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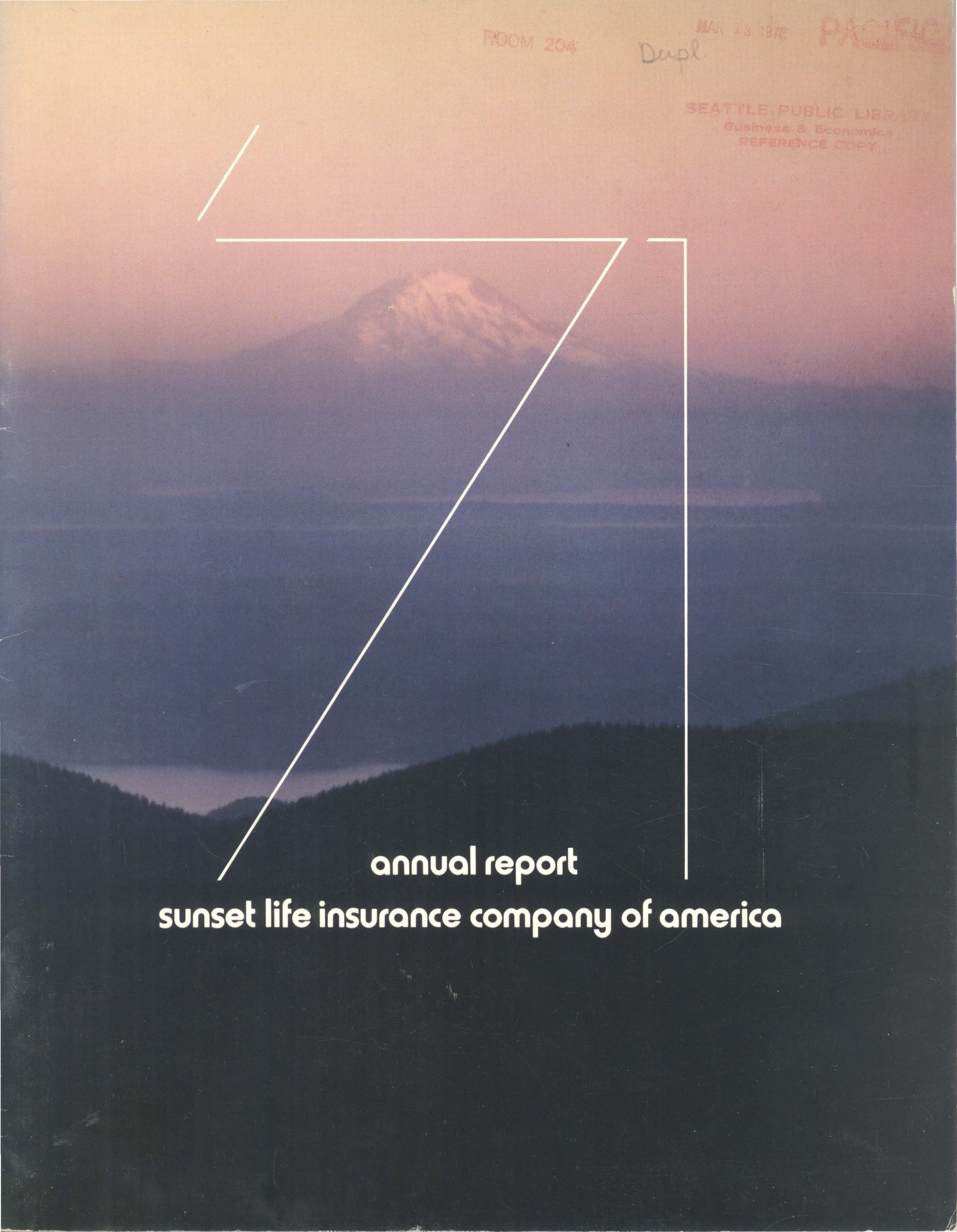


annual report
sunset life insurance company of america

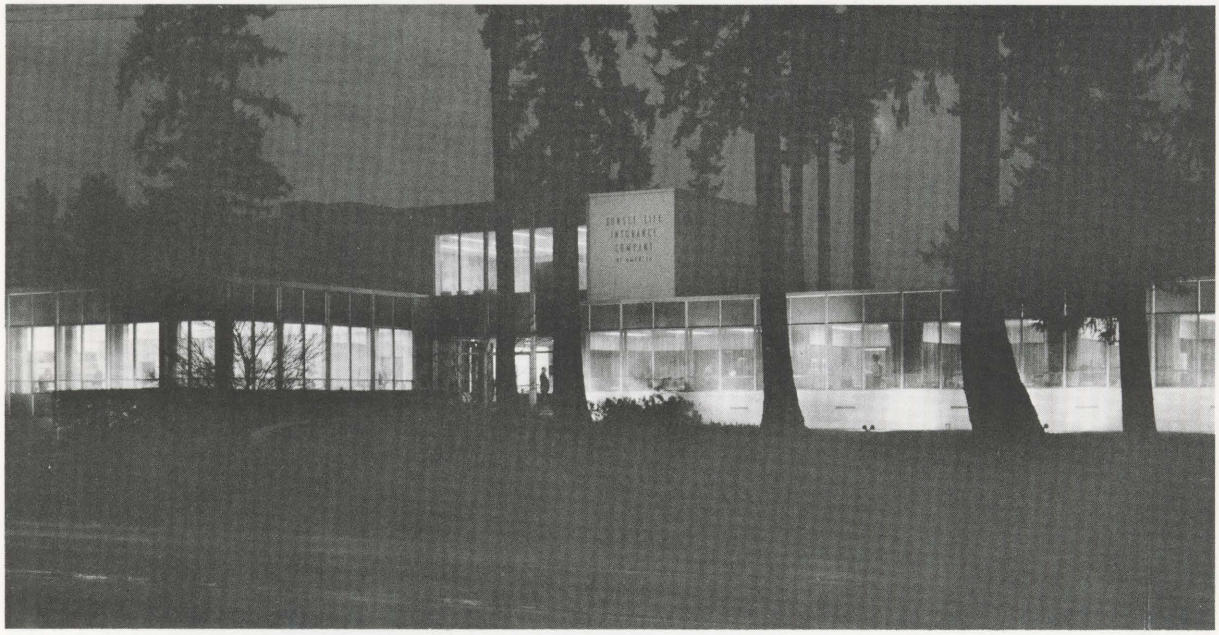
highlights	1971	1970	Change
ADJUSTED EARNINGS PER SHARE	$2.51	$1.90	+32%
LIFE INSURANCE SALES	$141,684,000	$93,691,000	+51%
INSURANCE IN FORCE	$473,659,000	$396,970,000	+19%
PREMIUMS	$6,651,000	$5,509,000	+21%
NET INVESTMENT INCOME	$2,197,000	$2,053,000	+ 7%

The mass of financial figures in this report lose a part of their meaning if not viewed in terms of the many thousands of smaller personal transactions which they represent.

Every policy issued is of great importance to the policyholder and his family.

The principles of risk-sharing upon which our business is founded, emphasize the basic virtues of thrift and family love, and assist all of us in the search for security and peace of mind.

'71
an excellent year



Sunset has just experienced an unequalled year of growth.

Sales and earnings have reached record levels by wide margins.

Highlights are set out on the opposite page and expanded upon elsewhere herein.

Yet this report can only briefly reflect Sunset's accelerated activity.

The recent past has not been a seller's market. Consumers have been careful buyers.

Why has your Company far out-paced the field?

Ours is a business of people—in sales—in service—in management—in operation. We strive to have the best.

Cordially,

James I. Davidson
President and Chairman of the Board

Daryl D. Jensen
Executive Vice President

James I. Davidson
President

'71

adjusted earnings reach new high

Adjusted earnings per share were $2.51 compared with $1.90 in 1970, a gain of 32%.

Calculated according to the A. M. Best Company method*, these figures are based on shares outstanding for respective year-ends, adjusted for the 5% stock dividend paid February 16, 1972.

Statutory net income from operations was $673,279 compared with $739,523 reported last year. During the year, Sunset entered into an agreement with another insurance company to co-insure $21 million of their life business. This purchase reduced statutory net income by $338,137.

Improvements in investment income, controlled operating costs, and excellent mortality experience contributed to the favorable financial results.

record sales

Sales are the backbone of the life insurance business. Sunset representatives sold $114 million of new life insurance, a 35% increase over the previous year.

Reinsurance of $27 million raised the total new business to $141 million, a 51% gain.

A positive sales trend continues into 1972, reflecting a loyal and aggressive marketing force.

insurance in force

Insurance in force climbed 19% to $473 million. The half-billion mark is near.

The net increase for 1971 was $76.6 million as compared with $44.4 million, a 72% gain.

This reflects both higher sales and a lower termination rate.

claims continue favorable

Sunset's impressively low mortality continued in spite of a substantial increase in insurance.

Although the underwriting record has been far better than the industry average for many years, it is only reasonable to expect that such favorable experience may presage higher than normal claims at some future date.

Morbidity experience on accident and health insurance remained within acceptable levels.

capital/surplus changes

Your Company acquired and retired 25,080.85 shares of its Common stock at a cost of $623,793. Capital and surplus were correspondingly reduced.

A loan of $275,277 was made to Pacific American Life Company to assist it in acquiring controlling interest in Great Republic Life Insurance Company. Under statutory insurance accounting, such a loan is a non-admitted asset.

Premium financing of $126,173 was provided under a restricted marketing program. Such loans are of a revolving type extending for one year only. Statutory insurance accounting requires these be treated as a non-admitted asset. As loans are repaid, surplus is restored.

subsidiary operations

Sunset subsidiaries provide valuable support functions to the parent company to increase insurance sales and strengthen related services.

*Please see note B, page 12.

SYNERGEX, INC., Sunset's data processing and computer services subsidiary, has shown good progress and ended its first year with a modest profit. It is a joint venture of Sunset and Synergex personnel.

SUNSET FINANCIAL SERVICES, INC. is a broker-dealership primarily involved in the sale of mutual fund shares. Operating for three years, it has approximately 5,000 accounts.

SUNSET FUNDING CORPORATION was formed February 8, 1971. It markets mutual fund shares in combination with life insurance. Premiums are financed by loans using mutual fund shares as collateral.

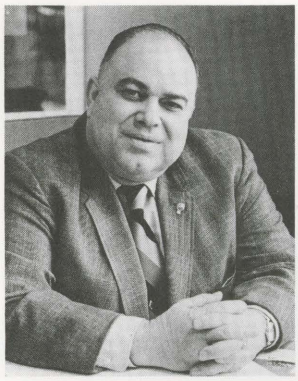
A specialized sales force will be developed.

pacific american life (PALCO)

Palco began production on January 1, 1972. Initial sales indicate its 1972 quota of $5 million will be exceeded by a wide margin.

For 1971, statutory earnings were $34,447. Sunset's 66% interest has not been consolidated into this report.

Palco acquired 85% of the outstanding Common stock of Great Republic Life Insurance Company, Vancouver, Washington on May 10, 1971. Great Republic has $32 million of life insurance in force.



JACK E. LANE, Vice President and Director of Agencies, Pacific American Life Company, Anchorage.

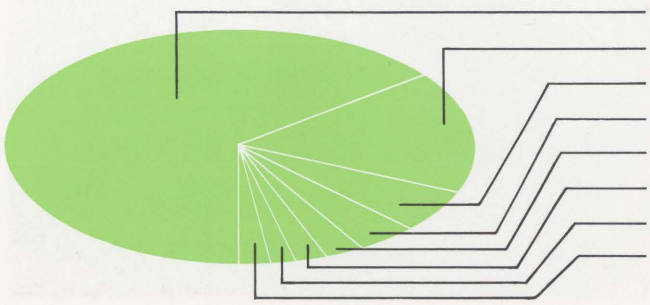
investments

Net investment income at $2,197,000 was an increase of 7% over the previous year. Net yield rose to 5.41%. The average bond maturity is seven years three months.

Over $1.5 million was invested in areas designed for future enhancement of shareholder equity, which tends to reduce current income.

Interest rates remain near record high levels. More than $3½ million was invested in high-grade corporate bonds. No bonds are in default.

There were no foreclosures in the mortgage loan portfolio. Collections were satisfactory.



distribution of assets	amount	%
Bonds	$30,362,740	68.18
Mortgage Loans	6,001,037	13.48
Policy Loans	3,769,071	8.46
Deferred Premiums	1,902,249	4.27
Stocks	639,989	1.44
Real Estate	627,656	1.41
Cash	550,226	1.24
Other	680,529	1.52
Total	$44,533,497	100.00

'71 appointments/staff additions/promotions

a. *CHARLES H. HYDE, President and Chairman of West Coast Grocery Company and State Distributing Company, Tacoma, Washington. Elected to the Board of Directors April 8, 1971.*

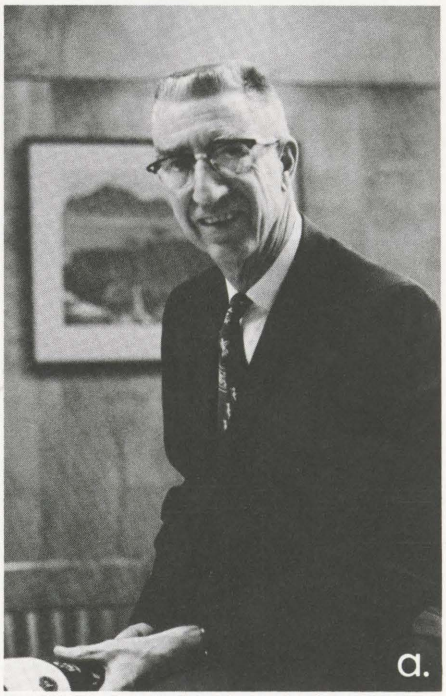
b. *EDWARD Y. MAYEDA, M.B.A. Appointed Controller December 3, 1971—14 years' experience. Formerly Vice President and Controller another insurance company.*

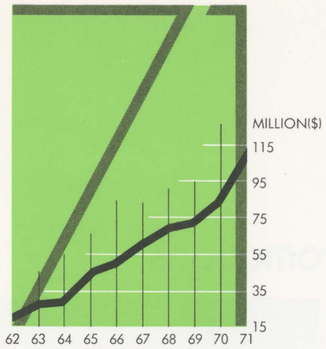
c. *THOMAS R. STOCKS. Specialist in the accident and health field. Fifteen years' experience. Joined the staff April 19, 1971.*

d. *WILFRED W. FRITZ, J.D. Formerly insurance director for the State of Alaska. Appointed General Counsel October 1, 1971.*

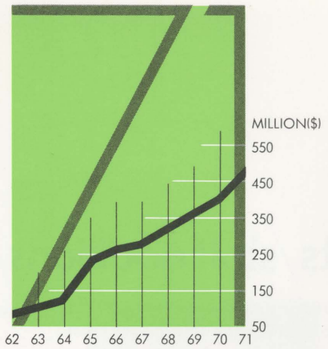
e. *IRENE S. FILTER. Elected Corporate Secretary, April 8, 1971. First woman senior officer of the Company. Formerly Administrative Assistant. Twenty-two years' experience—life insurance.*

f. *HELMUT F. BAUER, appointed Vice President December 3, 1971. Formerly Controller, and a specialist in electronic data processing.*

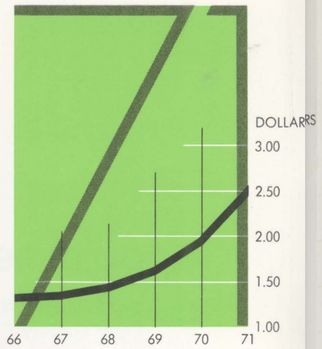




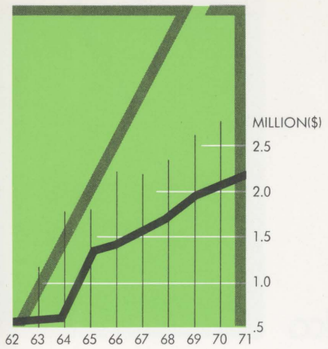
NEW INDIVIDUAL LIFE INSURANCE WRITTEN



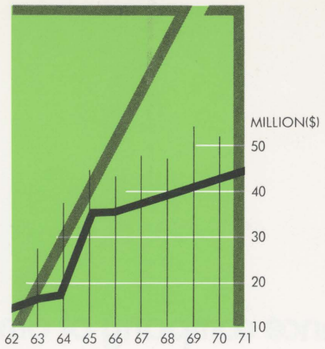
LIFE INSURANCE IN FORCE



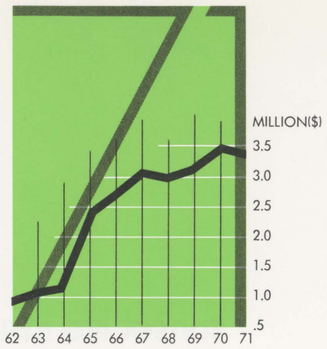
ADJUSTED EARNINGS PER SHARE***



NET INVESTMENT INCOME



ASSETS



BENEFITS PAID TO POLICY HOLDERS

ten years of progress

In Thousands, Except Net Yield, Dividend, Shares Outstanding, and Per Share Earnings Figures	1971	1970	1969	1968	1967	1966	1965*	1964	1963	1962
Individual	$114,388	$ 84,559	$ 72,978	$ 68,933	$ 60,798	$ 50,941	$ 46,117	$ 32,045	$ 28,374	$ 19,705
Reinsurance Assumed	27,296	—0—	—0—	—0—	—0—	5,381	249	—0—	—0—	—0—
Government Contracts	—0—	9,132	208	6	7,534	4,365	16,814	—0—	—0—	—0—
NEW INSURANCE WRITTEN	$141,684	$ 93,691	$ 73,186	$ 68,939	$ 68,332	$ 60,687	$ 63,180	$ 32,045	$ 28,374	$ 19,705
Life and Endowment	$243,339	$201,321	$216,137	$204,243	$190,097	$177,161	$161,896	$ 91,645	$ 78,930	$ 69,996
Term	167,807	155,638	104,927	86,376	67,582	54,295	50,021	33,365	31,124	27,498
Reinsurance Assumed	29,706	2,582	2,932	3,292	3,608	7,964	3,466	—0—	—0—	—0—
Government Contracts	32,807	37,429	28,526	28,458	28,640	21,208	17,133	—0—	—0—	—0—
INSURANCE IN FORCE	$473,659	$396,970	$352,522	$322,369	$289,927	$260,628	$232,516	$125,010	$110,054	$ 97,494
CAPITAL AND SURPLUS	$ 6,462	$ 6,946	$ 6,458	$ 6,016	$ 5,396	$ 5,025	$ 4,705	$ 2,113	$ 1,950	$ 1,865
ASSETS	44,533	42,700	40,911	39,634	37,684	35,920	34,175	16,569	15,436	14,430
NET INVESTMENT INCOME	2,197	2,053	1,921	1,706	1,545	1,433	1,299	633	583	547
NET YIELD ON INVESTMENTS †	5.41%	5.25%	5.08%	4.67%	4.44%	4.32%	4.14%	4.20%	4.15%	4.19%
STATUTORY NET INCOME FROM OPERATIONS	$ 673	$ 740	$ 633	$ 513	$ 385	$ 357	$ 412	$ 194	$ 169	$ 258
DIVIDEND PER SHARE	5%**	10% stock	5% stock	5% stock	5% stock	5% stock	5% stock	5% stock	5% stock	5% stock
SHARES OUTSTANDING	486,273	511,329	234,786	223,433	212,029	201,344	191,604	107,286	102,128	97,272
ADJUSTED EARNINGS PER SHARE***	$ 2.51	$ 1.90	$ 1.65	$ 1.49	$ 1.35	$ 1.30	NA	NA	NA	NA

†Before Federal Income Tax

*Reflects acquisition of Great Northwest Life Insurance Company

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

***Not available on A. M. Best method prior to 1966—See Note B, page 12

sunset life insurance company of america

balance

assets

	December 31 1971	1970
Cash and U.S. Treasury Bills	$ 550,226	$ 317,714
Bonds	30,362,740	28,443,186
Stocks	639,989	1,007,983
Mortgage Loans	6,001,037	6,714,869
Policy Loans	3,769,071	3,631,192
Real Estate	627,656	654,938
Deferred and Uncollected Premiums	1,902,249	1,281,111
Accrued Investment Income	362,507	344,027
Receivable from Reinsurers	15,556	984
EDP Equipment	251,676	279,551
Other Assets	50,790	24,187
Total Assets	$44,533,497	$42,699,742

*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 12

sheet*

liabilities, capital stock and surplus

	December 31 1971	1970
Policy Reserves	$32,957,401	$30,793,904
Policyowners Funds	3,964,696	4,003,483
Claims	199,067	83,029
Taxes and Expenses	129,171	199,397
Unearned Investment Income	116,576	110,843
Mandatory Securities Valuation Reserve	311,263	388,547
Other Liabilities	393,237	174,539
Total Liabilities	$38,071,411	$35,753,742
Capital Stock** Authorized 530,000 shares, issued 486,273 shares	1,215,683	1,278,322
Paid-in Surplus	1,374,428	1,319,989
Unassigned Surplus	3,871,975	4,347,689
Total Capital Stock and Surplus	6,462,086	6,946,000
Total Liabilities, Capital Stock and Surplus	$44,533,497	$42,699,742

The information contained in the footnotes appearing on pages 11 and 12 is an integral part of these statements.

'71 statement of operations*

		1971	1970
Income:	Premium	$6,650,615	$5,508,849
	Net Investment Income	2,196,896	2,053,253
	Other Income	271,443	335,126
	Total Income	9,118,954	7,897,228
Deductions:	Benefits	3,384,206	3,477,225
	Increase in Policy Reserves	2,098,129	1,175,780
	Commissions	1,211,322	864,810
	General Operating Expenses	1,618,118	1,462,225
	Licenses, Fees, and Miscellaneous Taxes	145,910	137,203
	Total Deductions	8,457,685	7,117,243
Income Before Federal Income Tax		661,269	779,985
	Federal Income Tax	(12,010)	40,462
Net Income		$ 673,279	$ 739,523

The information contained in the footnotes appearing at the bottom of this and the opposite page is an integral part of these statements.

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.

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 of Sunset Financial Services, Inc., Synergex, Inc. and Sunset Funding Corporation are carried at a combined net underlying asset value of $73,435 (cost $90,000). Pacific American Life Company ($480,000) is carried at cost. Preferred stock of Sunset Funding Corporation is carried at net underlying asset value of $71,554 (cost $100,000). 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, loans to subsidiaries, premium notes and amounts owing by agents in the normal course of business are excluded from the Balance Sheet. Estimated value $640,000.

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

'71 statement of unassigned surplus*

		1971	1970
Balance at Beginning of Year		$4,347,689	$3,829,202
Additions:	Net Income from Operations	673,279	739,523
	Net Realized Capital Gain or (Loss)	(37,834)	(139,483)
	Net Increase (Decrease) in Unrealized Capital Gain	(207,350)	137,590
	Total Additions	428,095	737,630
Deductions:	Transfer to Capital	—0—	119,566
	Increase (Decrease) in Non-Admitted Items	337,133	(22,594)
	Increase (Decrease) in Securities Reserve	(77,284)	94,871
	Federal Income Tax Prior Years	25,076	—0—
	Retirement of Company Stock	615,213	—0—
	Other Decreases	3,671	27,300
	Total Deductions	903,809	219,143
Balance at End of Year		$3,871,975	$4,347,689

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

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.

The formula adopted by the A. M. Best Company, highly respected analysts of the insurance industry, continues to have the greatest acceptance at this time. The adjusted earnings figures shown are calculated by such method and are based on shares outstanding on the respective year ends adjusted for subsequent splits and stock dividends, including the 5% stock dividend paid February 16, 1972.

note c. December 31, 1970: Shares authorized 530,000, issued 511,328.85, par value $2.50. December 31, 1971: Shares authorized 530,000, issued 486,273, par value $2.50. Shares outstanding December 31, 1971 do not include the 5% stock dividend paid February 16, 1972.

certificate of actuary

I, Jeffrey S. Skinner, Actuary, 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.

Jeffrey S. Skinner

Jeffrey S. Skinner, A.S.A.
Member, American Academy of Actuaries

'71 directors

Year indicates when first elected to Board

ERNEST C. HUNTLEY/1942
Acting Chairman/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

V. G. FRANCIS/1956
Petroleum Industry, Tempe, Arizona

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 & Finance, Olympia, Washington

KEITH M. LESH/1970
Chm. of the Board, Pacific American Life Co., Anchorage, Alaska

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

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

EDMUND W. SCOTT
Director Emeritus, Seattle, Washington

officers

JAMES I. DAVIDSON
President

DARYL D. JENSEN
Executive Vice President

LEWIS R. HAWTHORNE
Vice President and Director of Policy Service

EARLE WARREN
Vice President and Treasurer

HELMUT BAUER
Vice President

IRENE S. FILTER
Secretary

EDWARD Y. MAYEDA
Controller

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

WILFRED W. FRITZ
General Counsel

ROBERT D. WILLIAMS
Corporation Counsel

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

JOHN H. CLARK
Asst. Vice President, Administration

ALEX W. JESSIMAN
Asst. Vice President, Data Processing

NEIL MUGGOCH
Asst. Vice President, Underwriting

RICHARD H. WILLIAMS
Asst. Vice President, Life Department

DOROTHY F. BRION
Asst. Secretary

agency administration

PETER P. DICARO, C.L.U.
Regional Superintendent of Agencies Riverside, California

JAMES E. FIRKINS, JR.
Agency Secretary

JOSEPH E. GREENE
Regional Vice President Los Angeles, California

RICHARD D. HILLIER
Regional Vice President Olympia, Washington

CHARLES E. INGRAM, C.L.U.
Regional Superintendent of Agencies Seattle, Washington

VIOLET J. SCHIEWE
Executive Secretary

JOHN G. WRIGHT
Regional Vice President Sausalito, California

IN MEMORIAM
DONALD N. COLLINS
1923 - 1971

It is with deep sadness that the untimely death of Donald N. Collins on December 16, 1971 is reported. Mr. Collins was Senior Vice President and Director of Agencies, and a member of both the Board of Directors and Executive Committee. The large part he played in the building and shaping of Sunset Life will always serve as a tribute to his dedication, ability and integrity.

your investment

shares

For each 100 shares of stock you owned on January 1, 1961, you now have 738 shares.

splits / dividends

Stock splits of two shares for one occurred in 1965 and 1970. Twelve yearly 5% dividends have been paid in stock. Previous dividends were paid in cash.

investment

Based on the bid price, each 100 shares owned on January 1, 1961 had a market value of $6,700. These have increased to 738 shares with a market value of $19,557 on February 11, 1972.

quotations

Sunset stock is quoted daily in "over-the-counter" sections of the Wall Street Journal (Pacific Coast edition), Barron's financial weekly, and major daily newspapers in the West.

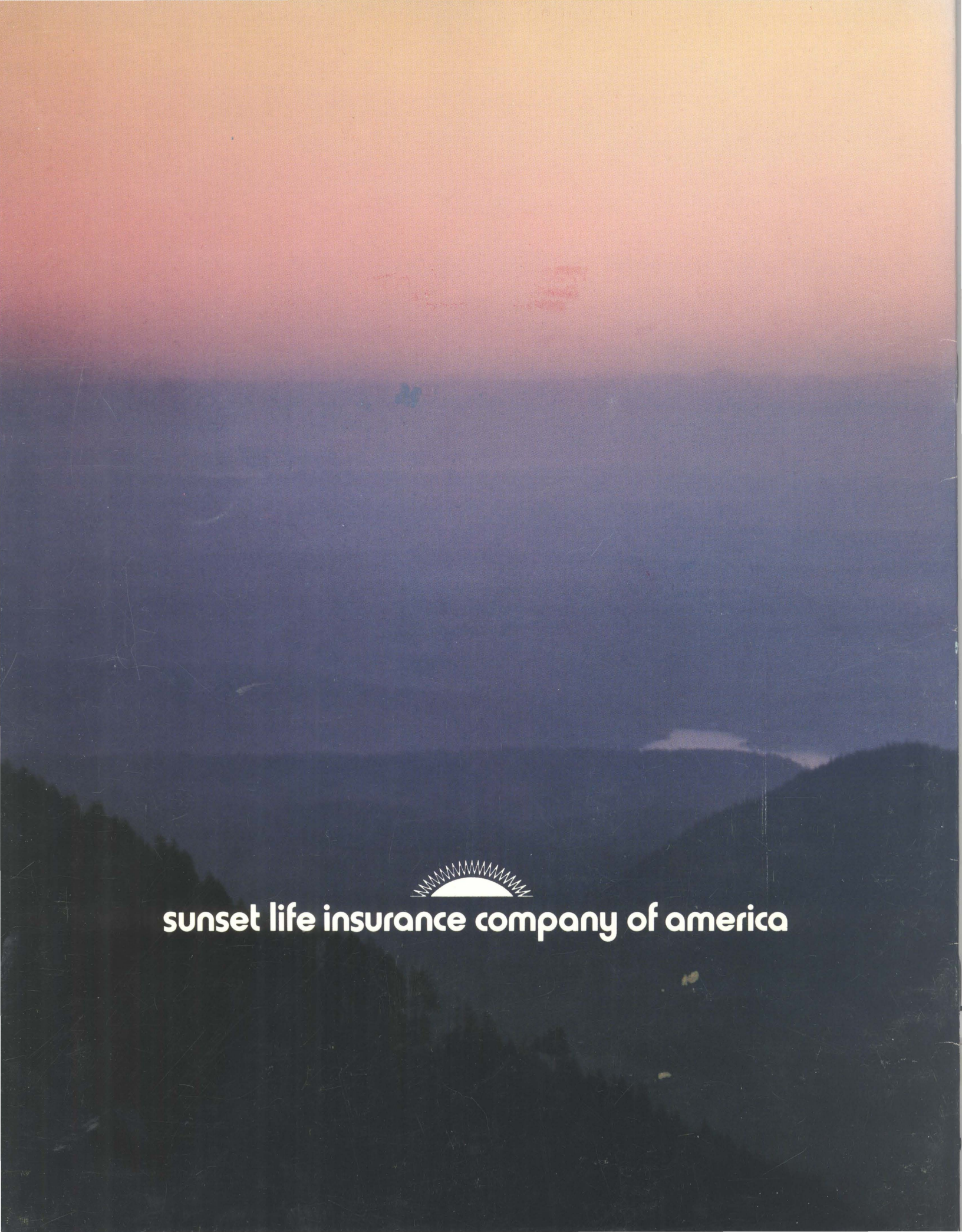
NASDAQ

The Sunset symbol is "SNSL." Your stockbroker can furnish a quotation.

TRANSFER AGENT: SEATTLE - FIRST NATIONAL BANK / P.O. Box 24186, Seattle, WA 98124

sunset life insurance company of america 3200 Capitol Bvld., Olympia, WA 98507

Design, Photography, Lithography—Robert Bock, Fred Milkie, Farwest/Acme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