

PACIFIC

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1969
annual
report



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Sunset Life Insurance Company of America



Highlights of 1969

NET GAIN from operations was at an all-time high of \$632,834, up 23.3% over last year.

NEW INSURANCE ISSUED reached a record \$73.2 million, up 6.2%.

LIFE INSURANCE IN FORCE increased to a new high of \$352.5 million, up 9.3%.

NET INVESTMENT INCOME was at a record high of \$1.9 million, up 12.6%.

CAPITAL AND SURPLUS reached \$6.5 million, an increase of 7.3%.

ELECTRONIC DATA PROCESSING. Sophisticated system operative January 1, 1970.

NEW MONEY INVESTED at record high interest rates.

NEW INVESTMENTS totaled \$3.6 million.

ASSETS 18.7% GREATER than liabilities. Twice the average margin for the industry.

PEOPLE. Addition of highly trained specialists to staff.

30 Years of Progress

("000" omitted)

	1969	1959	1949	1939
New Insurance Written	\$ 73,186	\$10,828	\$ 3,337	\$ 4,041
Life Insurance in Force	352,522	46,320	24,345	10,181
Premium Income	5,354	1,264	643	189
Net Investment Income	1,921	262	93	11
Capital and Surplus	6,458	924	641	446
Assets	40,911	6,539	2,928	649

To Our Stockholders

The year was 1959 and Sunset Life had just moved into a new and larger building to carry on its expanding business.

Insurance in force was \$46 million. Sunset territory was growing rapidly in population reflecting the desirable environment of the western states.

Plans were being made for your Company's expansion.

That the last ten years have been busy and exciting is evidenced by the Company's growth during this decade.

Life insurance in force increased 761%.

New insurance written gained 676%.

Capital and surplus increased 699%.

Using insurance in force as an illustration, 73% of the gain came from sales, 18% from mergers and 9% was due to reinsurance assumed.

Now, ten years later, and still at the same location albeit with working space somewhat more

limited, the results of another eventful year of progress and transition are set forth in this report.

Net gain from operations for 1969 reached a new high of \$632,834, an increase of \$119,685. Adjusted earnings calculated according to the method used by the A. M. Best Company* were \$3.81 per share as compared to \$3.45 for 1968 and \$3.04 for 1967 based on the number of shares outstanding December 31, 1969.

A dividend of 5% payable in stock to stockholders of record April 10, 1970, has been declared subject to the approval of stockholders of an increase in the number of authorized shares from the present 250,000 to the proposed 256,000. The dividend will be mailed to stockholders on May 25, 1970, if such increase is authorized.

Assets of the Company reached \$40,911,364 at the end of 1969 and were 18.7% greater than liabilities, an exceptionally strong ratio, as compared to an average of approximately 8% for the 25 largest companies in the industry.

A basic transition in management facilities came on January 1, 1970 with the placing of Company operations on an advanced electronic data processing system. Although this

required temporary additional staffing and other expense resulting in increased costs for 1969, the long-term benefits will be substantial.

Operations followed an entirely new pattern after December 31, 1969, but the Sunset staff had practiced well in months of advance classroom preparation. Successful transition resulted from the dedication of the men and women who make up the Sunset team and whose efforts went far beyond the normal call of duty.

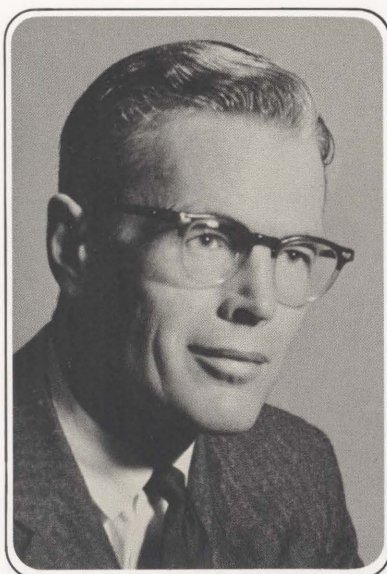
Again the sales force continued to distribute the Company services and products at an expanding rate and new business written exceeded any previous level. This was accomplished despite a sharp contraction in certain sections of the economy from which a significant portion of sales are usually generated.

This report would not be complete without expressing my appreciation for the loyalty and dedication of the staff and the field force in this period of Company progress.

Cordially,



James I. Davidson
President



*Please see Note B on page 10.

Net Gain From Operations

The record operating gain of \$632,834 reached in 1969, a 23% increase over the previous year, was primarily due to a sharp increase in net investment income, continued favorable mortality, lower Federal income tax, and close control of operating costs. The latter was achieved despite major additional expense associated with the installation of a new data processing system. Although mortality experience can fluctuate from year to year, continued favorable trends in the other areas are anticipated for 1970.

In Force Passes \$350 Million

Insurance in force surpassed the Company goal of \$350 million, reaching \$352½ million at year end, up 9.3% for the year.

Continuing a steady trend, new individual policies sold in 1969 averaged \$18,222, up from \$16,675 in 1968. This reflects a growing public understanding of the need for adequate life insurance plus greater emphasis by field representatives in financial planning for their clients.

Insurance Sales Records

For the eighth consecutive year, life insurance sales reached a new high. The 1969 total was \$73.2 million, a gain of 6.2% over 1968. Probably of greater importance was an improvement in the quality of sale during the year which should result in a

higher percentage of life insurance continuing in force. During 1969, the Company sales force was increased by 16%.

Investment Operations

Net investment income for 1969 was \$1,921,167, an increase of 12.6% over the previous year and a new record. The Investment Department placed over \$3.6 million in high quality corporate bonds during the year, taking advantage of interest rates which were among the highest in over 100 years. Funds are currently being invested at rates in excess of 8½%.

When investing, it is more profitable to anticipate the trend rather than to react to events. Fortunately Sunset, foreseeing rising interest rates, has for many years invested with a view to rapid roll over of its portfolio. The motto has been to "shake hands with our money often." As maturing bonds are turned over into new investments, the improvement in investment income should be significant.

Reflecting the quality of the mortgage portfolio, there were no foreclosures during 1969. All payments are current. For over two years no advance commitments of funds have been made and none are now outstanding.

Data Processing System

Although unit operating costs have progressively been lowered over the years in spite of rising supply costs and salary levels, a most significant step in controlling future expense as well as providing more efficient service was initiated on January 1, 1970.

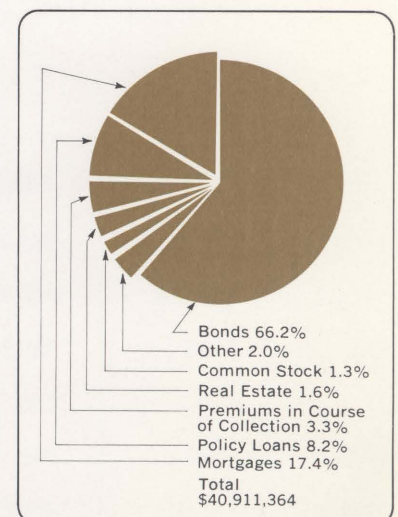
A highly sophisticated data processing system, perfected after months of research, programming and testing, was installed on the Company-owned IBM system 360-30 computer. Transition to the new system was made smoothly after more than 18 months of intensive effort involving the entire staff.

Many operational activities formerly performed manually now flow through the Company literally "untouched by human hand." This will permit more efficient use of your Company's most valuable resource—experienced personnel.

Mortality Remains Favorable

Quality selection of clients by Company field representatives

Distribution of Assets



and informed risk classification by the underwriting staff resulted in continued favorable mortality in the life insurance division and low morbidity experience in the accident and health department.

The Company has always carried a higher than average proportion of risk on larger policies for its own account. The intention is to achieve above average profit margins from the assumption of risk, and more efficiently to serve the sales representative with faster service. The record for the past 33 years of Company existence confirms the wisdom of this position in risk taking, both in favorable mortality and efficiency of operation.

Conservation of Business

Contrary to the trend in many financial institutions during a year of high interest rates and scarcity of money, there were no material changes in withdrawal of funds by policyholders. Values paid on contracts surrendered declined to 2.83% of assets compared to 2.86% in the previous year, while loans on policies increased by only three quarters of one percent of assets.



Product Offerings

A Sunset agent may choose from more than one hundred modern, flexible plans to meet insurance needs in the life and accident and health field while through Sunset's subsidiary, Sunset Financial Services, Inc., he may offer a broad range of financial programs combining mutual funds with life insurance products.

The marriage of insurance and equity products enables the agent to provide a protection package which covers not only his client's traditional fixed-dollar needs but also provides a potential hedge against the rising cost of living.

The Company product line is constantly being reviewed and updated for the purpose of maintaining a competitive position in the industry.

Service and Integrity

Prompt, efficient and equitable payment of policy benefits is the supreme service Sunset Life performs for its policyowners.

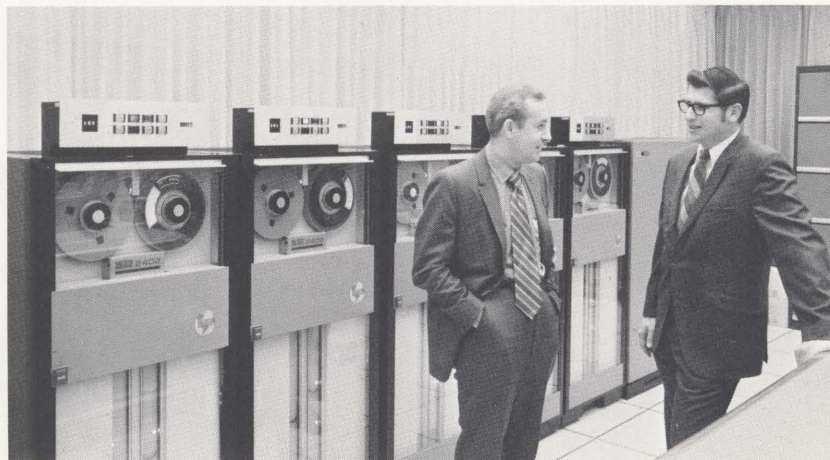
Over the years, the Company has earned an admirable reputation with the insuring public for its handling of claims. In the last insurance departmental examination of the company Sunset was favorably cited for having "... given prompt, equitable service to its policyholders ..."

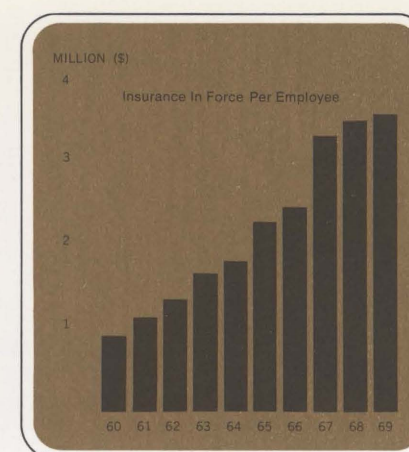
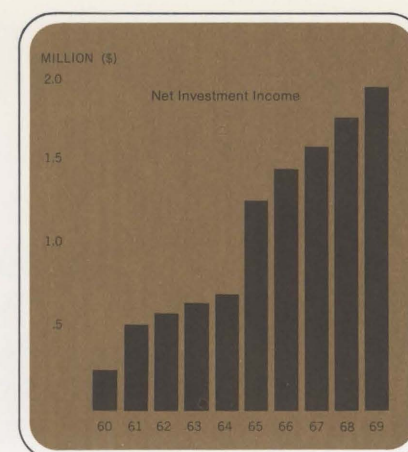
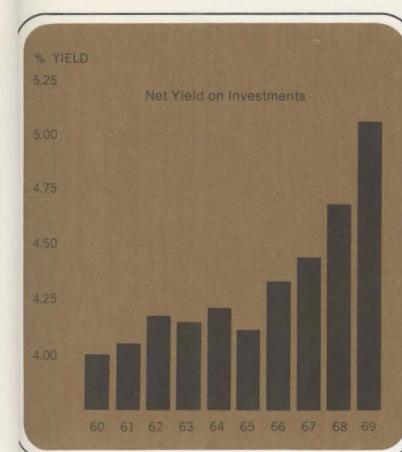
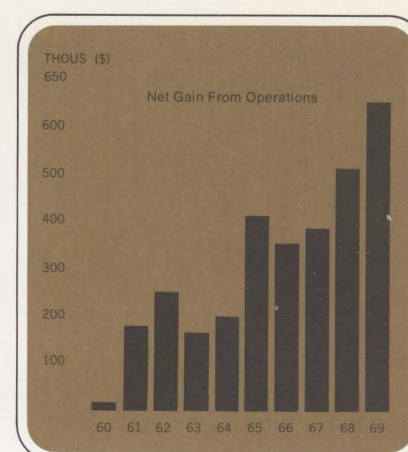
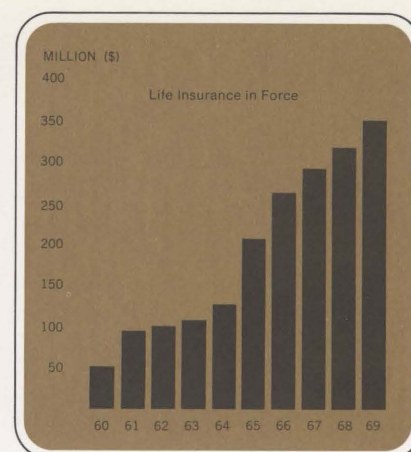
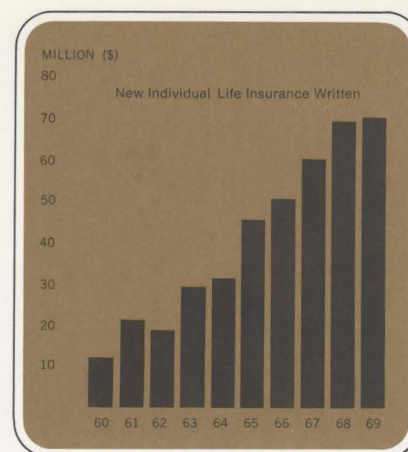
Personnel Changes

Following the close of 1969, appointments to two newly created positions were announced. Daryl D. Jensen was elected Executive Vice President and Lewis R. Hawthorne was elected Vice President and Director of Policy Services. Mr. Jensen, formerly Vice President and Actuary of a large insurance company in the south, joined Sunset in 1967 as Actuary and was advanced to his previous position of Vice President and Actuary in 1968. Mr. Hawthorne, who has been associated with Sunset in many capacities for 25 years, received his previous promotion to Vice President and Assistant Secretary in 1966.

Staff Additions

During 1969 additions to the staff were made in three important areas. Earl Skeel, by training an investment portfolio manager, and formerly a trust officer in one of the larger Seattle banks, joined Sunset as manager of its securities portfolio. Jeffrey Skinner, an Associate of the Society of Actuaries and formerly manager of a regional office of the nation's largest actuarial consulting firm, became Associate Actuary. Thad Jacobs, an experienced underwriter, is a valuable addition to the staff as Senior Underwriter.





A Decade of Growth

In Thousands of Dollars, Except "Per Share" and "Net Yield"

	1969	1968	1967	1966	1965*	1964	1963	1962	1961**	1960
Life and Endowment	\$216,137	\$204,243	\$190,097	\$177,161	\$161,896	\$ 91,645	\$ 78,930	\$ 69,996	\$ 66,386	\$ 34,344
Term	104,927	86,376	67,582	54,295	50,021	33,365	31,124	27,498	24,790	16,321
Reinsurance Assumed	2,932	3,292	3,608	7,964	3,466	—0—	—0—	—0—	—0—	—0—
Government Contracts	28,526	28,458	28,640	21,208	17,133	—0—	—0—	—0—	—0—	—0—
INSURANCE IN FORCE	\$352,522	\$322,369	\$289,927	\$260,628	\$232,516	\$125,010	\$110,054	\$ 97,494	\$ 91,176	\$ 50,665
Individual	\$ 72,978	\$ 68,933	\$ 60,798	\$ 50,941	\$ 46,117	\$ 32,045	\$ 28,374	\$ 19,705	\$ 21,532	\$ 10,951
Reinsurance Assumed	—0—	—0—	—0—	5,381	249	—0—	—0—	—0—	—0—	—0—
Government Contracts	208	6	7,534	4,365	16,814	—0—	—0—	—0—	—0—	—0—
NEW INSURANCE WRITTEN	\$ 73,186	\$ 68,939	\$ 68,332	\$ 60,687	\$ 63,180	\$ 32,045	\$ 28,374	\$ 19,705	\$ 21,532	\$ 10,951
CAPITAL AND SURPLUS	\$ 6,458	\$ 6,016	\$ 5,396	\$ 5,025	\$ 4,705	\$ 2,113	\$ 1,950	\$ 1,865	\$ 1,655	\$ 936
ADMITTED ASSETS	40,911	39,634	37,684	35,920	34,175	16,569	15,436	14,430	13,542	7,009
NET INVESTMENT INCOME	1,921	1,706	1,545	1,433	1,299	633	583	547	502	247
NET YIELD ON INVESTMENTS† . . .	5.08%	4.67%	4.44%	4.32%	4.14%	4.20%	4.15%	4.19%	4.07%	4.00%
NET GAIN FROM OPERATIONS	\$ 633	\$ 513	\$ 385	\$ 357	\$ 412	\$ 194	\$ 169	\$ 258	\$ 184	\$ 9
DIVIDEND PER SHARE	5% Stock	5% Stock	5% Stock	5% Stock	5% Stock	5% Stock	5% Stock	5% Stock	5% Stock	\$ 1.00

†Before Federal Income Tax

*Reflects acquisition of Great Northwest Life Insurance Company

**Reflects acquisition of Old American Life Company

Sunset Life
Insurance
Company
of America

Balance Sheet*

Admitted Assets	December 31	
	1969	1968
Cash and U.S. Treasury Bills	\$ 534,245	\$ 1,578,952
Bonds	26,693,786	24,349,862
Stocks	532,165	975,769
Mortgage Loans	7,127,156	7,537,815
Loans to Policyowners	3,343,201	2,935,857
Real Estate.	661,748	657,563
Premiums in Process of Collection	1,345,510	1,266,550
Accrued Interest and Other Assets	673,553	331,707
Total Admitted Assets	<u>\$40,911,364</u>	<u>\$39,634,075</u>

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Summary of Operations*	1969	1968
Premium Income	\$5,353,964	\$5,208,151
Net Investment Income	1,921,167	1,706,174
Other Income	144,394	156,811
TOTAL INCOME	<u>7,419,525</u>	<u>7,071,136</u>
Deductions:		
Benefit Payments	3,120,471	2,992,528
Increase in Policy Reserves	1,334,979	1,318,759
Commissions to Agents	809,420	824,847
General Operating Expenses	1,347,764	1,207,298
Licenses, Fees, and Taxes other than Federal Income Tax	133,508	119,352
Other Deductions	—0—	8,000
TOTAL DEDUCTIONS	<u>6,746,142</u>	<u>6,470,784</u>
Income Before Federal Income Tax	673,383	600,352
Federal Income Tax	40,549	87,203
Net Income	<u>\$ 632,834</u>	<u>\$ 513,149</u>

The information contained in Note A appearing on page 10 is an integral part of these statements.

*As reported to the Insurance Commissioner of the State of Washington and to all other states in which Company is licensed.

Liabilities, Capital Stock and Surplus

	December 31	
	1969	1968
Policy Reserves	\$31,850,601	\$30,381,113
Policyowners' Funds	1,739,396	1,881,494
Claims in Process	98,424	151,306
Taxes and Expenses	175,531	338,089
Unearned Interest	107,115	69,361
Other Liabilities	188,621	200,947
Investment Reserves	293,676	595,765
Total Liabilities	<u>34,453,364</u>	<u>33,618,075</u>
Capital Stock, par value \$5 a share	1,173,931	1,117,164
Authorized 250,000 shares; issued and outstanding 234,786.10 shares at December 31, 1969 and 223,432.75 shares at December 31, 1968		
Additional Paid in Capital	1,454,867	1,450,790
Unassigned Surplus	<u>3,829,202</u>	<u>3,448,046</u>
Total Capital Stock and Surplus	<u>6,458,000</u>	<u>6,016,000</u>
Total Liabilities, Capital and Surplus	<u>\$40,911,364</u>	<u>\$39,634,075</u>

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Statement of Unassigned Surplus*

	1969	1968
Balance at Beginning of Year	\$3,448,046	\$3,051,024
Additions:		
Net Income from Operations	632,834	513,149
Net Realized Capital Gain or (Loss)	(7,077)	(8,097)
Net Increase (Decrease) in Unrealized Capital Gain	(439,765)	64,770
Total Additions	<u>185,992</u>	<u>569,822</u>
Deductions:		
Transfer to Capital	55,872	53,037
Increase (Decrease) in Non-Admitted Items	24,260	(61,406)
Increase (Decrease) in Mandatory Securities Valuation Reserve	(302,088)	—0—
Federal Income Tax Prior Years	(234)	155,300
Other Decreases	27,026	25,869
Total Deductions	<u>(195,164)</u>	<u>172,800</u>
Balance at End of Year	<u>\$3,829,202</u>	<u>\$3,448,046</u>

The information contained in Note A appearing on
page 10 is an integral part of these statements.

Directors

Year indicates date first elected

CARL W. BUEHNER / 1960
President, Buehner Block Co., Salt Lake City

CHARLES C. COLE / 1946
President, C. C. Cole & Sons, Shelton, Wash.

DONALD N. COLLINS / 1967
Senior Vice President & Director of Agencies

JAMES I. DAVIDSON / 1957
President

V. G. FRANCIS / 1956
Olympia

ERNEST C. HUNTLEY / 1942
Chairman of the Board

JOE JANTZ / 1960
Rancher, Ritzville, Wash.

WALTER A. JOHNSON / 1963
Exec. V.P., Seattle Trust & Savings Bank

FRANK N. MARR / 1964
Mine Leasing, Spokane

ROBERT A. SCHMIDT / 1966
President, Olympia Brewing Co., Tumwater

EDMUND W. SCOTT / 1937
Seattle

GARLAND SPONBURGH / 1960
Member, Wash. State Liquor Control Board

WILLIAM P. WEAVER / 1964
President, Pacific National Lines, Inc.

Officers

JAMES I. DAVIDSON
President

DONALD N. COLLINS, CLU
Sr. Vice President & Director of Agencies

DARYL D. JENSEN
Executive Vice President & Actuary

LEWIS R. HAWTHORNE
Vice President & Director of Policy Service

EARLE WARREN
Secretary-Treasurer

HELMUT F. BAUER
Assistant to the President

WILLIAM L. BELL
Asst. Vice President, Systems Research

JOHN H. CLARK
Asst. Vice President & Asst. Treasurer

ALEX W. JESSIMAN
Asst. Vice President, Data Processing

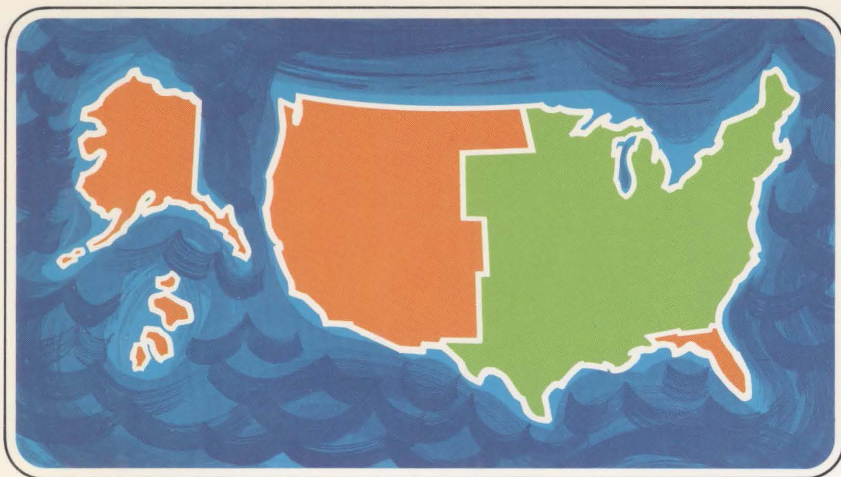
NEIL MUGGOCH
Asst. Vice President, Underwriting

RICHARD H. WILLIAMS
Asst. Vice President, Life Department

ROBERT D. WILLIAMS
Legal Counsel

JOHN J. O'LEARY, M.D.
Medical Director





Now Licensed in 15 States

Agency Administration

ROBERT K. CARINO
Regional Superintendent of Agencies
Olympia, Washington

JAMES FIRKINS
Agency Secretary

JOSEPH E. GREENE
Regional Vice President
Los Angeles, California

RICHARD D. HILLIER
Regional Vice President
Olympia, Washington

HOWARD E. NOREM
Regional Superintendent of Agencies
Los Angeles, California

VIOLET J. SCHIEWE
Executive Secretary

JOHN G. WRIGHT
Regional Agency Supervisor
Sausalito, California

Operations Administration

DOROTHY F. BRION
Assistant Secretary

JAMES P. DIECKMEIER
Assistant Manager, Policy Service

IRENE S. FILTER
Administrative Assistant

DAVID P. FUCHS, C.P.A.
Assistant to the Treasurer

ROBERT R. HARP, FLMI
Assistant Secretary

THAD H. JACOBS
Senior Underwriter

GLEN KEPHART, FLMI
Chief Accountant

LARRY J. PALAGRUTI
Assistant Manager, Data Processing

HENRY PETERSEN
Office Manager

J. EARL SKEEL
Manager, Securities Portfolio

JEFFREY S. SKINNER, A.S.A.
Associate Actuary

Notes to Financial Statements

Note A

Statutory requirements of state insurance regulatory authorities differ in some respects from accounting principles followed by other business enterprises in determining financial position and earnings from operations. Such differences, include among others, the following:

1. The costs incidental to acquiring business are charged to income in the year incurred and are not amortized over the periods benefited.
2. All securities are carried in accordance with the requirements of the National Association of Insurance Commissioners as follows: Bonds eligible for amortization at amortized values, common stocks at their market value on December 31, 1969, except for the common stock of Sunset Financial Services, Inc., which is carried at net underlying asset value. All other securities are carried at values prescribed by or deemed acceptable to the Association.
3. Certain assets described as "non-admitted," such as furniture and fixtures, are excluded from the balance sheet.
4. Certain prescribed formula reserves are required.

Note B

Acquisition costs relating to the issuance of new policies are charged to current income rather than amortized against the related premium income over the expected policy life. To rectify the resulting distortion, investment analysts have developed methods of adjusting statutory earnings (i.e., those reportable to State Insurance Departments) to a basis more comparable with those of other industries. In last year's report, statutory earnings were adjusted in accordance with the method used by Moody's Investors Service, Inc., a well-known investment advisory firm. A research committee of security analysts has developed an alternate method which appears to be gaining broader acceptance and has been adopted by the A. M. Best Company, Inc., highly respected analysts of the insurance industry. Adjusted earnings per share as computed by both companies are set forth below based on the adjusted number of shares outstanding December 31, 1969.

Adjusted Earnings

Per Share	1969	1968	1967
Moody's Investors Service, Inc.	\$4.74	\$4.32	\$3.64
A. M. Best Company, Inc.	\$3.81	\$3.45	\$3.04

Note C

Certificate of Actuary

We, Daryl D. Jensen and Jeffrey S. Skinner, Executive Vice President and Actuary and Associate Actuary, respectively, do hereby certify that the financial statements contained in this report have been prepared in conformity with the regulations of the National Association of Insurance Commissioners, and that the reserve liabilities of the Company have been computed on the basis of mortality and morbidity tables, rates of interest and valuation standards conforming to the laws of the State of Washington.

Daryl D. Jensen
Daryl D. Jensen

Jeffrey S. Skinner
Jeffrey S. Skinner
Associate of the
Society of Actuaries

Sunset Life Insurance Company of America
HOME OFFICE: 3200 CAPITOL BOULEVARD, OLYMPIA, WASHINGTON 98501

