

Sunset Life Insurance Company of America Annual Report

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1972

1972-1973





	1972	1971	Change
Adjusted Earnings Per Share	\$ 2.64†	\$ 2.51	+ 5%
Individual Life Sales	\$131,855,000	\$114,388,000	+15%
Insurance in Force	\$527,186,000	\$473,659,000	+11%
Premiums	\$7,367,000	\$6,651,000	+11%
Net Investment Income	\$2,421,000	\$2,197,000	+10%

† Includes Sunset's equity in the earnings of its subsidiaries.



PACIFIC

President's Letter

MAR 28 1973

To Our Stockholders:

Your Company's growth continued at an excellent rate in 1972. Individual sales, Insurance in Force, and Premium Income all reached new highs. At mid-year Sunset passed the half billion dollar mark of Insurance in Force.

The unusually favorable mortality experienced in 1971 was, as predicted to you in my report for that year, balanced last year by above average death losses. This had a material effect on 1972 earnings. Despite this, adjusted earnings were increased.

Recognizing the needs of growth, your management and Board of Directors are recommending an increase in the authorized shares of the Company from 530,000 to 650,000 shares. This action is desirable in order to implement recommendations set forth in the

proxy statement, including payment of a 5% dividend in stock. Please be sure to send in your vote to help the Company continue its progress.

Sunset has the distinction of being one of the select few of over 1,800 life insurance companies in the United States that enjoys the top rating for financial strength and stability by the leading authority, A. M. Best Company.

The success of your Company results from the loyal support of shareholders and the work of a highly motivated and able staff and field force.

These are also the ingredients of a growing and prosperous future.

Cordially,

*James I. Davidson*  
James I. Davidson  
President and Chairman of the Board







*From left to right:  
Daryl D. Jensen  
Executive Vice President*

*Helmut F. Bauer  
Vice President—  
Systems & Services*

*James I. Davidson  
President*

*Lewis R. Hawthorne  
Vice President—  
Director of Policy Service*

*Neil Muggoch,  
Vice President—  
Underwriting*





## Operations Reports

### Adjusted Earnings

This is the first annual report in which Sunset's equity in the earnings of its subsidiaries is being included in adjusted earnings. The adjusted earnings per share of \$2.64 are therefore not directly comparable with those reported in 1971.

Earnings were adversely affected in 1972 both by higher than normal mortality and by start-up expenses of initiating sales in Sunset Funding Corporation and in Sunset's Prepaid Funeral Plan Division. These expenses were all charged against current income.

Adjustment to statutory earnings was made by A. M. Best Company, using the Association of Insurance and Financial Analyst formula. Please see note B, Page 11.

### Sales

Sunset agents again set a record by selling over \$131 million of life insurance in 1972. This represents a 15% increase over the previous year, reflecting an aggressive marketing force.

Sales were primarily derived from major Pacific Coast metropolitan areas. There is, however, an increasing development of production from smaller cities accompanied by a better market penetration.

### Insurance in Force

Insurance in Force crossed the magic half billion dollar mark and closed the year at \$527 million, a gain of 11%.

Over twenty-five years were required for the first \$100 million. The last \$100 million was added in less than two years.

Every policy is of great importance to the policyholder and his family, so we strive to maintain the highest standards of service and to merit confidence.

### Claims

Claims on life insurance policies were substantially higher in 1972, reflecting the abnormally low mortality experienced the previous year. This possibility was predicted in our report to you last year.

The actual change in claims between the two years was 47 cents per share but can be more accurately indicated as a 23% increase in actual to expected mortality ratio between the years 1971 and 1972.

Loss ratios under accident and health insurance coverages continued at acceptable levels.



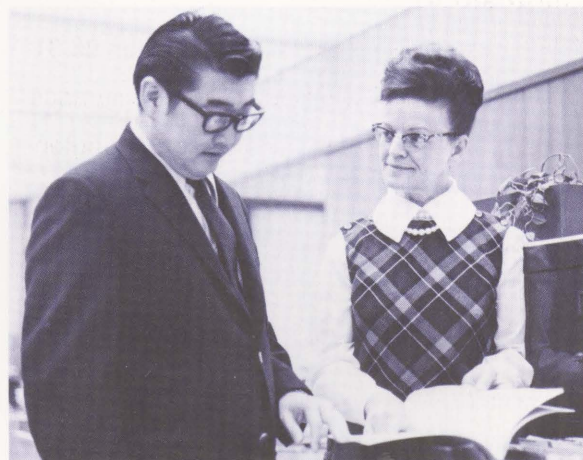
## Investments

Net investment income was \$2,421,446, an increase of 10% over the previous year. Numerous portfolio changes were made in a continuous appraisal and strengthening process.

The largest portion of Company assets continued to be invested in high-grade corporate bonds. These have an average maturity of eight years and ten months. No bonds are in default.

During the year \$7,155,412 was placed in new bond purchases and \$5,384,614 was retrieved from bonds sold, matured or called.

No new mortgage loans were made during the year and there are no outstanding commitments. Mortgage collections on the existing portfolio continued to be current. No foreclosures occurred.



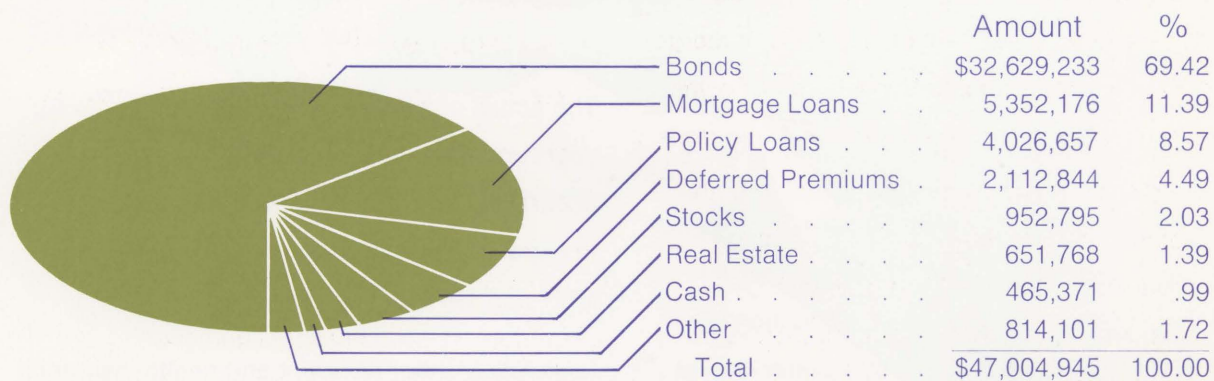
*Edward Y. Mayeda*  
Treasurer

*Irene S. Filter*  
Secretary

## Sunset Funding Corporation

Volume sales commenced in the latter part of 1972 and were accelerating at year end. These are included in Sunset totals. This wholly-owned subsidiary markets mutual fund shares in combination with life insurance. Premiums are financed by loans, using the shares as collateral.

## Distribution of Assets





## **Acquisition**

As of June 27, 1972 Sunset acquired an 85.81% stock interest in Great Republic Life Insurance Company, formerly of Vancouver, Washington. The consideration paid was \$583,795 in cash. As of year end Great Republic had \$26,463,701 of life insurance in force, of which \$17,649,978 was coinsured with Sunset. Great Republic capital and surplus was \$466,873.

Service to Great Republic policyholders is generally supplied in their own local area by trained representatives of the Company. Administrative operations are now primarily conducted from Olympia, Washington.

## **Pacific American Life Company**

Although Pacific American showed a profit in the first year of active operation, sales did not reach expectations.

The Boards of Directors of both Pacific American and Sunset decided that the interest of all stockholders would best be served by a merger of Pacific American into Sunset. Sunset owns 65.85% of outstanding Pacific American stock.

The merger plan is being presented to both bodies of stockholders for approval at their annual meetings in 1973. A separate proxy statement supplement covers the merger in considerable detail and is enclosed with the annual meeting notice.

## **Products**

The Company offers a wide array of life and health insurance plans meeting almost every personal protection need.

Our products are sold by men and women who are independent contractors owning and operating their businesses. Most life insurance is purchased by people in the 21 to 35 age group, and a high proportion of our agents are also of this age.

## **Growth Requires Space**

After thirteen years of occupancy and a tenfold growth in Insurance in Force, more Home Office floor space became urgent.

Additional property adjoining the 4.3 acre Sunset campus was acquired in 1972 and readily converted into an attractive annex to the main building.

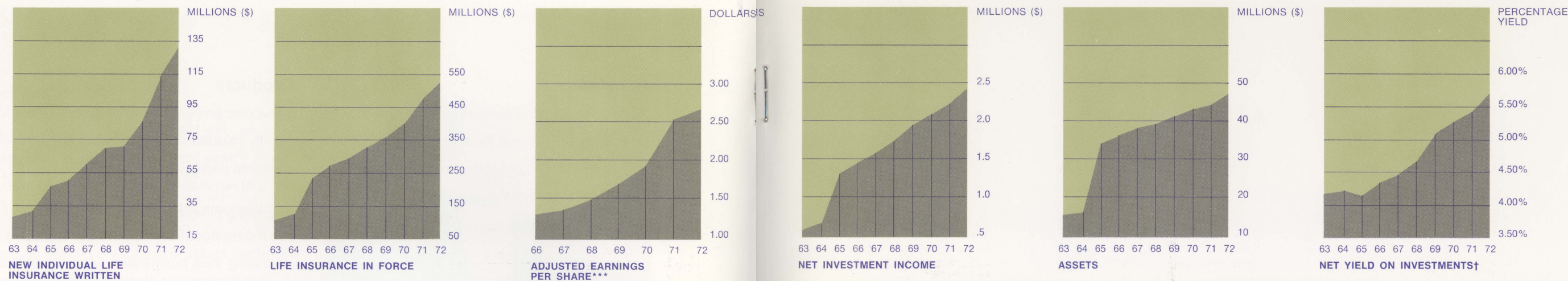
## **Management Design**

Growth. Change. Flexibility. These words describe the directions Sunset has taken in the last dozen years. It has been a period of many accomplishments which were the end result of plans being implemented and challenges met. This is where people count. Their pool of experience in making plans and meeting challenges is a valuable asset on which the Company can draw for future success.





## Ten Years of Progress



In Thousands, Except Net Yield, Dividend, Shares Outstanding, and Per Share Earnings Figures	1972	1971	1970	1969	1968	1967	1966	1965*	1964	1963
Individual	\$131,855	\$114,388	\$ 84,559	\$ 72,978	\$ 68,933	\$ 60,798	\$ 50,941	\$ 46,117	\$ 32,045	\$ 28,374
Reinsurance Assumed	1,673	27,296	—0—	—0—	—0—	—0—	5,381	249	—0—	—0—
Government Contracts	—0—	—0—	9,132	208	6	7,534	4,365	16,814	—0—	—0—
NEW INSURANCE WRITTEN	\$133,528	\$141,684	\$ 93,691	\$ 73,186	\$ 68,939	\$ 68,332	\$ 60,687	\$ 63,180	\$ 32,045	\$ 28,374
Life and Endowment	\$316,354	\$243,339	\$201,321	\$216,137	\$204,243	\$190,097	\$177,161	\$161,896	\$ 91,645	\$ 78,930
Term	155,852	167,807	155,638	104,927	86,376	67,582	54,295	50,021	33,365	31,124
Reinsurance Assumed	24,119	29,706	2,582	2,932	3,292	3,608	7,964	3,466	—0—	—0—
Government Contracts	30,861	32,807	37,429	28,526	28,458	28,640	21,208	17,133	—0—	—0—
INSURANCE IN FORCE	\$527,186	\$473,659	\$396,970	\$352,522	\$322,369	\$289,927	\$260,628	\$232,516	\$125,010	\$110,054
CAPITAL AND SURPLUS	\$ 6,928	\$ 6,462	\$ 6,946	\$ 6,458	\$ 6,016	\$ 5,396	\$ 5,025	\$ 4,705	\$ 2,113	\$ 1,950
ASSETS	47,005	44,533	42,700	40,911	39,634	37,684	35,920	34,175	16,569	15,436
NET INVESTMENT INCOME	2,421	2,197	2,053	1,921	1,706	1,545	1,433	1,299	633	583
NET YIELD ON INVESTMENTS†	5.73%	5.41%	5.25%	5.08%	4.67%	4.44%	4.32%	4.14%	4.20%	4.15%
STATUTORY NET INCOME FROM OPERATIONS***	\$ 610	\$ 673	\$ 740	\$ 633	\$ 513	\$ 385	\$ 357	\$ 412	\$ 194	\$ 169
DIVIDEND PER SHARE	5% stock**	—0—	10% stock	5% stock	5% stock	5% stock	5% stock	5% stock	5% stock	5% stock
SHARES OUTSTANDING	509,043	486,273	511,329	234,786	223,433	212,029	201,344	191,604	107,286	102,128
ADJUSTED EARNINGS PER SHARE***	\$ 2.64	\$ 2.51	\$ 1.90	\$ 1.65	\$ 1.49	\$ 1.35	\$ 1.30	Not available prior to 1966		

†Before Federal Income Tax.

\*Reflects acquisition of Great Northwest Life Insurance Company.

\*\*Declared December 23, 1971, paid February 16, 1972.

\*\*\*See notes to Financial Statements on pages 10 and 11.





## Balance Sheet\*

Sunset Life Insurance Company of America

### Assets

	December 31	
	1972	1971
Cash and U.S. Treasury Bills	\$ 465,371	\$ 550,226
Bonds	32,629,233	30,362,740
Stocks	952,795	639,989
Mortgage Loans	5,352,176	6,001,037
Policy Loans	4,026,657	3,769,071
Real Estate	651,768	627,656
Deferred and Uncollected Premiums	2,112,844	1,902,249
Accrued Investment Income	439,931	362,507
Receivable from Reinsurers	—0—	15,556
EDP Equipment	257,749	251,676
Other Assets	116,421	50,790
Total Assets	\$47,004,945	\$44,533,497

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

\*\* See Note C, page 11.



## Liabilities

	December 31	
	1972	1971
Policy Reserves	\$35,053,624	\$32,957,401
Policyowners Funds	3,940,471	3,964,696
Claims	217,560	199,067
Taxes and Expenses	170,419	129,171
Unearned Investment Income	126,513	116,576
Mandatory Securities Valuation Reserve	111,664	311,263
Other Liabilities	456,553	393,237
Total Liabilities	\$40,076,804	\$38,071,411
Capital Stock** Authorized 530,000 shares, issued 509,043 shares	1,272,607	1,215,683
Paid-in Surplus	1,378,209	1,374,428
Unassigned Surplus	4,277,325	3,871,975
Total Capital Stock and Surplus	\$ 6,928,141	\$ 6,462,086
Total Liabilities, Capital Stock and Surplus	\$47,004,945	\$44,533,497

The information contained in the footnotes appearing on pages 10 and 11 is an integral part of these statements.





## Statement of Operations\*

	1972	1971
Income: Premium	\$ 7,366,697	\$6,650,615
Net Investment Income	2,421,446	2,196,896
Other Income	321,177	271,443
Total Income	10,109,320	9,118,954
Deductions: Benefits	3,792,624	3,384,206
Increase in Policy Reserves	2,019,419	2,098,129
Commissions	1,546,938	1,211,322
General Operating Expenses	2,046,287	1,618,118
Licenses, Fees, and Miscellaneous Taxes	194,364	145,910
Total Deductions	9,599,632	8,457,685
Income Before Federal Income Tax	509,688	661,269
Federal Income Tax	(4,491)	(12,010)
Net Income	514,179	673,279
Equity in Net Income of Subsidiary Companies	95,598	
Consolidated Net Income	\$ 609,777	\$ 673,279

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

## Notes to Financial Statements

**Note a.** The financial statements and results presented in this report are from the Annual Statement filed with the insurance department of each state in which the Company is licensed. Additionally, Sunset's equity in the net income of its subsidiary companies has been included to report a consolidated net income for 1972.

Statutory requirements of state insurance regulatory authorities dif-

fer 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. Stocks of Sunset Financial Services, Inc., Sunset Funding Corp., Synergex, Inc., Great Republic Life Insurance Company and Pacific American Life Company are carried at a combined net asset value of \$937,795





## Statement of Unassigned Surplus\*

	1972	1971
Balance at Beginning of Year	\$3,871,975	\$4,347,689
Additions (Deductions):		
Net Income from Operations	514,179	673,279
Net Realized Capital Loss	(97,842)	(37,834)
Net Unrealized Capital Loss	(155,170)	(207,350)
Change in Non-Admitted Items	176,545	(337,133)
Decrease in Securities Reserve	199,599	77,284
Federal Income Tax Prior Years	—0—	(25,076)
Retirement of Company Stock	(66,946)	(615,213)
Dividends to Stockholders	(60,784)	—0—
Deficiency Reserves—Prior Years	(73,087)	—0—
Other Decreases	(31,144)	(3,671)
Balance at End of Year	\$4,277,325	\$3,871,975

(cost \$1,253,796). 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, automobiles, prepaid expenses, premium notes and amounts owing by agents in the normal course of business are excluded from the Balance Sheet. Estimated value, \$221,000.

4. A securities valuation reserve to absorb fluctuations in statement value of securities.

**Note b.** Adjusted earnings are calculated according to the formula adopted by the Association of Insurance and Financial Analysts (AIFA), as calculated by the A. M. Best Company. This method amortizes acquisition costs of new business over the period benefited rather than charging them against

current income. The number of shares outstanding on December 31, 1971 has been adjusted for the 5% stock dividend paid February 16, 1972 in determining the per share earnings.

**Note c.** December 31, 1971: Shares authorized 530,000; issued 486,273; par value \$2.50. December 31, 1972: Shares authorized 530,000; issued 509,043; par value \$2.50.





## Directors, Officers, Agency Administration

### Directors

Year indicates when first elected  
to the Board

ERNEST C. HUNTLEY/1942  
*Vice Chairman of the Board*

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

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

JAMES I. DAVIDSON/1957  
*Chairman of the Board  
and President*

CHARLES H. HYDE/1971  
*President, West Coast Grocery Co.,  
Tacoma, Washington*

JOE JANTZ/1960  
*Rancher, Ritzville, Washington*

DARYL D. JENSEN/1970  
*Executive Vice President*

WALTER A. JOHNSON/1963  
*Banking and Finance,  
Olympia, Washington*

KEITH M. LESH/1970  
*Chairman of the Board,  
Pacific American Life Company,  
Anchorage, Alaska*

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

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

### Officers

JAMES I. DAVIDSON  
*President*

DARYL D. JENSEN  
*Executive Vice President*

LEWIS R. HAWTHORNE  
*Vice President — Director of  
Policy Service*

NEIL MUGGOCH  
*Vice President — Underwriting*

HELMUT F. BAUER  
*Vice President — Systems & Services*

IRENE S. FILTER  
*Secretary*

EDWARD Y. MAYEDA  
*Treasurer*

WILFRED W. FRITZ  
*General Counsel*

ROBERT D. WILLIAMS  
*Corporation Counsel*

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

JOHN H. CLARK  
*Assistant Vice President,  
Administration*

JAMES E. FIRKINS, JR.  
*Assistant Vice President,  
Agency Department*

RICHARD H. WILLIAMS  
*Assistant Vice President,  
Life Department*

DOROTHY F. BRION  
*Assistant Secretary*

### Agency Administration

JAMES E. FIRKINS, JR.  
*Assistant Vice President and  
Agency Secretary*

M. W. FRENCH  
*Regional Superintendent of Agencies  
Sacramento, California*

JOSEPH E. GREENE  
*Regional Vice President  
Torrance, California*

CHARLES E. INGRAM, C.L.U.  
*Regional Vice President  
Everett, Washington*

JOHN D. NICELY  
*Regional Superintendent of Agencies  
Torrance, California*

VIOLET J. VARNER  
*Executive Secretary*



## Faces of Sunset

Behind Sunset's insurance and service are Sunset's people—concerned people whose experience and personal interest combine to form this energetic and vital life insurance company.



TRANSFER AGENT: Seattle-First National Bank, P.O. Box 24186, Seattle, Wa. 98124

# Sunset Life Insurance Company of America

3200 Capitol Boulevard, Olympia, Washington 98507



Sunset Life Insurance Company of America

