ensuring that the assumptions and methods used in the determination of policy liabilities are appropriate to the circumstances and that such reserves will be adequate to meet the Company's future obligations.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.


The Audit Committee is appointed by the Board and all of its members are outside directors. The Committee meets periodically with Management, as well as with the internal and external auditors, to discuss internal controls over auditing matters and financial reporting issues. The Committee

reviews the annual report, the financial statements and the external auditors' report and reports its findings to the Board for consideration when approving the financial statements for issuance to the policyholders.

The Committee also considers, for review by the Board and approval by the policyholders, the appointment of the external auditors.

The financial statements have been audited by LeBlanc Nadeau Bujold, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the policyholders. LeBlanc Nadeau Bujold has full access to the Audit Committee.

For Management,



**Denis Losier,**  
*President and  
Chief Executive Officer  
February 22, 2002*

## Auditors' Report to Policyholders

We have audited the consolidated balance sheet of **Assumption Mutual Life Insurance Company** as at **December 31, 2001**, and the consolidated statements of income, surplus and cash flows, as well as the consolidated statements of segregated funds for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures

in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at **December 31, 2001**, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



**LeBlanc Nadeau Bujold**  
Chartered Accountants

*Dieppe, New Brunswick  
February 13, 2002*

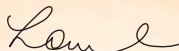
**Consolidated  
Balance Sheet**

*(in thousands of dollars)*

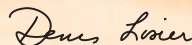
As at December 31

	<i>Notes</i>	<b>2001</b>	<b>2000</b>
<b>Assets</b>			
Marketable securities	3	\$259,157	\$221,051
Mortgages	4	117,094	128,614
Real estate	3	24,816	24,225
Loans to policyholders		6,170	6,071
Cash and term deposits		14,489	19,276
Accrued investment income		4,117	4,244
Capital assets	5	3,813	1,789
Other assets	6	<u>10,825</u>	<u>11,780</u>
		<u>\$440,481</u>	<u>\$417,050</u>
<b>Liabilities</b>			
Policy liabilities:			
Actuarial liabilities	7	\$343,980	\$329,820
Benefits payable and other provisions		6,444	4,403
Insureds' deposits		16,052	16,918
Long-term debt	8	11,707	11,896
Deferred gains and losses	9	2,935	3,240
Future income taxes	10	3,502	3,465
Other liabilities	11	<u>14,513</u>	<u>9,546</u>
		399,133	379,288
<b>Policyholders' Equity</b>			
Surplus		<u>41,348</u>	<u>37,762</u>
		<u>\$440,481</u>	<u>\$417,050</u>
<b>Assets Under Management</b>		<u>\$266,060</u>	<u>\$278,040</u>
Uncertainties	13		

*Signed on behalf of the board*



Chairman



President and CEO

Consolidated  
**Statement of Income**

(in thousands of dollars)

Year ended December 31

	<i>Notes</i>	<b>2001</b>	<b>2000</b>
<b>Revenue</b>			
Insurance premiums		\$40,688	\$36,374
Annuity premiums		17,670	27,585
Investment income	14	30,335	29,534
Other		<u>2,936</u>	<u>2,575</u>
		91,629	96,068
<b>Expenses</b>			
Insurance benefits		24,165	22,154
Annuity benefits		28,182	43,450
Increase in actuarial liabilities		11,248	4,927
Other policyholders' benefits		2,501	2,132
Administration		12,293	12,183
Commissions		3,132	3,194
Interest on long-term debt		915	905
Other		<u>1,291</u>	<u>1,035</u>
		83,727	89,980
<b>Operating Income Before</b>			
<b>Dividends and Taxes</b>		7,902	6,088
		<u>839</u>	<u>791</u>
<b>Income Before Taxes</b>		<u>7,063</u>	<u>5,297</u>
Income taxes payable	10	3,365	2,508
Future income taxes	10	<u>112</u>	<u>(616)</u>
		<u>3,477</u>	<u>1,892</u>
<b>Net Income for the Year</b>		<u>\$ 3,586</u>	<u>\$ 3,405</u>

# Consolidated Statement of Surplus

(in thousands of dollars)

Year ended December 31

	2001	2000
Balance - Beginning of Year		
As previously reported	\$37,762	\$36,086
Prior years' adjustments	—	(1,729)
As restated	<u>37,762</u>	<u>34,357</u>
Net income for the year	<u>3,586</u>	<u>3,405</u>
Balance - End of Year	<u>\$41,348</u>	<u>\$37,762</u>

Consolidated Statement of Cash Flows	Note	2001	2000
			<b>Operations</b>
<i>(in thousands of dollars)</i>			Net income for the year
Year ended December 31		\$ 3,586	\$ 3,405
			Items not affecting cash:
		11,248	4,927
		1,001	1,153
	14	(83)	632
		(1,838)	(4,334)
		<u>13,914</u>	<u>5,783</u>
			Change in non-cash working capital items related to operations
		<u>5,426</u>	<u>3,556</u>
		<u>19,340</u>	<u>9,339</u>
			<b>Financing</b>
		—	1,498
		52	5,600
		(241)	(3,950)
		<u>(189)</u>	<u>3,148</u>
			<b>Investment</b>
			Marketable securities, mortgages and real estate:
		47,626	51,414
		(66,901)	(49,003)
		(3,157)	(350)
		(1,506)	1,586
		<u>(23,938)</u>	<u>3,647</u>
			Increase (Decrease) in Cash and Term Deposits During the Year
		(4,787)	16,134
			Cash and Term Deposits - Beginning of Year
		<u>19,276</u>	<u>3,142</u>
			Cash and Term Deposits - End of Year
		<u>\$14,489</u>	<u>\$19,276</u>

**Consolidated  
Statements of  
Segregated Funds**

*(in thousands of dollars)*

As at December 31

	<b>2001</b>	<b>2000</b>
<b>Net Assets</b>		
Investments:		
Bonds	\$ 99,679	\$ 100,755
Stocks	60,407	76,220
Pooled funds	76,847	86,447
Mortgages	5,591	6,111
Cash and term deposits	22,425	7,499
Accrued investment income	1,326	1,125
Other	6	—
	<u>266,281</u>	<u>278,157</u>
Liabilities	<u>221</u>	<u>117</u>
<b>Participants' equity</b>	<u><u>\$266,060</u></u>	<u><u>\$278,040</u></u>

Year ended December 31

	<b>2001</b>	<b>2000</b>
<b>Change in Net Assets</b>		
Net Assets – Beginning of Year	\$ <u>278,040</u>	\$ <u>247,514</u>
Net contributions:		
Contributions	29,136	45,315
Withdrawals	<u>(22,981)</u>	<u>(19,352)</u>
	<u>6,155</u>	<u>25,963</u>
Investment income:		
Change in value of investments	(15,207)	(1,097)
Interest and dividends	8,529	7,353
Realized losses	<u>(9,173)</u>	<u>( 225)</u>
	<u>(15,851)</u>	<u>6,031</u>
Management and administrative fees	<u>(2,284)</u>	<u>(1,468)</u>
<b>Net Assets – End of Year</b>	<u><u>\$266,060</u></u>	<u><u>\$278,040</u></u>

## Notes to Consolidated Financial Statements

(tabular amounts in thousands)  
Year ended December 31, 2001

### 1. Incorporation

Assumption Mutual Life Insurance Company, known as Assumption Life, was incorporated under a private law of the Province of New Brunswick's Legislative Assembly.

### 2. Significant Accounting Policies

These financial statements have been prepared in accordance with the Insurance Act of the Province of New Brunswick and the Company's incorporating act. This act states that, except as otherwise specified by the Superintendent of Insurance of New Brunswick, the financial statements are to be prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in the preparation of these financial

statements, including the accounting requirements of the Superintendent of Insurance of New Brunswick, are described below. These accounting policies conform, in all material respects, to Canadian generally accepted accounting principles.

#### **Consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries: Assumption Place Limited; and Atlantic Holdings (1987) Limited, the parent company of Louisbourg Investments Inc. These statements do not include the accounts of Assumption Mutual Life Foundation Inc.

#### **Marketable Securities**

Marketable securities include bonds, mortgage pools and stocks. Bonds and mortgage pools are recorded at amortized cost, and gains and losses realized on the sale of these securities are deferred

and amortized over the remaining term of the securities sold. Stocks are carried at moving average market value whereby the carrying value is adjusted according to the difference between carrying value and market value at a rate of 15% per annum. Realized gains and losses on the sale of stocks are deferred and amortized at a rate of 15% per annum on the declining balance method. When a decline in market value of a marketable security is considered other than temporary, the write-down is immediately charged to income.

#### **Mortgages**

Mortgages are carried at the balance receivable, net of provisions for contingent losses. Provisions for losses on loans in arrears and in the process of being liquidated are immediately charged to income.

They are measured by discounting the expected future cash flows using current rates of interest.

### ***Impaired Portfolio Investments***

Management follows a policy of classifying its fixed term investment portfolio, consisting of bonds, mortgage pools and mortgages, as impaired when, in its opinion, there is reasonable doubt as to the ultimate collectibility of a portion of principal or interest. Interest is not recognized on impaired investments. Impaired investments are restored to an accrual basis only when principal and interest payments are current and there is no longer any reasonable doubt regarding collectibility.

### ***Real Estate***

Real estate includes own-use properties and is carried at moving average market value whereby the carrying

value is adjusted towards market value at 10% per annum. Realized gains and losses on the sale of investments are deferred and amortized at a rate of 10% per annum on the declining balance method. Market values of each property are established at least every three years by a qualified appraiser. The market value established is an estimate of the net realizable value of each property and thus recognizes any element of amortization. No provision for amortization is therefore recorded in income.

If the market value of the real estate portfolio is below the carrying value for a period of three consecutive years, the Company presumes that the decline in value is other than temporary. This presumption can only be rebutted by persuasive evidence to the contrary. When a decline in market value of the real estate

portfolio is considered other than temporary, the write-down is immediately charged to income.

### ***Cash and Term Deposits***

Cash and term deposits include deposits in bank and short-term notes with a maturity of three months or less from the date of acquisition.

### ***Capital Assets***

Capital assets are recorded at cost and amortized on their useful lives on the straight-line method over periods of 3 to 10 years.

### ***Goodwill***

Goodwill, arising from acquisitions, is recorded at cost and amortized on the straight-line method over periods of up to twelve years.

### **Actuarial Liabilities**

Actuarial liabilities regarding insurance and annuity contracts are established in accordance with the Canadian balance sheet method. They represent the amount required to satisfy the payment of the Company's future commitments towards policyholders. The valuation actuary of these liabilities computes this amount in accordance with the assumptions that he considers appropriate for the policies in force.

### **Taxes**

The Company provides for income taxes using the liability method of tax allocation. The income tax provision is comprised of income tax payable and future income taxes. Income tax payable is based on taxable income. Future income taxes reflect the net tax effects of temporary differences between assets and liabilities reported for financial statement purposes

and those reported for income tax purposes.

In addition to statutory income taxes, charges to operations include investment income tax, the large corporations' tax and the tax on capital imposed on financial institutions.

### **Foreign Currency Translation**

Monetary assets and liabilities in foreign currencies are converted at the rate of exchange in effect at the balance sheet date.

Non-monetary assets and liabilities, as well as revenue and expenses, are converted at the historical rate.

Translation gains and losses are charged to income for the year except if they relate to marketable securities, loans to policyholders, actuarial liabilities and insureds' deposits, in which case they are deferred and amortized over the predetermined or foreseeable life of each of the corresponding items.

### **Actual and Future Costs in Connection with the Operations of the Canadian Life and Health Insurance Compensation Corporation**

As a member of the Canadian Life and Health Insurance Compensation Corporation (CompCorp), the Company incurs and will likely incur in the future, certain costs in connection with the operations of CompCorp. CompCorp is responsible for compensating policyholders in the event that a life insurer's operations must be liquidated.

CompCorp annually assesses life insurers on the basis of a five-year average of annual premiums and the assessments are charged to income in the year they are incurred. The Company has agreed to provide CompCorp with a credit facility which can be drawn upon, at CompCorp's option, should the need arise.

### **Segregated Funds**

Investments of the segregated funds are recorded at market value. Realized and unrealized gains and losses are immediately included in investment income.

### **Employee Benefit Plans**

The Company and its subsidiaries offer to their employees and agents defined benefit pension plans based on final earnings. Employer and employee contributions to these plans are included in the assets of the Company, either in the assets of the consolidated balance sheet or in the net assets of consolidated statements of segregated funds for the benefit of participants. The annual pension cost includes

actuarial expenses for current services, the amortization of actuarial adjustments for past services and the amortization of actuarial gains and losses.

The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets.

The Company has adopted the following policies: *The cost of pensions and other retirement benefits including dental, health and group life insurance earned by employees is actuarially determined using the projected benefit method pro rated on service, using management's best estimate of expected plan investment performance, salary escalation, retirement age of employees and expected*

*health care costs.* For the purpose of calculating the expected return on plan assets, those assets are valued at market value.

The excess of the net actuarial loss over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service periods of the active employees covered by the three pension plans are 22, 22 and 15 years. The average remaining service periods of the active employees covered by the other retirement benefit plans are the same as the pension plans.

		<b>2001</b>	<b>2000</b>
<b>Actuarial assumptions utilized to determine benefits obligation under the defined benefit plans.</b>	Discount rate	6.25%	6.25%
	Expected long-term rate of return on plan assets	7.25%	7.25%
	Rate of compensation increase	3.75%	3.75%

For measurement purposes, a 15% annual rate of increase was assumed to cover healthcare benefits.

### 3. Marketable Securities and Real Estate

	2001		2000	
	Carrying Value	Market Value	Carrying Value	Market Value
Marketable securities:				
Bonds	\$249,473	\$283,478	\$213,941	\$245,361
Mortgage pools	791	795	754	744
Investment funds	6,297	5,833	3,885	3,813
Other	2,596	2,624	2,471	2,437
	<u>259,157</u>	<u>292,730</u>	<u>221,051</u>	<u>252,355</u>
Real estate	24,816	23,720	24,225	24,867
	<u>\$283,973</u>	<u>\$316,450</u>	<u>\$245,276</u>	<u>\$277,222</u>

Ninety-one percent (95% - 2000) of the bond portfolio is comprised of bonds with an A rating or better. Government bonds represent 74% (70% - 2000) of the bond portfolio.

### 4. Mortgages

	2001		2000	
	Recorded Investment	Allowance for Impairment	Carrying Value	Carrying Value
Mortgages:				
Non impaired				
Residential	\$77,322	\$ -	\$ 77,322	\$ 87,806
Commercial	38,021	-	38,021	39,802
Impaired				
Residential	98	15	83	63
Commercial	1,768	100	1,668	943
	<u>\$117,209</u>	<u>\$115</u>	<u>\$117,094</u>	<u>\$128,614</u>

Investment income includes a charge for loan impairment in the amount of \$11,000 (\$64,000 - 2000). Twenty-nine percent (29%) of the mortgage loan portfolio is insured while 0.8% of the portfolio is in arrears by 90 days or more.

## 5. Capital Assets

	2001			2000
	Cost	Accumulated Amortization	Net	Net
Furniture and equipment	\$1,994	\$ 740	\$1,254	\$ 651
Software	3,679	2,749	930	901
Leasehold improvements	292	192	100	237
Technology projects under development	1,529	—	1,529	—
	<u>\$7,494</u>	<u>\$3,681</u>	<u>\$3,813</u>	<u>\$1,789</u>

Administration expenses include the amortization of capital assets amounting to \$906,000 (\$1,064,000 - 2000).

## 6. Other Assets

	2001	2000
Accounts receivable:		
Clients	\$ 3,324	\$ 3,263
Reinsurers	1,565	2,315
Premiums receivable	2,929	2,781
Commissions and prepaid expenses	1,692	1,782
Goodwill	171	264
Other	1,144	1,375
	<u>\$10,825</u>	<u>\$11,780</u>

Administration expenses include the amortization of goodwill amounting to \$95,000 (\$89,000 - 2000).

## 7. Actuarial Liabilities

### Nature and Composition of Actuarial Liabilities

Actuarial liabilities represent the amounts which, together with estimated future premiums and investment income, will be sufficient to pay the estimated future benefits, dividends, and expenses on policies in force. Actuarial liabilities are determined using generally accepted actuarial practices,

according to standards established by the Canadian Institute of Actuaries. The valuation method used is the Canadian balance sheet method.

The Company operates in both Canada and the United States.

The composition of the Company's actuarial liabilities is as follows:

	2001			2000
	Canada	United States	Total	Total
Individual insurance	\$117,450	\$41,075	\$158,525	\$146,415
Group insurance	16,862	–	16,862	15,724
Individual annuities	121,689	18,801	140,490	141,505
Group annuities	28,103	–	28,103	26,176
	<u>\$284,104</u>	<u>\$59,876</u>	<u>\$343,980</u>	<u>\$329,820</u>

The composition of the assets backing actuarial liabilities and surplus is as follows:

	<b>2001</b>				
	Marketable Securities	Mortgages	Real Estate	Other	Total
<b>Carrying value</b>					
Individual insurance	\$134,049	\$ 13,688	\$ -	\$ 10,788	\$158,525
Group insurance	7,993	7,318	-	1,551	16,862
Individual annuities	73,610	55,874	-	11,006	140,490
Group annuities	9,602	13,466	2,000	3,035	28,103
Other, including surplus	33,903	26,748	22,816	13,034	96,501
	<u>\$259,157</u>	<u>\$117,094</u>	<u>\$24,816</u>	<u>\$39,414</u>	<u>\$440,481</u>
<b>Geographic:</b>					
Canada	\$186,894	\$117,094	\$24,816	\$29,660	\$358,464
United States	72,263	-	-	9,754	82,017
	<u>\$259,157</u>	<u>\$117,094</u>	<u>\$24,816</u>	<u>\$39,414</u>	<u>\$440,481</u>
<b>Market value</b>					
<b>Geographic:</b>					
Canada	\$220,021	\$120,183	\$23,720	\$29,660	\$393,584
United States	72,709	-	-	9,754	82,463
	<u>\$292,730</u>	<u>\$120,183</u>	<u>\$23,720</u>	<u>\$39,414</u>	<u>\$476,047</u>

**2000**

	Marketable Securities	Mortgages	Real Estate	Other	Total
<b>Carrying value</b>					
Individual insurance	\$112,161	\$16,737	\$ -	\$17,517	\$146,415
Group insurance	1,601	13,290	-	833	15,724
Individual annuities	70,942	62,506	-	8,057	141,505
Group annuities	9,890	13,312	2,700	274	26,176
Other, including surplus	26,457	22,769	21,525	16,479	87,230
	<u>\$221,051</u>	<u>\$128,614</u>	<u>\$24,225</u>	<u>\$43,160</u>	<u>\$417,050</u>
<b>Geographic:</b>					
Canada	\$145,279	\$128,614	\$24,225	\$36,528	\$334,646
United States	75,772	-	-	6,632	82,404
	<u>\$221,051</u>	<u>\$128,614</u>	<u>\$24,225</u>	<u>\$43,160</u>	<u>\$417,050</u>
<b>Market value</b>					
<b>Geographic:</b>					
Canada	\$178,191	\$123,531	\$24,867	\$36,528	\$363,117
United States	74,164	-	-	6,632	80,796
	<u>\$252,355</u>	<u>\$123,531</u>	<u>\$24,867</u>	<u>\$43,160</u>	<u>\$443,913</u>

## **Assumptions**

The valuation method implies the selection of assumptions based on the actuaries' best estimate in order to reflect the risks undertaken by the Company, namely: mortality, disability, investment returns, operating expenses and lapses. These assumptions must be modified by the introduction of margins for adverse deviations that result in an increase in the liabilities. The assumptions are revised annually to make sure they correctly reflect the Company's experience. Any change in the assumptions impacts the actuarial liabilities and is immediately recognized in income.

The following is a description of the methods used to calculate the assumptions and the margins for adverse deviation:

### **a) Mortality**

For individual life, the Company uses a recently published industry mortality table, modified to take into account the actual experience of the Company over the last five years. Future mortality improvements are not taken into account in the valuation.

For annuities, a recent industry mortality table is used taking into account expected future improvements in annuitant mortality.

### **b) Disability**

The Company uses disability tables representative of the industry experience, modified to reflect the Company's own experience.

### **c) Investment Returns**

The computation of actuarial liabilities takes into account projected net investment income on assets backing liabilities and on new cash flows to be invested or disinvested in the future. The uncertainty of the interest rates at which future cash flows can be reinvested have been taken into account by testing plausible future interest rate scenarios to determine the sensitiveness of the results. Investment expenses and asset default risks are also considered in the valuation.

### **d) Expenses**

The administrative expenses per policy are based on the Company's internal cost analysis, which is updated annually. These unit costs are projected into the future factoring inflation.

#### **e) Lapses**

Each year, an internal study of the Company's policy lapse rates is conducted. The valuation assumptions are chosen by considering both this internal study and the published industry experience.

#### **f) Policyholder Dividends**

Actuarial liabilities include the present value of expected future policy dividends reflecting current dividend scales.

#### **g) Margins for Adverse Deviations**

The basic assumptions made in establishing actuarial liabilities represent best estimates for a range of possible outcomes. To recognize the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the

actuarial liabilities are adequate to pay future benefits, actuaries are required to include a margin for each assumption. A range of allowable margins is defined by the Canadian Institute of Actuaries and the actuary must choose the margins, within this range, with consideration for each company's specific situation.

In general, the margins are higher for fully guaranteed products while they are lower for adjustable products or participating policies where the dividends can be modified to reflect the Company's experience.

## Change in Actuarial Liabilities

	<b>2001</b>	<b>2000</b>
The change in actuarial liabilities for the year is explained as follows:		
Actuarial liabilities at the beginning of the year	\$329,820	\$320,102
Prior years' adjustments	<u>          -</u>	<u>      677</u>
As restated	329,820	320,779
Normal increase in liabilities	11,134	6,760
Changes resulting from revised actuarial assumptions	114	(335)
Currency revaluation	<u>  2,912</u>	<u>  2,616</u>
Actuarial liabilities at the end of the year	<u>\$343,980</u>	<u>\$329,820</u>

## Reinsurance

In order to stabilize the results of the Company, part of the business is ceded to registered reinsurers. For instance, the maximum amount that is retained by the Company on any one insured life is \$75,000. Reinsurance ceded does not discharge the Company of its liability towards its insureds. Therefore, failure of reinsurers to honour their

obligations could result in losses for the Company. Each year, the Company ascertains that its reinsurers exceed the minimum capitalization required by the regulatory authorities.

According to the existing reinsurance agreements, the actuarial liabilities have been reduced by the following amounts:

	<b>2001</b>	<b>2000</b>
Canada	\$40,936	\$36,057
United States	<u>      44</u>	<u>      46</u>
	<u>\$40,980</u>	<u>\$36,103</u>

## 8. Long-Term Debt

	2001	2000
<b>Mortgage Loans</b>		
Mortgage loans at a rate of 7.93%, maturing in April 2002 and pledging real estate	\$11,358	\$11,599
<b>Others</b>		
Loan at prime rate minus 1% with no maturity date	297	297
Other	<u>52</u>	<u>-</u>
	<u>\$11,707</u>	<u>\$11,896</u>
Payments on principal required in each of the next five years to meet retirement provisions are as follows:		
Year ending December 31,	2002	\$261
	2003	\$282
	2004	\$305
	2005	\$329
	2006	\$356

## 9. Deferred Gains and Losses

	2001	2000
Bonds	\$1,125	\$1,553
Mortgage pools	(179)	(245)
Real estate	(252)	(280)
Other investments	33	60
Foreign exchange	<u>2,208</u>	<u>2,152</u>
	<u>\$2,935</u>	<u>\$3,240</u>

## 10. Taxes

The effective income tax rate in the Company's consolidated statement of income differs from the statutory tax rate, mainly as a result of the following:

	2001		2000	
Income tax at statutory rate	\$2,770	40.6%	\$2,256	42.6%
Increase (decrease) in the tax rate resulting from:				
Investment income tax	269	3.3	250	4.8
Large capital tax	133	1.6	175	3.3
Prior year adjustments	149	1.8	(394)	(7.4)
Permanent differences	560	6.8	(178)	(3.4)
Differences in tax rates in foreign jurisdictions	(570)	(6.9)	(492)	(9.3)
Other	166	2.0	275	5.1
	<u>\$3,477</u>	<u>49.2%</u>	<u>\$1,892</u>	<u>35.7%</u>

The income tax expense charged to operations is as follows:

	2001	2000
Canadian income tax expense:		
Income tax payable	\$3,288	\$1,932
Future income taxes	156	(621)
	<u>3,444</u>	<u>1,311</u>
Foreign income tax expense:		
Income tax payable	77	576
Future income taxes	(44)	5
	<u>33</u>	<u>581</u>
	<u>\$3,477</u>	<u>\$1,892</u>

The Company's future tax assets and liabilities arise from the following items:

	2001	2000
Investments	\$ (36)	\$ (300)
Actuarial liabilities	1,530	2,058
Capital assets	2,302	2,048
Other	(294)	(341)
	<u>\$3,502</u>	<u>\$3,465</u>

## 11. Other Liabilities

	2001	2000
Accounts payable:		
Suppliers	\$ 4,127	\$2,057
Reinsurers	2,383	2,587
Other	<u>8,003</u>	<u>4,902</u>
	<u>\$14,513</u>	<u>\$9,546</u>

## 12. Employee Benefit Plans

Information about the Company's defined benefit pension plans is as follows:

Changes in accrued benefit obligation:	2001	2000
Balance at beginning of year	\$15,111	\$12,661
Current service cost	1,086	1,091
Interest cost	986	898
Benefits paid	(853)	(909)
Actuarial loss	<u>-</u>	<u>1,370</u>
Balance at end of year	<u>16,330</u>	<u>15,111</u>
Changes in plan assets:		
Fair value at beginning of year	12,894	12,663
Actual return on plan assets	(654)	72
Employer contributions	651	607
Employees' contributions	456	461
Benefits paid	<u>(853)</u>	<u>(909)</u>
Fair value at end of year	<u>12,494</u>	<u>12,894</u>
Funded status – (deficit)	<u>\$ (3,836)</u>	<u>\$ (2,217)</u>

(Continued)

The Company's pension plan expense is computed as follows:	2001	2000
Current service cost, net of employees' contributions	\$630	\$630
Interest cost	986	898
Expected return on plan assets	(944)	(924)
Amortization of actuarial loss	<u>31</u>	<u>—</u>
<b>Pension expense</b>	<b><u>\$703</u></b>	<b><u>\$604</u></b>
Other liabilities on the balance sheet include a liability of \$324,000 (\$282,000 - 2000) for future employee benefits, as follows:	<b>2001</b>	<b>2000</b>
Group insurance benefits liability	\$276	\$287
Pension plan liability (asset)	<u>48</u>	<u>(5)</u>
	<b><u>\$324</u></b>	<b><u>\$282</u></b>

### 13. Uncertainties

#### Taxes

The income tax expense is calculated based on rates and laws applicable or known at the time the report is issued. In calculating the tax provision for the United States branch, some of these elements are known only after the publication of the financial statements or may change

and affect significantly taxes paid for the year just ended. The difference in taxes ultimately paid and taxes expended for the year is charged to income in the following year. This may cause unusual variations in taxes compared to profit before taxes for any one year.

## 14. Investment Income

	2001	2000
Earned income		
Bonds	\$17,515	\$16,441
Mortgages	9,390	9,900
Real estate, net amount	2,495	2,366
Investment funds	98	185
Mortgage pools	48	150
Other	<u>1,413</u>	<u>1,800</u>
	<u>30,959</u>	<u>30,842</u>
Amortization of deferred realized gains and losses and recognition of unrealized gains and losses		
Bonds	386	534
Stocks	(88)	(27)
Mortgage pools	(67)	(50)
Real estate	<u>(148)</u>	<u>(1,089)</u>
	<u>83</u>	<u>(632)</u>
Investment expenses	<u>(707)</u>	<u>(676)</u>
	<u>\$30,335</u>	<u>\$29,534</u>

## 15. Additional Information on the Statement of Cash Flows

Cash flows related to  
operating activities include  
the following elements:

	2001	2000
Interest paid on financing	\$759	\$889
Income taxes paid	\$2,714	\$2,183
Dividends paid	\$315	\$217

## **16. Financial Stability of the Company**

### **Capital Adequacy**

The regulatory authorities require life insurance companies in Canada to maintain a minimum capitalization ratio in order to carry on business activities.

The Company's ratio is approximately 179% (179% in 2000) of the requirement imposed by the Office of the Superintendent of Financial Institutions of Canada (OSFI). In other words, the Company has a capitalization of 1.79 times the minimum requirement. This level enables the Company to face unexpected negative results of approximately \$17.7 million, while still being able to meet the minimum requirement.

### **Exposure of the Company to Various Risks**

Each year, the actuary projects the expected results of the Company according to its

business plan (three year plan). This analysis, called the dynamic capital adequacy testing (DCAT), is presented to the board and filed with the regulatory authorities. The purpose of this analysis is to make sure the Company has enough capital to successfully go through the next few years and face unexpected outcomes.

This exercise considers many unfavourable scenarios in order to test the financial strength of the Company. From this analysis, two main threats have been identified: a decrease in the interest rates available for reinvestment and an unfavorable trend in the lapse rates of the policies. None of the scenarios tested jeopardize the solvency of the Company.

## 17. Segmented Information

The Company operates principally in the life and health insurance industry, including sales and services with respect to individual and group life and health insurance and annuity products.

The line of business and geographic segmented information is as follows:

	2001			2000		
	Premiums	Investment income	Assets	Premiums	Investment income	Assets
Individual Insurance	\$18,062	\$9,299	\$117,450	\$16,907	\$8,515	\$109,423
Group Insurance	21,830	1,426	16,862	18,545	1,322	15,821
Financial Services	17,368	11,309	149,793	27,226	11,990	149,491
Other	—	3,462	74,359	—	2,551	59,911
Canadian Total	57,260	25,496	358,464	62,678	24,378	334,646
United States	1,098	4,839	82,017	1,281	5,156	82,404
	<u>\$58,358</u>	<u>\$30,335</u>	<u>\$440,481</u>	<u>\$63,959</u>	<u>\$29,534</u>	<u>\$417,050</u>

## 18. Foreign Exchange

All liabilities in United States dollars are matched with assets of the same currency. A similar approach is followed in Canada. If the value of the Canadian dollar relative to the U.S. currency decreases, the Company earnings are increased and vice versa. An amortization formula is used for unrealized gains and losses on currency translation in order to even the impact on the results of operations.

## **A recognition of excellence**

Congratulations to all employees who  
went above and beyond in 2011!

### **President's Award:**

**Joline LeBlanc**

Claims Analyst  
Group Administration

### **Management Award:**

**Rachelle Gagnon**

Consultant  
Human Resources

### **Volunteer Award:**

**Sylvie Savoie**

Customer Service Consultant  
Group Administration

### **Customer Service Award:**

**Réjean Boudreau**

Director  
Human Resources

**Lucie Bourque**

Technical Support  
Information Technology

**Gisèle Desroches**

Junior Claims Analyst  
Group Administration

**Brenda Duguay**

Group Insurance Consultant  
Marketing

**Patricia Galeano**

Project Manager  
Information Technology

**Josée Mallet**

Senior Customer Service Representative  
Group Administration

**Rita Poirier**

Senior Customer Service Representative  
Pensions

# Assumption Mutual Life Insurance Company

## Atlantic Holdings (1987) Ltd.

100% Assumption Mutual Life Insurance Company  
\$940

## Louisbourg Investments Inc.

51% Atlantic Holdings (1987) Ltd.

## Assumption Place Ltd.

100% Assumption Mutual Life Insurance Company  
\$4,791

## Place Beauséjour Inc.

51% Assumption Place Ltd.

% value = percentage of voting rights held  
\$ value = book value (in thousands of Canadian dollars)

**Assumption Mutual Life  
Insurance Company**

P.O. Box 160 / 770 Main Street  
Moncton, New Brunswick  
Canada E1C 8L1

Telephone: (506) 853-6040  
Fax: (506) 853-5428  
Toll free: 1 800 455-7337

**Atlantic Holdings (1987) Ltd.**

770 Main Street  
Moncton, New Brunswick  
Canada E1C 1E7

Telephone: (506) 853-5420  
Fax: (506) 853-5449

**Louisbourg Investments Inc.**

P.O. Box 160 / 770 Main Street  
Moncton, New Brunswick  
Canada E1C 8L1

Telephone: (506) 853-5410  
Fax: (506) 853-5457

**Assumption Place Ltd.**

770 Main Street  
Moncton, New Brunswick  
Canada E1C 1E7

Telephone: (506) 853-5420  
Fax: (506) 853-5449

**Place Beauséjour Inc.**

770 Main Street  
Moncton, New Brunswick  
Canada E1C 1E7

Telephone: (506) 853-5420  
Fax: (506) 853-5449

For further information on Assumption Mutual Life Insurance Company or one of its subsidiaries, please contact Assumption Life's Head Office.



P.O. Box 160 / 770 Main Street  
Moncton, New Brunswick  
Canada E1C 8L1

Telephone: (506) 853-6040  
Fax: (506) 853-5428  
1 800 455-7337

[www.assumption.ca](http://www.assumption.ca)  
[customer.inquiries@assumption.ca](mailto:customer.inquiries@assumption.ca)