

June 21, 2001

BY FAX 416-593-3693 AND MAIL

Mr. John A. Carchrae
Chief Accountant
Ontario Securities Commission
20 Queen Street West
Suite 1903
Box 55
Toronto, ON M5H 3S8

Dear Mr. Carchrae:

Re: Discussion Paper "Financial Reporting in Canada's Capital Markets"

I am pleased to provide you with our response to the above-noted discussion paper.

1. Our recommendation is that you **not** relax the current requirements for reporting issuers participating in Canada's Capital Markets to provide financial information in accordance with Canadian GAAP. For the life insurance industry, unlike many industries in Canada, there are substantial differences between Canadian GAAP and say, U.S. GAAP. As a recently listed Canadian company (September 2000) on the New York Stock Exchange, we prepare two sets of consolidated financial statements, one in accordance with Canadian GAAP and the other in accordance with U.S. GAAP.

For our latest fiscal year ended December 31, 2000, net income under Canadian GAAP was \$381 million while the amount under U.S. GAAP was \$504 million, a significant \$123 million difference, with many reconciling items as disclosed in note 20 of our Financial Statements for 2000. For the fiscal year ended December 31, 1999, the difference was even more significant with Canadian GAAP net income of \$320 million and U.S. GAAP of \$22 million.

2. (a) At Canada Life Financial Corporation, we manage the company using Canadian GAAP and our U.S. GAAP reconciliation is simply a by-product calculation. We see no benefit of adopting any other standard at this time.

(b) As identified in paragraph 62 of the discussion paper, there are more users of a company's financial statements than just investors in Canada's capital markets. We are governed by the *Insurance Companies Act* and by the rules and regulations of the Office of the Superintendent of Financial Institutions (OSFI) both of which require all financial information to be prepared in accordance with Canadian GAAP. The same is also true for our reporting to Canada's taxing authority, Canada Customs and Revenue Agency.

Hence, unless there is conformity to one "GAAP" by all of the regulatory authorities in Canada, any changes would add additional work, complication and confusion by preparers and users of financial statements.

3. We recommend that no relaxation in the rules be made because the differences are significant and relaxing the rules will only create confusion. The solution is to have all companies in all jurisdictions report financial statements using a common set of GAAP. We believe this should be the focus and priority of all securities regulators.
4. Until such time as International Accounting Standards are adopted by regulators, I see little reason that Canadian Companies should no longer be required to prepare financial statements in accordance with Canadian GAAP. Such action will only lead to confusion by regulators and users of financial statements.
5. In the Canadian life insurance industry, there is a base of knowledge and experience in preparing financial statements in accordance with U.S. GAAP. Three of the major companies in the industry (Canada Life, Manulife and Sun Life) already prepare annual audited financial statements in accordance with U.S. GAAP.
6. We do not believe alternatives to Canadian GAAP should be permitted at this time.
7. We do not believe that accounting standards of certain foreign countries should be acceptable for use by Canadian Companies – see response under item #4 above.
8. Should an alternative to Canadian GAAP be contemplated as a basis for preparation of a Canadian Company's financial statements, such statements should be common for all purposes i.e.

–regulatory (OSFI)

–securities (OSC, etc.)

–Canada Customs and Revenue Agency

Failure to do so would put an enormous incremental cost burden on Canadian companies.

9. See #8 above.
10. Restatement of prior years (at least 3) must be required as a transitional issue if the CSA permits alternatives to Canadian GAAP. This is the only way to reduce confusion by the reader by providing some historical trend of comparable financial information.

For questions #11 through #17, there are no International Accounting Standards for the life insurance industry. However, there was an Issues paper circulated by the International Accounting Standards Committee in 2000. Through the Canadian Life and Health Insurance Association, Canada Life responded to that paper and we enclose a copy of that response to this letter.

Should you have any questions related to this letter, please do not hesitate to contact me at 416-597-1440 (ext. 5520).

Yours truly,

Patrick G. Crowley
Executive Vice-President and
Chief Financial Officer

PGC:mds
Enc.

cc: Mr. David A. Nield
Chairman, President and CEO
Canada Life