

2004

Annual Report

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CORPORATE SYMBOL

As Equitable Life's corporate symbol, the lighthouse and the principles it signifies have endured throughout the Company's long history.

Representing strength, stability and reliability, the lighthouse reinforces Equitable Life's continuing commitment to provide its customers with protection and guidance toward financial security.

FIVE-YEAR REVIEW OF HIGHLIGHTS

As at December 31

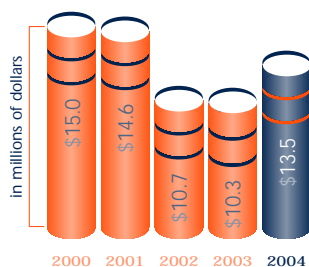
(In thousands of dollars except business in force)

	2004	2003	2002	2001	2000
Net income	13,480	10,303	10,740	14,646*	15,032**
Revenues					
Premium income	226,997	227,365	222,791	200,169	184,032
Net investment income	55,350	55,831	36,112	51,083	54,697
Fee income	12,145	10,105	10,090	9,543	8,323
Total revenues	294,492	293,301	268,993	260,795	247,052
Current benefits to policyholders and beneficiaries	184,213	166,266	155,070	160,553	176,596
Dividends to participating policyholders	9,189	8,417	7,994	7,494	6,986
Assets					
General Fund	970,735	921,378	862,284	805,783	781,418
Segregated Funds	383,318	348,007	307,899	326,748	324,121
Total assets	1,354,053	1,269,385	1,170,183	1,132,531	1,105,539
Percentage increase in total assets	6.7%	8.5%	3.3%	2.4%	9.9%
Participating policyholders' equity	152,676	139,196	128,893	118,153	103,507
Business in force (billion \$)	27.4	24.4	21.8	19.9	18.1

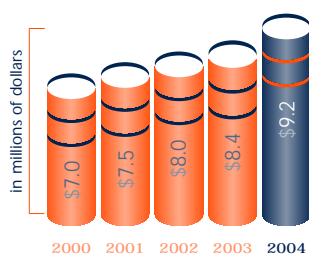
* Includes \$4,422 gain related to changes in future tax rates and a tax recovery from prior years.

** Includes \$6,501 gain related to acquired policies as a result of new reinsurance arrangements, asset rebalancing and related acquisition expenses.

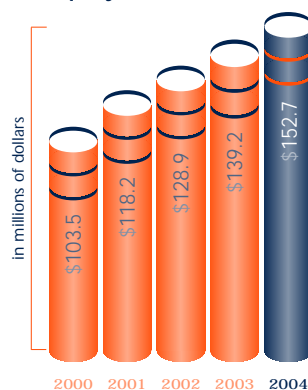
Net Income



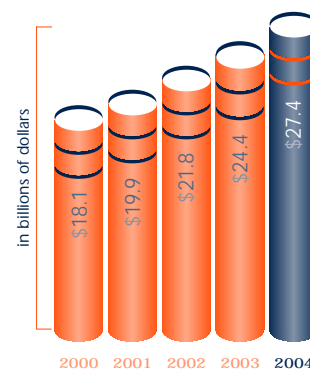
Dividends to Participating Policyholders



Participating Policyholders' Equity



Business In Force





CORPORATE PROFILE

The Equitable Life Insurance Company of Canada has provided Canadians with sound financial protection for over 80 years. As an independent, mutual life insurance company, Equitable Life® has no shareholders. Policyholders who purchase participating life insurance policies are eligible to receive dividends supported by distributable earnings from all lines of business.

Founded in 1920 in Waterloo, Ontario, Equitable Life is among Canada's top 15 life insurers in terms of revenue.* As at December 31, 2004, total assets under administration exceeded \$1.3 billion and the Company had more than \$27 billion of business in force.

With a strong emphasis on responsive, personalized service, Equitable Life offers its customers a wide selection of quality products to meet their financial planning needs, including individual life, health and annuities; group life, health and pension plans; retirement savings; commercial mortgages; and segregated fund investments. Ongoing prudent investment and risk management strategies contribute to Equitable Life's continued financial strength and protect the interests of its policyholders.

The Company is represented by more than 10,000 independent producers serving Equitable Life policyholders from British Columbia to Ontario, in the Atlantic provinces, and, since 1982, in Bermuda. They are supported by more than 400 staff employed at the Company's head office in Waterloo, and its regional offices.

* As listed in The National Post, June 2004.

CORPORATE VISION

A team of quality employees and independent producers focused on...delivering competitive products and superior service to target markets...applying technology and continuous improvement...consistent profit, financial strength and enduring stability.

CORPORATE VALUES

The core values driving our Corporate Culture are:

Superior Customer Service	Integrity
Knowledgeable People	Accountability
Collaboration	Quality Communications

For further details on our Corporate Values, please refer to our website at www.equitable.ca.



THE CORNERSTONES OF OUR SUCCESS

At Equitable Life of Canada[®], our success is not measured only by steadily growing profits. It is also measured by the thousands of satisfied policyholders and independent producers who choose to deal with us year after year.

Throughout our 85-year history, Equitable Life has built enduring relationships with our customers through our constant emphasis on the cornerstones of our business: **people, protection, performance and progress**. Today, as we embrace the new challenges and opportunities before us, our steadfast commitment to these fundamentals – matched with our focused corporate vision – will keep the Company on our uninterrupted course of prosperity so that we may continue delivering long-term value to our customers for generations to come.

PEOPLE Our most important asset is people. Equitable Life's professional, knowledgeable staff at our head office and in our regional offices work in partnership with independent producers to serve our policyholders with the highest standards of efficient, personalized service.

As a medium-sized company, we are able to think and act beyond our financial obligations alone. We take the time to listen to and understand our customers and respond promptly to their needs. These efforts go a long way toward building the long-lasting, mutually rewarding relationships upon which our business is based.

PROTECTION Equitable Life's first priority is to protect the exclusive interests of our policyholders. To that end, we strive for the utmost responsiveness and flexibility as we develop products and services that meet their changing requirements today, and will deliver good value over the long term.

At the same time, we must ensure that Equitable Life keeps growing and remains financially sound. Our comprehensive risk management strategies are a key contributor to the Company's ever-increasing financial strength; they give our policyholders an extra measure of confidence that their interests are safe with Equitable Life.

PERFORMANCE A testimony to the Company's exceptional financial performance, Equitable Life's Minimum Continuing Capital and Surplus Requirement (MCCSR) ratio, at a very strong 215%, is well above the minimum prescribed by the Office of the Superintendent of Financial Institutions Canada (OSFI). The MCCSR ratio is a recognized measure of strength and stability for our industry.

PROGRESS As a mid-sized life insurer, Equitable Life competes well within our industry and serves customers in our target markets as a strong, progressive company. In the past five years alone, our net income and business in force have more than doubled; participating policyholders' equity (also known as surplus) has increased by over 70% and total assets under administration have reached close to \$1.4 billion.

At the core of this remarkable growth is our ongoing investment in technology. Equitable Life is large enough to provide a robust infrastructure with innovative technologies that respond to the demands of today's marketplace and drive our steady progress. Yet, as a mid-sized company, we are able to combine this "high-tech" approach with a "high-touch" attitude toward customer service...and that is uniquely Equitable!

EQUITABLE LIFE'S MARKET FOCUS

Business Segment	Principal Products and Services	Primary Markets	Primary Distribution Channel
Individual Life and Health	Universal Life	Family Children Business Retirement Estate Planning	Managing General Agencies
	Whole Life	Family Children Pre-retirement Retirement Estate Planning	Managing General Agencies
	Renewable Term	Family Business	Managing General Agencies
	Term to 100	Family Business Estate Planning	Managing General Agencies
	Critical Illness	Individuals Business	Managing General Agencies
Group Life and Health	Life Insurance Accidental Death and Dismemberment Dental Extended Health Care Income Replacement	Businesses with 20 to 200+ lives	Independent Group Producers
Savings and Retirement	<i>Individual Products</i> Personal Investment Portfolio Retirement Income Funds Segregated Funds Guaranteed Deposit Accounts Payout Annuities	Pre-retirement Retirement	Managing General Agencies
	<i>Group Products</i> Group RRSPs Group Pension Plans Deferred Profit Sharing Plans	Businesses with 20 to 200+ lives	Independent Group Producers

NEW PRESIDENT AND CEO SHARES RETIRING LEADER'S VISION

In June 2004, Ronald Beaubien, Equitable Life of Canada's President and Chief Executive Officer since 1996, announced his retirement to take effect April 30, 2005.

Under Mr. Beaubien's stewardship, our Company experienced record growth and profitability and steadily increased its capital position. Some financial highlights during Mr. Beaubien's tenure as President include: growth of business in force from \$9.0 billion to \$27.4 billion; an increase in participating policyholders' equity (surplus) from \$62.6 million to \$152.7 million; and growth of net income from \$6.0 million to \$13.5 million.

On behalf of Equitable Life's Board of Directors, I wish to extend my sincere thanks for Mr. Beaubien's vision, commitment and leadership throughout his years with the Company. These qualities played an integral part in achieving Equitable's current strength and stability and he is highly regarded by all who know him. We will miss Ron and wish him and his wife, Thelma, all the best for retirement.

Mr. Beaubien's successor is Ronald Beettam, who became Equitable Life of Canada's new President and CEO on January 31, 2005. "Equitable Life has given me many opportunities and great satisfaction in my career," explains Mr. Beaubien. "I welcome Ron Beettam and the leadership qualities he brings to Equitable Life."

Much in Common

In addition to their first names, both gentlemen have much in common. Each has extensive experience in the insurance industry – Mr. Beaubien began his career with Equitable Life over 35 years ago while Mr. Beettam's industry experience to date spans 25 years. They both value excellent customer service. They also share the same vision regarding Equitable Life's structure as a mutual company. This, they acknowledge, is what differentiates Equitable Life from many of the larger insurance companies and serves the best interests of our policyholders.

"I'm very excited to join Equitable Life and am committed to maintaining the Company's mutual status," says Mr. Beettam. "I believe it's what sets Equitable apart from our competitors. It puts the focus on policyholders and longer-term values, and that's the way we'll continue to succeed and grow. And, while our mutual structure provides us with an excellent base, future success can only be achieved through sustainable, profitable growth. I look forward to leading Equitable Life to new record levels of growth and profitability."

During his first few months in his new role, Mr. Beettam has had the opportunity to become familiar with the Company and staff by visiting regional offices, MGAs (Managing General Agencies) and independent Group Producers. "It all comes down to people. Equitable Life is fortunate to have a network of hardworking and knowledgeable independent producers and employees. They are the key to our ongoing success."

On behalf of Equitable Life's Board of Directors, I wish to warmly welcome Mr. Beettam to the Company and his new role. With his leadership, we look forward to continued growth, achievement and success as we further enhance our culture of superior service within the Canadian insurance industry.



Ronald D. Beaubien (left)
and Ronald E. Beettam


Douglas W. Dodds, FCMA
Chairman of the Board

MESSAGE TO OUR POLICYHOLDERS



Our commitment to the mutual structure has become a point of differentiation.

Douglas W. Dodds, FCMA
Chairman of the Board

We are pleased to report that 2004 was another highly successful year for Equitable Life of Canada – one marked by excellent progress and steady, profitable growth.

The Management's Discussion and Analysis (beginning on page eight of this report) provides a detailed discussion of our 2004 corporate achievements. Highlights of these achievements include:

- Net income rose to \$13.5 million, up over 30% from \$10.3 million in 2003.
- Participating policyholders' equity (also known as surplus), one of the key measures of a life insurer's financial stability, reached an all-time high of \$152.7 million, representing a 9.7% increase over 2003.
- Business in force increased to \$27.4 billion, compared to \$24.4 billion at year-end 2003.
- Total assets under administration equaled \$1.354 billion, up from \$1.269 billion in 2003, representing a 6.7% increase.

A Mutual Company

Equitable Life is one of the largest and strongest mutual companies in Canada. This, in turn, benefits our policyholders and our business. Dividends paid, or credited to, our participating policyholders increased by 9.2% to \$9.2 million in 2004.

Increasingly, our commitment to the mutual structure has become a point of differentiation – one that allows Equitable Life to offer continuity and stability to our stakeholders: our policyholders, independent producers and our staff.

As other insurance companies consolidate and restructure, our organization remains focused, stable and strong. Our customers know who they are doing business with – now and in the future – and will continue to receive superior, customer-focused service.

Also, as a mutual company, we are not driven by quarterly or short-term results. Instead, we focus on longer-term strategies that foster ongoing stability, growth, profitability and long-term, effective relationships with our policyholders and distributors. Ours is a progressive and competitive organization that is firmly committed to serving your best interests.

Superior Service

Throughout our more than 80-year history, Equitable Life has built a strong reputation for providing personalized, caring and professional service. In 2004, we introduced Superior Service, a value system that will continue to build on our strong service reputation and form an integral part of our corporate culture – a culture that will enable us to do our best and work together to consistently exceed our customers' expectations. In an environment where many companies offer similar products, our service will set us above our competitors.

Superior Service incorporates three guiding principles (culture, attitude and partnership) and eight habits (reliability, tangibles, responsiveness, knowledge, understanding, innovation, integrity and economic value). In 2004, we used these principles and habits to enhance service and create a more efficient workplace. In 2005, our main focus will be to further improve external service. The goal is to become more proactive and responsive to customer needs, enhance procedures to address customer input and concerns and develop a high quality, integrated website where group and individual clients get timely access to useful information.



New Technology

In 2004, progress continued on the development of our individual life, annuity and health and group life and health administration systems. The full impact of these state-of-the-art systems, which will be launched throughout 2005 and 2006, will further enhance our ability to deliver superior service and competitive products, positioning us to compete favourably with the larger insurance carriers.

Positive Partnerships

Much of our success is due to the partnerships we have built. Independent producers and our employees all play a vital role in our organization and, consequently, our ongoing success. Much has occurred in 2004 to determine how to best align our resources to better meet the needs of our producers. This work will continue as we more explicitly understand their needs.

To all policyholders and independent producers, thank you for choosing to do business with Equitable Life. As always, we are committed to fulfilling your needs.

We also proudly recognize Equitable Life's hardworking and supportive team of employees. Many thanks and congratulations on your extraordinary efforts in 2004.

Building for the Future

At a time when the insurance industry is experiencing rapid change, Equitable Life of Canada offers strength, stability and reliability. We view the future with confidence and optimism and will continue to differentiate ourselves from our larger competitors. This differentiation will be accomplished through various initiatives including: stronger alignment of our product lines, focused target markets, providing superior service, building positive relationships with our key partners, retaining our mutual structure and enhanced technology. Our head office expansion, which began in October 2004 and will be completed in late 2005, clearly demonstrates our growth and many accomplishments.

Douglas W. Dodds, FCMA
Chairman of the Board

Ronald E. Beettam, FSA, FCIA
President and Chief Executive Officer



We are pleased to report that 2004 was another highly successful year for Equitable Life of Canada.

Ronald E. Beettam, FSA, FCIA
President and
Chief Executive Officer

OVERVIEW OF CONSOLIDATED RESULTS

Management's Discussion and Analysis (MD&A) provides an opportunity to discuss the financial position and performance of The Equitable Life Insurance Company of Canada ("the Company") in 2004 compared to 2003. The MD&A provides analysis both in total and for the major reportable segments.

Caution regarding forward-looking statements

The MD&A includes forward-looking statements with respect to the business operations and strategy, as well as the financial performance and condition of the Company. These statements are predictive in nature and generally can be identified by the use of forward-looking words such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," or "continue" or the negative thereof or similar variations. By their nature, forward-looking statements require assumptions to be made about future events or conditions and are subject to inherent risks and uncertainties which may cause actual results to differ materially from those expressed or implied by the forward-looking statements. Factors that could cause actual results to differ materially from the Company's expectations include, but are not limited to, general economic and market conditions, including changes in interest rates. Readers are advised to carefully consider these factors when evaluating the Company's forward-looking statements. The Company does not undertake to update or revise any forward-looking statements to reflect any changes in events or conditions occurring after the publication of the MD&A.

(Dollar amounts in thousands except business in force)

	2004	2003	Percentage change
Revenues	\$ 294,492	\$ 293,301	0.4 %
Current benefits to policyholders and beneficiaries	184,213	166,266	10.8 %
Dividends to participating policyholders	9,189	8,417	9.2 %
Net income	13,480	10,303	30.8 %
Total assets under administration	1,354,053	1,269,385	6.7 %
Participating policyholders' equity	152,676	139,196	9.7 %
MCCSR	215%	204%	5.4 %
Business in force (billion \$)	27.4	24.4	12.3 %

Overall, the Company made good progress in most key results achieved in the business in 2004. Equitable Life's net income showed a strong increase to \$13.5 million compared to \$10.3 million in 2003 mainly due to a significant improvement in the individual life and health line of business. The 2003 net income of \$10.3 million includes a non-recurring charge of \$0.9 million related to changes in future tax rates.

Total revenues were relatively flat for the year due to growth in individual life and health and group life and health revenues being largely offset by lower annuity premiums. However, the total revenues and segregated funds deposits increased by 5% to \$368.1 million.

Total new sales for the Company including segregated funds deposits reached \$144.0 million, which represents an increase of 10% over 2003. Total premium revenue of \$227 million is consistent with the prior year. Individual life and health gross annualized premiums in force grew by 9%. Group life and health achieved higher sales and strong profitability, while surpassing \$200 million of gross annualized premiums in force. Annuity premiums declined by 25% to

\$32.5 million due to low guaranteed interest rates and stronger performance of the equity markets. These factors helped to generate a 28% increase in segregated funds deposits. Fee income of \$12.1 million increased by 20% mainly due to the growth in net asset values of segregated funds.

Equitable Life's participating policyholders' equity (also known as surplus), one of the key measures of a life insurer's financial stability, strengthened to \$152.7 million, up almost 10% over 2003. Another key measure of financial strength is the Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio, which improved from 204% to 215% in 2004.

Total assets under administration reached \$1.4 billion, representing an increase of over 6% compared to 2003. In the savings and retirement segment, segregated funds assets increased 10% over 2003 as a result of strong growth in the equity markets and net policyholder contributions.

Total business in force grew over 12% during the year to \$27.4 billion, compared to \$24.4 billion at the end of 2003.

OVERVIEW OF BUSINESS SEGMENT RESULTS

INDIVIDUAL LIFE AND HEALTH

(Dollar amounts in thousands)

	2004	2003	Percentage change
Revenues	\$ 87,542	\$ 86,289	1.5 %
Current benefits to policyholders and beneficiaries	25,567	27,820	(8.1)%
Net income	4,994	926	439.3 %
Gross annualized premiums in force	106,563	97,845	8.9 %
Sales – new annualized premiums	13,408	12,583	6.6 %

Financial Results

Overall, 2004 was a profitable and productive year for individual life and health operations. Gross annualized individual life and health insurance premiums in force rose to \$106.6 million, an increase of 9% over 2003. The number of policies in force now exceeds 109,000. Higher sales, lower terminations and excellent mortality experience all contributed to the year's improved profitability.

Increased consumer demand for traditional products with guarantees helped to generate higher sales and a 51% increase in premiums for our participating whole life product (Equimax), which is consistent with our focus as a mutual company. Due to the revitalization of equity markets, Equation Generation III, our universal life product, showed a substantial increase in total premiums of 22% over 2003. While Equitable Life maintained a competitive position in the term market, term sales measured by annualized premium were 10% lower than 2003.

Products

Equitable Life provides individual life insurance products including universal life, term life and permanent whole life insurance. Under the individual health line of business, we offer critical illness insurance.

In the second quarter of 2004, we added six Portfolio Interest Options to our Equation Generation III universal life product, bringing the total number of Linked Interest Options available to twenty. The Portfolio Interest Options are tax-sheltered interest-bearing investment accounts which track the performance of the Franklin Templeton Quotential Program Portfolio. The Quotential Program offers the opportunity for risk diversification through the bundling of various Franklin Templeton mutual funds within one portfolio. Each Quotential Portfolio is

designed to match a different risk profile, thereby providing clients with a simplified solution to their investment management. Equitable Life is the only life insurance company in Canada to offer the Quotential Portfolio options within a universal life product.

During the fourth quarter of 2004, we launched an enhanced version of our Equimax participating whole life insurance plan, a key product initiative for Equitable Life as this demonstrates our commitment as a mutual life insurance company. Product enhancements included a new guaranteed 20-pay version of the plan, as well as a lifetime enhancement guarantee option.

Future Direction

Superior service and good value for our policyholders and independent producers continue to be Equitable Life's primary focus. Continuous improvement will remain a key objective in individual life operations throughout 2005. We will enhance our critical illness product in 2005 to remain competitive with industry and market trends, and increase pricing to reflect less attractive reinsurance terms for the industry as a whole.

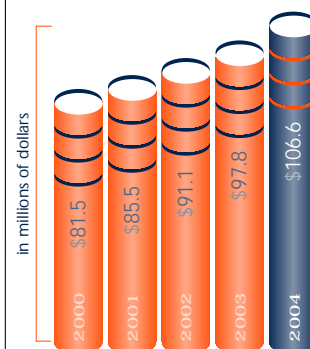
The Company continues to make progress on the implementation of the INGENIUM administration system, which will enhance product development capabilities and allow us to provide a greater level of service to our clients. The implementation of this new, leading-edge system will include the conversion of our term products in the second half of this year. This conversion will include a re-price of our 10 and 20 year renewable and convertible term products, if required, to remain competitive in the industry. As we continue to expand our internet capabilities, we will improve communications and provide better access to information for our independent producers and policyholders.



We had another profitable and productive year in 2004.

Michael M. Dawe
Vice-President,
Sales and Distribution

Annualized In Force Individual Life and Health Premiums



Annualized in force individual life and health premiums reached \$106.6 million, an increase of 9% over 2003.

OVERVIEW OF BUSINESS SEGMENT RESULTS

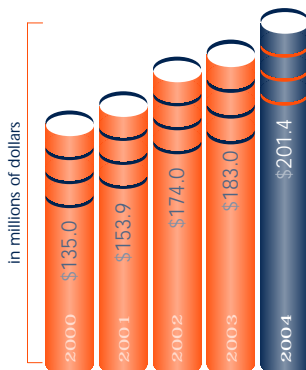
GROUP LIFE AND HEALTH



Group life and health posted solid earnings in a very competitive market.

Mark K. Courtepatte, BComm
Vice-President, Group and Individual Operations

Annualized In Force Group Life and Health Premiums



Annualized in force group life and health premiums reached \$201.4 million, up 10% over 2003.

(Dollar amounts in thousands)

	2004	2003	Percentage change
Revenues	\$ 139,795	\$ 129,329	8.1 %
Current benefits to policyholders and beneficiaries	100,121	92,536	8.2 %
Net income	3,176	3,300	(3.8) %
Gross annualized premiums in force	201,372	182,955	10.1 %
Sales – new annualized premiums	24,502	16,857	45.4 %

Financial Results

Equitable Life's group life and health business again posted solid earnings in 2004 in a very competitive market. This profitability was largely achieved through favourable claims experience in both 2004 and 2003.

Annualized premiums in force continued to grow, reaching \$201.4 million, up 10% over the previous year. This was largely due to improved sales and retention of existing business. The largest component of revenues is net premium revenue, which increased by 8% from \$125.6 million in 2003 to \$135.9 million.

Products

Equitable Life offers life, accidental death and dismemberment, dental, extended health care and income replacement insurance.

In 2004, we introduced several enhancements to our current products and services, including:

- expanded coverage for older employees and retirees traveling out of Canada,
- additional options under our in-Canada pooling program for catastrophic claims,
- enhanced non-evidence limits for our group life and long-term-disability products.

During 2004, we continued to develop our new group administration system (BMS – Benefits Management Suite).

Future Direction

In 2005, we will continue with the implementation of the new BMS administration system. This system will deliver online service to plan administrators, plan members and independent producers.

Additionally, we will continue to improve processes to create efficiencies and support our strategy of providing superior customer service.

We will continue to work diligently at strengthening our partnerships with independent producers and to build on the Company's reputation for being a group provider of value-added and superior service.

SAVINGS AND RETIREMENT

(Dollar amounts in thousands)

	2004	2003	Percentage change
Revenues	\$ 57,583	\$ 68,618	(16.1)%
Current benefits to policyholders and beneficiaries	58,525	45,910	27.5 %
Net income (loss)	(584)	1,865	(131.3)%
Total assets under administration	669,392	644,427	3.9 %

	2004	2003	Percentage change
General fund premiums	\$ 32,481	\$ 43,351	(25.1)%
Segregated funds deposits	73,645	57,584	27.9 %
Total sales – premiums and deposits	\$ 106,126	\$ 100,935	5.1 %

Financial Results

Total sales for general and segregated funds increased by 5% over 2003. Total segregated funds assets increased by 10% in 2004 to \$383.3 million. Despite this progress, segregated funds assets have not yet achieved the critical mass required to fully support the expenses allocated to the line of business, which resulted in the \$0.6 million loss for 2004.

With the trend in the market returning to equity products, individual annuity general fund assets ended the year at \$234.8 million, as compared to \$241.2 million in 2003. Group pension general fund assets declined 4% during the year to \$72.0 million.

Total segregated funds assets (including universal life assets) as of December 31, 2004, were \$383.3 million, which is \$35.3 million higher than last year end of \$348.0 million. The increase from 2003 is due to \$14.3 million of net policyholder contributions and \$21.0 million from investment returns and fees. Overall, the Canadian stock funds showed significant growth this year, with the Canadian Stock Fund increasing by \$10.1 million and the Equitable Life MB Canadian Equity Value Fund increasing by \$6.3 million.

Products

Equitable Life's individual savings and retirement product line includes Personal Investment Portfolio (PIP), Registered Retirement Income Fund (RRIF), Life Income Fund (LIF) and Payout Annuity products. Our group savings and retirement products include Group RRSPs, Group Pension Plans and Deferred Profit Sharing Plans.

In 2004, we introduced six new segregated

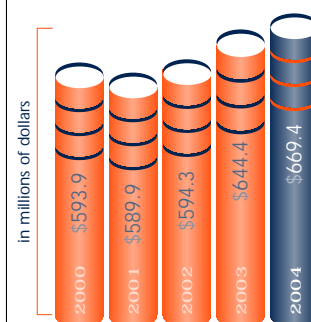
funds investing directly in the corresponding Franklin Templeton Quotential Program Portfolio for our PIP, RRIF and LIF products, effective January 10, 2005. In addition, RRIF and LIF policyholders now have access to all of the funds that are offered with the PIP product, as well as our popular asset-rebalancing feature. In November 2004, Equitable Life signed an agreement with a third party to provide RRSP and segregated funds investment loans. This agreement offers clients access to another means of funding their RRSP and segregated funds with Equitable Life.

Future Direction

In September 2004, we converted the RRIF and LIF policies to our new administration system. This provides Equitable Life with the flexibility for product and marketing enhancements for the individual annuity line of business. Our FundSERV project was delayed in 2004 due to a reprioritization of projects and is now scheduled for implementation late in 2005. FundSERV is an administration system which provides online access for independent producers. The implementation of FundSERV will provide Equitable Life with additional sales opportunities with our distribution channel and assist with future growth in segregated funds assets.

The repositioning of the group savings and retirement product line will continue in 2005. The implementation of a new web-enabled administration system will allow additional segregated funds to be added to the product mix. These continued enhancements will benefit our independent producers and existing policyholders and provide a stimulus for future growth.

Total Savings and Retirement Assets under Administration



Total savings and retirement assets under administration increased by 4% Over the prior year.

INVESTMENT OPERATIONS



Prudent credit and interest rate risk management policies balanced with yield optimization, contributed to excellent results.

W. (Willie) A.T. Young
BComm, FICB, AIB
Senior Vice-President,
Investments

Equitable Life's investments performed well again in 2004. Prudent credit and interest rate risk management policies balanced with yield optimization, contributed to excellent results. At the same time, we maintained asset diversification.

Total invested assets under management grew to \$1.3 billion in 2004 from \$1.2 billion in 2003. These included general fund invested assets of \$937.9 million and segregated funds of \$383.3 million. Net investment income for 2004 was \$55.4 million compared to \$55.8 million in 2003, reflecting lower interest rates and lower returns experienced on those equities supporting returns credited to policyholders under the Company's universal life products.

Bonds and Debentures

At year-end 2004, our bond and debenture portfolio was \$348.4 million compared to \$299.5 million in 2003. The increase is partly a reflection of the challenge in securing attractive mortgage and real estate assets. This portfolio represents approximately 37% of total general fund investments. All of Equitable Life's bonds and debentures are investment grade. There were no bonds and debentures in default at the end of the year.

Mortgages

Mortgage loan investments at year-end 2004 totaled \$252.9 million compared to \$254.1 million at the end of 2003. Of this amount, residential mortgage loans represented 15% of total general fund invested assets and commercial mortgage loans represented 12% of total general fund invested assets.

Equities

At year-end 2004, our equity portfolio was \$216.6 million compared to \$209.9 million in 2003. Of this amount, equities supporting returns credited to policyholders under the Company's universal life products accounted for \$73.6 million or 8% of total general fund invested assets. Preferred shares account for \$142.7 million of the portfolio and generate dividend income, which receives favourable tax treatment.

Real Estate

Real estate investments at year-end 2004 totaled \$39.3 million compared to \$37.8 million at the end of 2003. The Company plans to increase the real estate portfolio in 2005.

Throughout 2005, Equitable Life will continue to focus on interest rate risk management and managing the credit quality of its investments. Ongoing refinements to the credit risk management process will continue to help ensure optimal returns in all lines of business.

SOURCES OF EARNINGS ANALYSIS

(Dollar amounts in thousands)

	Individual Life and Health	Group Life and Health	Savings and Retirement	Surplus	Total
Expected profits on inforce business	\$ 9,138	\$ 2,180	\$ 420	\$ -	\$ 11,738
Impact of new business	(1,191)	-	(4,870)	-	(6,061)
Experience gains (losses)	1,734	1,047	(3,503)	-	(722)
Management actions and changes in assumptions	(3,570)	1,372	169	-	(2,029)
Income before income taxes	6,111	4,599	(7,784)	9,572	12,498
Income taxes	1,117	1,423	(7,200)	3,678	(982)
Net income	\$ 4,994	\$ 3,176	\$ (584)	\$ 5,894	\$ 13,480

Earnings for 2004 can be analyzed as being derived from the following sources:

Expected Profits on Inforce Business

The expected profit on inforce business represents the profit anticipated from business in force if actual experience is in line with expected assumptions as to mortality, morbidity, lapse, interest and expenses. In the savings and retirement line of business, the tax benefits from investments in preferred shares are reflected in income taxes rather than in expected income on inforce business.

Impact of New Business

Profit (or loss) arises at issue of new policies as a result of sales. It represents the excess of profit margins incorporated in the product pricing over the conservative margins for adverse deviation incorporated in the reserves. The impact of new business will also include expected acquisition expenses, which are not covered by pricing at time of issue. It is common in the industry for profits booked at issue to be a negative number. The impact of new sales for group life and health is assumed to be zero, with any profit for the sales in the year included with the inforce business. The impact of new business for savings and retirement is negative due to its critical mass not yet being sufficient to fully support the acquisition-related expenses allocated to the line of business.

Experience Gains or Losses

Experience gains and losses represent the difference between expected profits and the actual realized profit. Experience gains or losses emerge when actual experience differs from the assumptions underlying the expected profit. Experience gains arose in individual life and health primarily from beneficial mortality experience during the year, and in group life and health from favourable claims and expense ratios. Certain preferred share investments contributed to adverse experience before taxes in savings and retirement, but had a positive impact when income tax benefits are taken into account.

Management Actions and Changes in Assumptions

Changes in actuarial assumptions underlying the actuarial liabilities impact income before income taxes. The largest changes represented a strengthening of reserves relative to renewable term lapses and universal life lapses, partially offset by a reduction in reserves related to group incurred but not reported claims factors.

Earnings on Surplus

Earnings on surplus reflect the actual investment returns on assets supporting the Company's surplus.

CAPABILITY TO DELIVER RESULTS



Our MCCSR of 215% indicates a very strong capital position for the Company.

Timothy M. Strome, BBA, CA
Vice-President, Finance and
Chief Financial Officer

Equitable Life maintains a strong financial position and adequate liquidity to ensure that it is able and well prepared to meet its obligations.

Capital

Equitable Life is regulated by the Office of the Superintendent of Financial Institutions, Canada (OSFI), which requires insurance companies to maintain minimum levels of capital calculated in accordance with the Minimum Continuing Capital and Surplus Requirements (MCCSR). The MCCSR formula prescribes the calculation of available capital for regulatory purposes and the amounts of required capital to be maintained, based on the risk characteristics of the underlying assets and liabilities held by the Company. The ratio of available capital to required capital is the MCCSR ratio.

Equitable Life's ratio at December 31, 2004, increased to 215% from 204% in 2003, which is well in excess of the minimum level required by OSFI. This ratio indicates a very strong capital position for the Company.

To assess capital adequacy and financial strength under adverse conditions, we perform Dynamic Capital Adequacy Testing (DCAT) on an annual basis. The DCAT process analyzes our potential future financial condition over a five-year period by reviewing the impact of a number of adverse scenarios, including declining interest rates, decreasing stock market levels, worsening lapse experience, lower sales and increased expenses. Testing in 2004 confirmed our financial strength and ability to withstand significant, potentially adverse scenarios in the future.

Source of Funds

The primary source of funds for Equitable Life is cash provided by operating activities, including premiums, net investment income and fee income. These funds are used primarily to pay policyholder benefits and expenses. Net cash flows generated from operating activities are generally invested to support future payment obligations and the payment of dividends to our participating policyholders.

Liquidity

Our primary requirements for liquidity are for payment of benefits and expenses as described above, and to pay dividends to participating policyholders. We maintain a conservative liquidity position and have an asset/liability matching program that actively manages the diversification, duration and credit quality of our investments to ensure that the Company can meet its obligations.

A key Company objective is to preserve and enhance policyholders' value at an overall acceptable level of risk. In order to manage the risks in our many business activities, we utilize a comprehensive enterprise risk management framework that includes:

- the identification of the risks,
- the measurement, control and monitoring of risk, and
- regular reporting to senior management and to the Board of Directors.

Risk is defined as the probability or likelihood that the expected outcome of a plan, strategy or course of action does not materialize resulting in the possibility of loss.

The Company's guiding principles for risk management are to:

- protect policyholder interests,
- preserve and enhance policyholder value, and
- apply prudence and an appropriate level of conservatism in making business decisions.

This requires an optimum balance of risk and reward to ensure value for our stakeholders including policyholders, employees, independent producers and suppliers.

The objective of risk management is not to eliminate risk but to reduce uncertainty to an acceptable level in order to enhance value while preserving safety and soundness. Risk management strategies, policies and procedures reduce the probability of an adverse outcome by establishing the acceptable boundaries for risk taking, including:

- establishing risk tolerance limits with mechanisms to measure and monitor risks, and
- ensuring compliance with these strategies, policies and procedures.

Where appropriate, we align our risk management policies with other Company policies. People skilled in assessing and managing risk and the availability of timely and accurate information are critical success factors for risk management.

The Board of Directors has overall responsibility for reviewing and approving the risk management policies and procedures recommended by management and ensuring adherence. The Board, on the recommendation

of the Audit Committee, reviews and approves an annual risk assessment of the Company conducted by management.

The Internal Audit department also performs an independent evaluation of the annual risk assessment.

Risks Associated with Policy Liabilities

Insurance companies are in the business of assuming and managing risk. The risks vary, depending on the product. Products are priced for target levels of return and, as experience unfolds, pricing assumptions are validated and profits emerge in each accounting period. Policy liabilities reflect reasonable expectations about future risk events, together with a margin. Although pricing on some products is guaranteed throughout the life of the contract, policy liability valuation requires periodic updating of assumptions to reflect emerging experience. In this way, the balance sheet reflects the current outlook for future policyholder obligations.

The Board of Directors of Equitable Life has approved Standards of Sound Business Practice for both pricing and underwriting of product offerings. Management is responsible for effective execution of these policies. A compliance process is in place for these policies. The Appointed Actuary is required to value the policy liabilities and report annually on the financial condition of the Company. The Audit Committee and the Board of Directors review the work of the Appointed Actuary.

The significant risks and related monitoring and control practices of Equitable Life are outlined below.

Mortality and Morbidity Risk

Many of our products provide benefits in the event of death (mortality). Benefits due to disabling conditions and medical and dental costs (morbidity) are also important product features. Research and analysis is ongoing to provide the basis for pricing and valuation assumptions, which properly reflect the markets where the Company is actively doing business.

Lapse (Policy Termination) Risk

The Company's products are priced and valued to reflect the expected duration of contracts. This risk is important for expense recovery (higher costs are incurred in early contract years) and for long-term level premium products where the cost of benefits increase by age and pricing assumes that some policyholders will discontinue their coverage. Annual research studies support pricing and valuation assumptions for this lapse risk.

Investment Yield Risk

Our products are priced and valued based on the investment returns available on assets which back the policy liabilities. Effective and continuous communication between pricing, valuation and investment management allows us to control this risk. Investment policies have been approved by the Board of Directors that provide guidelines on the type, mix and concentration of assets allowable. Products with longer-term cash flows and pricing guarantees carry more risk. Both pricing and valuation respond to this risk by requiring higher margins where there is less yield certainty.

Reinsurance Risk

Products with mortality and morbidity risks have specific limits for the Company's risk retention approved by the Board of Directors. We review and update these limits from time to time. We also review companies providing reinsurance for financial soundness as part of the ongoing monitoring process. Additionally, the Company is protected from certain catastrophic events through reinsurance coverage.

For additional information on these risks, refer to notes 5 a) and b) of the financial statements.

Risks Associated with Invested Assets

Equitable Life acquires and manages portfolios of assets to produce risk-adjusted returns in support of policyholder obligations and corporate profitability.

The Board of Directors annually approves Investment and Lending Policies, as well as procedures and guidelines. A comprehensive report on compliance with these policies, procedures and guidelines is provided to the Board of Directors on a regular basis. Periodically, the Internal Audit

department also conducts an independent review of compliance with investment policies, procedures and guidelines.

The significant risks associated with invested assets that we manage, monitor and control are outlined as follows.

Interest Rate Risk

Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change.

For asset/liability management purposes, the general funds are divided into segments. Assets in each segment are managed in relation to liabilities in the segment. The risks associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and pace of asset acquisition are quantified and reviewed regularly.

Derivative products are used only to hedge imbalances in asset and liability positions and enhance investment yields. They are not used for speculative purposes. Derivative products are traded with counterparties approved by the Board of Directors or the Senior Credit & Investment Policy Committee of the Board of Directors. They may include interest rate, foreign exchange and equity swaps, options, futures and forward contracts.

The Company's risk management process governing the use of derivative instruments includes:

- The Company acts only as a limited end-user of derivative products, not as a market maker.
- The Company has strict operating policies. These policies:
 - prohibit the use of derivative products for speculative purposes,
 - permit transactions only with approved counterparties,
 - specify limits on concentration of risk,
 - document approval and issuer limits,
 - document the required reporting and monitoring systems, and
 - segregate trading and risk monitoring/reporting functions.

The Company's outstanding derivative products at December 31, 2004, and the related exposures are described in note 2 f) of the financial statements.



Credit Risk

Equitable Life's policy is to acquire only investment-grade assets and minimize undue concentration of assets in any single geographic area, industry or company. Investment guidelines specify minimum and maximum limits for each asset class and any individual issuer. Portfolio risk and the marginal risk contribution for each asset are evaluated using industry standard simulation techniques.

Credit risk for bonds, equities and mortgages is determined by recognized external credit rating agencies and/or internal credit review. These portfolios are monitored continuously and reviewed regularly with the Board of Directors or the Senior Credit & Investment Policy Committee of the Board of Directors.

Liquidity Risk

The Company closely manages operating liquidity using the Standard & Poor's liquidity model.

Foreign Exchange Risk

Investments are normally made in the same currency as the liability being matched.

Other Risks

The Company has specific policy guidelines and monitoring procedures related to environmental risk management in the investment portfolios.

Operational Risk

Operational risk arises from problems in the performance of business functions including deficiencies or breakdowns in internal controls or processes, technology failures, human error or dishonesty and natural catastrophes.

To control operational risk, we have specific policies and guidelines for each line of business.

These guidelines help identify operational risks and ensure that effective internal controls are in place to manage these risks.

- Business units are responsible for identifying risks and managing them in accordance with these policies, processes and controls.
- Senior management is apprised of these risks and the Audit Committee is updated at least once a year.
- The Internal Audit department audits the effectiveness of internal controls and reports to senior management and the Audit Committee at least annually.
- External auditors review the effectiveness of internal controls to the extent necessary to conduct an audit of the annual financial statements. They report to the Audit Committee annually on matters that come to their attention.

Our Human Resources department also seeks to ensure that effective people are placed in key positions. Ongoing training through internal and external programs prepares staff at all levels for the demands of their positions. Operating and reporting processes are reviewed and updated regularly, with periodic monitoring completed by Internal Audit. We also review information systems regularly and upgrade them when necessary.

Equitable Life's business operations involve a wide variety of activities that are subject to regulation. These activities include:

- product design, sales and marketing practices,
- underwriting practices,
- asset and liability management,
- financial reporting,
- employment practices, and
- employee conduct.

The Company's compliance management program is designed to facilitate and monitor compliance functions, providing assurance to senior management and the Audit Committee that we meet all statutory and regulatory obligations. The program promotes awareness of legal and regulatory risks that affect our businesses and the status of compliance with those laws. The program is supported by a reporting process which establishes accountability for compliance throughout the Company. The Internal Audit department conducts an independent audit of compliance controls throughout the Company.



The Company's compliance management program is designed to facilitate and monitor compliance functions, providing assurance to senior management and the Audit Committee that we meet all statutory and regulatory obligations.

Harley R. Rashleigh-Berry, LLB
Vice-President,
Chief Compliance Officer,
Legal Counsel and
Corporate Secretary

CRITICAL ACCOUNTING ESTIMATES

Actuarial Liabilities

Actuarial liabilities have two major components: a best estimate reserve and a provision for adverse deviation. In conjunction with prudent business practices to manage both business and investment risks, the selection and monitoring of appropriate assumptions are designed to minimize the extent to which the Company is financially exposed to measurement uncertainty related to existing policy liabilities.

Best estimate reserve assumptions are made for the lifetime of the policies and include assumptions related to mortality and morbidity, investment returns, rates of policy termination, operating expenses and certain taxes. To recognize the uncertainty that is involved in establishing these best estimate reserve assumptions, the Appointed Actuary is required to include a margin in each assumption to allow for possible deterioration in experience and to provide greater comfort that the policy liabilities are adequate to pay future benefits. The impact of these margins is to increase actuarial liabilities and decrease the income that would have been recognized at inception of the policy.

The Appointed Actuary is responsible for ensuring that the assumptions and methods used in the determination of policy liabilities are appropriate to the circumstances and that such actuarial liabilities will be adequate to meet the Company's future obligations under insurance and annuity contracts at each valuation date. Assumptions are regularly reviewed and updated where appropriate.

Allowance for Asset Impairment

The allowance for credit losses adjusts the value of assets to reflect their estimated realizable value. In assessing the estimated realizable value, the Company must rely on estimates. Judgment is exercised relating to matters including economic factors, developments affecting companies in particular industries, and specific issues with respect to single borrowers, for which the ultimate outcome is unknown.

Changes in circumstances may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses.

Employee Future Benefits

Accounting for pension and other post-retirement benefits requires estimates of future returns on plan assets, expected increases in compensation levels, trends in health care costs, as well as the appropriate discount rate for accrued benefit obligations.

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements have been prepared by management, who is responsible for their integrity, objectivity and reliability. The accounting policies utilized are appropriate in the circumstances and fairly reflect the financial position, results of operations, and cash flows of the Company within reasonable limits of materiality. Management is responsible for ensuring that all annual report information is consistent with these consolidated financial statements.

Management has established and maintains a system of internal controls that provides reasonable assurance that financial records are complete and accurate, assets are safeguarded and the organizational structure provides for effective segregation of responsibilities. The Company's Internal Audit department and Chief Compliance Officer monitor the systems of internal control for compliance. The control environment is enhanced by the selection and training of competent management, and a code of conduct policy that is to be adhered to by all employees carrying out the Company's affairs.

The Board of Directors oversees management's responsibilities for financial reporting and has ultimate responsibility for reviewing and approving the consolidated financial statements.

The Board of Directors is assisted in its responsibilities for these consolidated financial statements by its Audit Committee. This Committee consists of independent, outside directors not involved in the daily operations of the Company. The function of this Committee is to:

- Review and recommend approval to the Board of Directors of all financial statements.
- Review and assess the Company's business risk management processes.
- Review the Company's internal audit and financial control systems.
- Meet separately in camera with the internal and external auditors and the appointed actuary.
- Recommend the nomination of the external auditors to the Board of Directors and approve their fee arrangements.
- Review other accounting and financial matters as required.

In carrying out this function, the Committee meets with management and both the Company's external and internal auditors to approve the scope and timing of the respective audits, to review the findings, and to satisfy itself that the audit responsibilities have been properly discharged.

The Appointed Actuary of the Company is named by the Board of Directors pursuant to Section 165 of the Insurance Companies Act to carry out an annual valuation of the Company's policy liabilities in accordance with the Recommendations for Life Insurance Company Financial Reporting of the Canadian Institute of Actuaries for the purpose of issuing reports to the policyholders and to the Superintendent of Financial Institutions Canada. His report appears with these consolidated financial statements.

KPMG LLP have been appointed external auditors pursuant to Section 337 of the Insurance Companies Act to report to the policyholders and to the Superintendent of Financial Institutions Canada regarding the fairness of presentation of the Company's consolidated financial position and results of operations as shown in the annual financial statements. Their report appears with these consolidated financial statements.

The Superintendent of Financial Institutions Canada performs regular examinations on the affairs of the Company. Statutory reports are filed with insurance regulatory authorities in various jurisdictions and facilitate further review of operating results and enquiry by regulatory authorities.



Ronald E. Beettam

President and Chief Executive Officer



Timothy M. Strome

Vice-President, Finance and Chief Financial Officer

Waterloo, Ontario

February 21, 2005



APPOINTED ACTUARY'S REPORT TO THE POLICYHOLDERS

I have valued the policy liabilities of The Equitable Life Insurance Company of Canada for its Consolidated Balance Sheets at December 31, 2004 and 2003, and their changes in the Consolidated Statements of Income and Participating Account for the years then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amounts of policy liabilities make appropriate provision for all policyholder obligations and the consolidated financial statements fairly present the results of the valuations.

Stephen Haist, FSA, FCIA

Fellow, Canadian Institute of Actuaries

Waterloo, Ontario

February 21, 2005

AUDITORS' REPORT TO THE POLICYHOLDERS

We have audited the Consolidated Balance Sheets of The Equitable Life Insurance Company of Canada and the separate Balance Sheets of its Segregated Funds as at December 31, 2004 and 2003, and the Consolidated Statements of Income and Participating Account, Cash Flows and Changes in Segregated Funds Net Assets for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 and its Segregated Funds as at December 31, 2004 and 2003, and the results of the Company's operations, cash flows and the changes in the net assets of its Segregated Funds for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Waterloo, Ontario

February 21, 2005

CONSOLIDATED STATEMENTS OF INCOME AND PARTICIPATING ACCOUNT

For the years ended December 31

	Notes	2004	(thousands of dollars) 2003
REVENUES			
Premiums for:			
Annuities		\$ 32,481	\$ 43,351
Life insurance		70,427	70,056
Health insurance		124,089	113,958
		226,997	227,365
Net investment income	2	55,350	55,831
Fee income		12,145	10,105
		294,492	293,301
BENEFITS AND EXPENSES			
Current benefits to policyholders and beneficiaries:			
Death and disability benefits		19,726	21,990
Health insurance benefits		89,256	81,745
Maturity and surrender values		43,076	30,937
Annuity payments		22,298	22,249
Interest on amounts on deposit		668	928
Dividends to participating policyholders		9,189	8,417
		184,213	166,266
Increase in policy liabilities		23,681	49,155
Commissions		18,230	15,404
General expenses		51,672	46,669
Premium and investment income taxes		4,198	4,457
		281,994	281,951
Income before income taxes		12,498	11,350
Income taxes	6	(982)	1,047
Net income		13,480	10,303
PARTICIPATING ACCOUNT			
Beginning of year		139,196	128,893
End of year		\$ 152,676	\$ 139,196

The accompanying notes to these consolidated financial statements are an integral part of these statements.



CONSOLIDATED BALANCE SHEETS

As at December 31

	Notes	2004	2003
(thousands of dollars)			
ASSETS			
Bonds and debentures	2	\$ 348,372	\$ 299,536
Mortgages	2	252,868	254,060
Equities	2	216,648	209,908
Real estate	2	39,347	37,810
Loans to policyholders		36,964	36,088
Cash, cash equivalents and short-term investments		36,213	43,344
Accrued investment income		4,811	4,848
Other assets	3	35,512	35,784
		\$ 970,735	\$ 921,378
LIABILITIES			
Policy liabilities under:			
Annuity contracts	5	\$ 301,913	\$ 311,790
Life insurance contracts	5	361,950	329,752
Health insurance contracts	5	28,664	27,304
		692,527	668,846
Other amounts due under policies		48,901	47,512
Taxes payable		5,104	2,481
Other liabilities		17,270	14,137
		763,802	732,976
Net deferred realized gains on disposal of portfolio investments	2	48,815	40,209
Future income taxes	6	5,442	8,997
POLICYHOLDERS' EQUITY			
Participating account		152,676	139,196
		\$ 970,735	\$ 921,378

The accompanying notes to these consolidated financial statements are an integral part of these statements.



Douglas W. Dodds
Chairman of the Board

On behalf of the Board



Ronald E. Beettam
President and Chief Executive Officer

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

	2004	(thousands of dollars) 2003
OPERATING CASH INFLOWS		
Premiums received	\$ 230,009	\$ 226,512
Investment income received	50,676	47,844
Fee income received	12,145	10,105
	292,830	284,461
OPERATING CASH OUTFLOWS		
Benefit and annuity payments	172,868	160,667
Dividends paid to policyholders	7,991	7,341
Operating expenses	65,767	62,039
Income, premium and other taxes	4,148	11,361
	250,774	241,408
Cash provided by operating activities	42,056	43,053
INVESTING CASH INFLOWS (OUTFLOWS)		
Purchase of investments	(316,591)	(251,339)
Proceeds from sale of investments	276,549	211,522
Other	(9,145)	(5,821)
Cash used in investing activities	(49,187)	(45,638)
Decrease in cash during the year	(7,131)	(2,585)
Cash, cash equivalents and short-term investments - beginning of year	43,344	45,929
Cash, cash equivalents and short-term investments - end of year	\$ 36,213	\$ 43,344

The accompanying notes to these consolidated financial statements are an integral part of these statements.



SEGREGATED FUNDS BALANCE SHEETS

As at December 31

	(thousands of dollars)	
	2004	2003
ASSETS		
Bonds and debentures	\$ 98,141	\$ 93,128
Equities	223,154	189,935
Cash, cash equivalents and short-term investments	61,912	64,743
Accrued investment income	111	201
	\$ 383,318	\$ 348,007
LIABILITIES		
Interests of unitholders	\$ 383,318	\$ 348,007

STATEMENTS OF CHANGES IN SEGREGATED FUNDS NET ASSETS

For the years ended December 31

	(thousands of dollars)	
	2004	2003
Net Assets - beginning of year	\$ 348,007	\$ 307,899
Additions to (deductions from) assets:		
Amounts received from unitholders	94,385	66,820
Amounts withdrawn or transferred by unitholders	(80,128)	(60,045)
Net contributions by unitholders	14,257	6,775
Interest and dividends	10,527	9,904
Net realized gains (losses)	12,775	(467)
Increase in unrealized investment gains	6,689	31,506
Net investment gains	29,991	40,943
Management fees and other operating costs	(8,937)	(7,610)
Net Assets - end of year	\$ 383,318	\$ 348,007

The accompanying notes to these consolidated financial statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Equitable Life Insurance Company of Canada ("the Company") and its subsidiaries operate in the life insurance industry. Operations cover the development and marketing of life, accident and health, pension and annuity business to individuals and groups and the management of investments including segregated funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with the Insurance Companies Act, section 331(4) which states that, except as otherwise specified by the Superintendent of Financial Institutions Canada, 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 consolidated financial statements, including the accounting requirements of the Superintendent of Financial Institutions Canada, are summarized below. These accounting policies conform, in all material respects, to Canadian generally accepted accounting principles.

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary companies.

(b) Premium revenues and policy liabilities

Gross premiums for all types of insurance contracts and contracts with limited mortality or morbidity risk are generally recognized as revenue when due. When premiums are recognized, actuarial liabilities related thereto are recorded, with the result that benefits and expenses are matched with such revenues.

Policy liabilities are determined using accepted actuarial practices as established by the Canadian Institute of Actuaries (CIA), using the Canadian Asset Liability Method. Policy liabilities represent an estimate of the amount which, together with estimated future premiums and investment income, will be sufficient to pay outstanding claims and future benefits, projected dividends, expenses and taxes on policies in force.

The process of determining policy liabilities necessarily involves risks that the actual results will deviate from the best estimates made. These risks vary in proportion to the length of the estimation period and the potential volatility of each component comprising the liabilities. To recognize uncertainty in establishing these best estimates and to allow for possible deterioration in experience, actuaries are required to include a margin in each assumption. A range of allowable margins is prescribed by the CIA. As the probability of deviation from estimates declines, these provisions will be included in future income to the extent that they are not required to cover adverse experience. If estimates of future conditions change throughout the life of a policy, the present value of those changes is recognized in income immediately.

(c) Investments

Investments are accounted for on the following bases:

Cash, cash equivalents and short-term investments

Cash equivalents consist of investments with a term to maturity of less than three months. Short-term investments consist of investments with a term to maturity exceeding three months but less than one year.

Bonds and debentures

Bonds and debentures are carried at amortized cost. The difference between the proceeds on the sale of a bond or debenture and its amortized cost is considered to be an adjustment of future portfolio yield and is deferred on the balance sheet and amortized to income over the remaining period to maturity. Where the decline in market value of a bond or debenture is considered to be other than temporary, the write-down is recognized immediately in income.

Mortgages

Mortgages are carried at their outstanding principal balances. Provisions for potential losses on mortgages in arrears and in the process of realization are recognized immediately as a charge for loan impairment.

The investment in restructured impaired loans is reduced as at the restructuring date to an amount which does not exceed the estimated realizable value under the modified loan terms. Any write-off is recognized immediately as a charge for loan impairment. When collection of the scheduled future cash flows in accordance with the modified loan terms is reasonably assured, interest income is recognized at the effective interest rate inherent in the loan at the time it was initially recognized as being impaired.



Equities and related derivative financial instruments

Common equities, related derivative financial instruments and floating rate preferred shares are generally carried at moving average market value whereby the carrying value is adjusted towards market value at 5% per quarter. Net realized gains and losses on the disposal of these investments are deferred and amortized to income at 5% per quarter on a declining balance basis.

Preferred shares that are fixed term in nature are carried at amortized cost. The difference between the proceeds on sale of a preferred share and its amortized cost is considered to be an adjustment of future portfolio yield and is deferred on the balance sheet and amortized to income over the remaining term. Where the decline in the market value of a preferred share is considered to be other than temporary, the write-down is recognized immediately in income.

Certain universal life insurance products permit a policyholder to deposit amounts in one or more linked interest options which are credited or debited interest at least equal to the performance of the relevant fund or index. To support this liability, the Company normally simulates these investment returns by the use of derivative financial instruments or by investing in the same or similar equity investments. These share, mutual fund and derivative financial instruments are accounted for at market value in order to match the market value of the liability.

Real estate

Real estate is carried at moving average market value whereby the carrying value is adjusted towards market value at 3% per quarter. Net realized gains and losses are deferred and amortized to income at 3% per quarter on a declining balance basis. Market values on each property are estimated annually and an independent appraisal is obtained at least every three years. The market value established is an estimate of the realizable value of each property and thus recognizes in that determination any element of amortization.

Loans to policyholders

Loans are carried at their unpaid balances, and are fully secured by the cash surrender value of policies on which the respective loans are made.

(d) Provisions for asset defaults

The Company maintains provisions for defaults on principal and interest payments due and expenses of collections on all invested assets. The provisions are management's best estimates based on such factors as past trends and current experience, forecasts of future market conditions, surveys of specific markets and inspections of properties on which the Company has provided mortgage loans. Provisions are established where, in the opinion of management, there is reasonable doubt concerning the repayment of principal amounts. Further, where there is reasonable doubt concerning the receipt of interest and, in all cases where interest is 90 days past due, interest ceases to be accrued and interest previously accrued is reversed.

The provisions consist of: (i) provisions against specific assets for the current year which are deducted from the related assets and (ii) a provision which is the present value of estimated expected future asset default losses reported as a component of actuarial policy liabilities, including an amount as a provision for adverse deviations.

When a loan is identified as impaired, the carrying value of the investment is reduced to the estimated realizable amount and a charge is included in income immediately. Any change in the estimated realizable amount subsequent to the initial recognition of impairment is recognized immediately as a charge or credit for loan impairment. Subsequent payments are recorded in interest income after any prior write-off has been recovered and if management has determined that a specific provision is not required; otherwise, they are recorded as a reduction in principal.

Impairment of a loan is recognized by full or partial write-off of the recorded investment in the loan, establishment of an allowance for loan impairment or partial write-off supplemented by an allowance. Loan impairment is assessed on an individual loan basis.

(e) Income taxes

The Company provides for income taxes using the liability method of tax accounting. Current income tax expense represents the expected payable resulting from the current year's operations. Future income tax expense represents the tax effect of the movement during the year in the cumulative temporary differences between the carrying value of the Company's assets and liabilities on the balance sheet and their values for tax purposes. The income tax rates used to measure income tax assets and liabilities are those rates enacted or substantively enacted at the consolidated balance sheet dates.

(f) Employee future benefits

The Company provides certain pension benefits to eligible employees upon retirement. These benefits are provided on a defined benefit basis and reflect compensation history and length of service. Pension plan assets, carried at market values, are held in a separate segregated fund of the Company for the benefit of all members. The excess of pension assets over pension obligations is included in other assets. Plan assets and the accrued benefit obligation are measured as of December 31.

The Company also provides supplementary health, dental, and life insurance benefits to qualifying employees upon retirement. The estimated present value of these benefits is charged to the employees' years of service to their date of full entitlement. The balance of these benefits is included in other liabilities and is supported by the general fund assets of the Company.

An independent actuary performs regular valuations of our accrued benefit obligation for employee future benefits. This method involves the use of estimates concerning such factors as expected plan investment performance, future salary increases, employee turnover rates, retirement ages of plan members and expected health care costs.

The Company's net benefit plan expense is determined as the cost of employee benefits for the current year's service, interest expense on the accrued benefit obligation, expected investment return on the fair value of plan assets and the amortization of both past service costs and actuarial gains and losses.

Past service costs arise when amendments are made that result in the granting of benefits that are calculated by reference to service already provided by current and/or past employees. Past service costs related to plan members are deferred and amortized to expense over the estimated average remaining service life of active employees.

Actuarial gains and losses can arise in one of two ways: first, when the actual return on plan assets for a period differs from the expected return on plan assets for the period, and second, when the expected accrued benefit obligation at the end of the year differs from the actual accrued benefit obligation at the end of the year. Actuarial gains and losses are deferred and amortized to expense over the estimated average remaining service life of active employees using the corridor method. The amount amortized is the excess of the unamortized net actuarial gain or loss over 10% of the greater of the accrued benefit obligation at the beginning of the year and the fair value of plan assets at the beginning of the year.

The calculation of employee future benefits requires management to make assumptions that are long-term in nature, consistent with the nature of these benefits. Actual results could differ from these estimates.

(g) Reinsurance

Premium revenues, current benefits to policyholders and beneficiaries, policy liabilities, commissions and premium taxes are recorded net of amounts ceded to, and recovered from, reinsurers.

(h) Fair value disclosures

The fair values of investments are considered to be the estimated market values as disclosed in note 2. The fair values of other financial instruments, including loans to policyholders, cash equivalents and short-term investments, accrued investment income, other accounts receivable included in other assets, and other liabilities, are considered to equal their carrying values due to the nature of these instruments. It is not practical to determine the fair value of policy liabilities. To the extent that invested assets are well matched to policy liabilities, changes in the fair values of the assets due to interest rate changes will have a similar effect on the policy liabilities and will not materially affect future corporate earnings.

(i) Segregated funds

Certain contracts allow policyholders to invest in segregated funds of the Company for their benefit. Substantially all risks and rewards of ownership accrue to these policyholders; consequently, assets held in segregated fund accounts are not consolidated with the assets of the Company. Segregated fund assets are carried at year-end market values. Separate audited financial statements are available to unitholders for each of the segregated funds.

The Company also provides minimum guarantees on individual variable life and annuity contracts. These include minimum death benefit guarantees and minimum maturity value guarantees. The liability associated with these minimum guarantees is recorded in policy liabilities in the general funds of the Company.

(j) Use of estimates in the preparation of financial statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses in the consolidated financial statements. Actual results could differ from those estimates.

2. INVESTMENTS

(thousands of dollars)

(a) The carrying values and fair values of portfolio investments are as follows:

	2004		2003	
	Carrying Value Net of Provisions	Fair Value	Carrying Value Net of Provisions	Fair Value
Bonds and debentures	\$ 348,372	\$ 387,506	\$ 299,536	\$ 325,935
Mortgages - residential	140,515	139,588	142,446	140,489
- commercial	112,353	115,434	111,614	115,252
Equities	216,648	224,128	209,908	216,995
Real estate	39,347	49,206	37,810	42,480
	\$ 857,235	\$ 915,862	\$ 801,314	\$ 841,151

Fair values for securities traded on recognized exchanges are determined by reference to quoted market prices. Fair values for fixed-term investments which are not traded on recognized exchanges are estimated based on the present value of future cash flows discounted at current market rates of interest for investments of similar term and quality.



(b) Net deferred realized gains

Net deferred realized gains are amounts of net unamortized realized gains on investments. The balance is comprised of the following:

	2004	2003
Bonds and debentures	\$ 46,218	\$ 38,566
Mortgages	584	511
Equities	1,249	270
Real estate	764	862
	\$ 48,815	\$ 40,209

The calculation of policy liabilities recognizes \$44,644 (2003 - \$36,138) of the total net deferred realized gains of \$48,815 (2003 - \$40,209).

(c) Provisions for asset defaults

The total balance sheet provisions for impaired assets and the provisions for potential future asset default losses, which include a provision for adverse deviations, reflected as a component of the policy liabilities under insurance and annuity contracts are \$15,109 (2003 - \$15,338).

(d) Details of significant terms and conditions, exposures to interest rate and credit risks on investments are as follows:

	Term to Maturity	Interest Receivable Basis	2004		2003	
			Carrying Value	Effective Interest Rate (%)	Carrying Value	Effective Interest Rate (%)
Bonds and Debentures	Up to 5 years	Semi-annual	\$ -	-	\$ 497	7.8
	Over 5 years	Semi-annual	-	-	-	-
Provincial Governments	Up to 5 years	Semi-annual	25,759	4.7	31,825	5.6
	Over 5 years	Semi-annual	269,765	6.0	228,505	6.4
Corporate	Up to 5 years	Semi-annual	28,807	5.2	22,443	6.4
	Over 5 years	Semi-annual	23,859	6.7	16,083	7.3
Other	Up to 5 years	Semi-annual	182	7.1	183	7.1
	Over 5 years	Semi-annual	-	-	-	-
			\$ 348,372		\$ 299,536	
Mortgages	Average Maturity					
Residential	2.0 years	Monthly	\$ 140,515	5.8	\$ 142,446	6.4
Commercial	5.7 years	Monthly	112,353	7.2	111,614	7.4
			\$ 252,868		\$ 254,060	

(e) The analysis of net investment income is as follows:

	2004	2003
Bonds and debentures	\$ 17,276	\$ 18,211
Mortgages	15,441	15,917
Equities	14,670	18,760
Real estate	4,605	4,282
Loans to policyholders	2,122	2,245
Short-term investments	2,390	2,283
Other investment income (loss)	43	(1,688)
Amortized gains (losses) from:		
Bonds and debentures	3,950	3,142
Mortgages	256	279
Equities	(1,930)	(4,226)
Real estate	639	572
Investment expenses	(3,147)	(3,171)
	56,315	56,606
Provisions for asset defaults	(965)	(775)
Net investment income	\$ 55,350	\$ 55,831

(f) Derivative financial instruments

In the ordinary course of business, the Company uses swap contracts and futures contracts to enhance investment yields as part of the asset/liability management process to replicate certain assets synthetically and to hedge the interest rate risk on certain liabilities. The Company also uses futures contracts to minimize stock market risk associated with the sale of certain universal life insurance products with linked interest options. They are not used for speculative transactions.

The counterparties for the Company's derivative contracts are major Canadian financial institutions highly rated by independent rating agencies. The notional amounts of these financial instruments are not recognized in the consolidated financial statements. Gains and losses on these instruments are included in income on a basis consistent with the underlying assets or liabilities. All derivative financial instruments have a remaining maturity of less than five years.

The notional amount represents an amount to which a rate or price is applied in order to calculate the exchange of cash flows. Notional amounts are frequently used as an indicator of business activity, however, they are not indicative of credit or market risk exposure. Current credit risk represents the amount of loss that the Company would suffer if every counterparty to which the Company is exposed defaulted immediately. Credit equivalent amount represents the current credit risk exposure plus an amount for possible future credit exposure based on a formula prescribed by the Superintendent of Financial Institutions Canada. Risk weighted equivalent represents the regulatory capital required to support the Company's derivative activities. This amount is calculated using the credit equivalent amount weighted according to the credit worthiness of the counterparty as prescribed by the Superintendent of Financial Institutions Canada.

The Company's derivative portfolio and related credit exposure are as follows:

	Notional Amount	Current Credit Risk	Credit Equivalent Amount	Risk Weighted Equivalent	Fair Market Value
2004					
Swap contracts	\$ 28,000	\$ 60	\$ 200	\$ 3	\$ (516)
Futures contracts	29,855	328	1,611	–	329
Total	\$ 57,855	\$ 388	\$ 1,811	\$ 3	\$ (187)
2003					
Swap contracts	\$ 28,000	\$ –	\$ 140	\$ 2	\$ (410)
Futures contracts	21,166	–	929	–	(1,411)
Total	\$ 49,166	\$ –	\$ 1,069	\$ 2	\$ (1,821)



3. OTHER ASSETS

(thousands of dollars)

	2004	2003
Due from reinsurers	\$ 5,526	\$ 9,138
Premiums and other receivables	8,560	6,776
Net pension assets	1,137	976
Capital assets	20,289	18,894
	\$ 35,512	\$ 35,784

4. EMPLOYEE FUTURE BENEFITS

(thousands of dollars)

The Company provides defined benefit pension and other post-employment benefits to eligible employees. Total cash payments for employee future benefits for 2004, consisting of cash contributed by the Company to its funded pension plan and cash payments directly to beneficiaries for other benefits, were \$3,003 (2003 - \$1,345).

(a) Information about the Company's defined benefit plans is as follows:

	Pension Benefits		Other Benefits	
	2004	2003	2004	2003
Accrued benefit obligation				
Balance, beginning of year	\$ 29,213	\$ 25,155	\$ 6,867	\$ 5,843
Current service cost	2,286	1,760	512	452
Interest cost	1,868	1,660	437	389
Benefits paid	(716)	(708)	(165)	(146)
Past service costs	729	–	–	–
Actuarial loss	1,208	1,346	–	329
Balance, end of year	\$ 34,588	\$ 29,213	\$ 7,651	\$ 6,867
Fair value of assets				
Balance, beginning of year	\$ 25,023	\$ 21,162	\$ –	\$ –
Actual return on assets	1,078	2,729	–	–
Contributions	3,568	1,840	165	146
Benefits paid	(716)	(708)	(165)	(146)
Balance, end of year	\$ 28,953	\$ 25,023	\$ –	\$ –
Funding status				
Fair value of assets	\$ 28,953	\$ 25,023	\$ –	\$ –
Accrued benefit obligation	34,588	29,213	7,651	6,867
Funding deficit	(5,635)	(4,190)	(7,651)	(6,867)
Unamortized net actuarial loss	6,197	4,539	1,178	1,222
Unamortized past service costs	575	627	–	–
Net pension assets (net accrued benefit obligation)	\$ 1,137	\$ 976	\$ (6,473)	\$ (5,645)

Plan assets are currently invested 100% in units of the MB Balanced Fund, a pooled fund administered by McLean Budden Limited. The most recent actuarial valuation was completed for the year ended December 31, 2004. The next valuation will be for the year ended December 31, 2007.

(b) Net pension assets (net accrued benefit obligation) is included in the Company's balance sheet as follows:

	Pension Benefits		Other Benefits	
	2004	2003	2004	2003
Other assets	\$ 1,137	\$ 976	\$ –	\$ –
Other liabilities	–	–	6,473	5,645

(c) The Company's net benefit plan expense is as follows:

	Pension Benefits		Other Benefits	
	2004	2003	2004	2003
Costs incurred				
Current service cost	\$ 1,553	\$ 1,120	\$ 512	\$ 452
Interest cost	1,868	1,660	437	389
Actual return on assets	(1,078)	(2,729)	–	–
Difference between actual and expected return on assets	(566)	1,355	–	–
Past service costs	729	–	–	–
Actuarial loss	(1,208)	(1,346)	–	–
	\$ 1,298	\$ 60	\$ 949	\$ 841
Costs expensed				
Costs incurred	\$ 1,298	\$ 60	\$ 949	\$ 841
Deferral of actuarial loss	1,208	1,346	–	–
Amortization of past service costs	51	51	–	–
Amortization of actuarial loss	116	156	44	29
	\$ 2,673	\$ 1,613	\$ 993	\$ 870

(d) Significant actuarial assumptions adopted in measuring the Company's accrued benefit obligation are as follows:

	2004	2003
Discount rate used to determine accrued benefit obligation	6.00%	6.25%
Discount rate used to determine net benefit cost	6.00%	6.25%
Expected long-term rate of return on assets	6.50%	6.50%
Rate of compensation increase	4.00%	4.00%
Dental care trend rate - initial and ultimate	6.00%	6.00%
Health care trend rate - initial and ultimate	7.00%	7.00%

Assumed health care trend rates have an effect on the amounts reported for the health care plan. The impact of a 1% change in the health care trend rates would have been as follows:

	1% increase	1% decrease
Effect on total service and interest costs	\$ 316	\$ (239)
Effect on accrued benefit obligation	\$ 1,976	\$ (1,548)

5. POLICY LIABILITIES

(thousands of dollars)

(a) Policy assumptions

The nature and method of determining the significant assumptions made by the Company in the computation of policy liabilities are described in the following paragraphs. In all cases, the assumptions are supplemented by the use of margins for adverse deviation.

Policy claims and benefits

Estimates of the amounts and time of future claims and benefit payments are based on both the Company's and industry experience over extended periods. Although the pattern of claims and benefit payments may be close to that indicated by past experience, some deviation in that pattern is probable.



Policy lapse rates

Policyholders may allow their policies to lapse by choosing not to continue to pay premiums. The Company bases its estimate of future lapse rates on previous experience for a block of policies. A block of policies is considered to be lapse-supported if an increase in ultimate lapse rates significantly increases profitability. However, if a decrease in ultimate lapse rates increases profitability, these policies are considered non-lapse-supported.

Investment income

The computation of policy liabilities takes into account projected net investment income on assets supporting policy liabilities and income expected to be earned or foregone on reinvestments or financing of mismatched cash flows. Uncertainties exist with respect to the projections of interest rates and the magnitude of credit losses from asset defaults. The Company accounts for such uncertainties by projecting multiple scenarios of future reinvestment rates, selecting an adverse scenario for use in the valuation and by incorporating provisions for credit losses into projections of investment income (in addition to the allowances for impairment applied as direct reductions of the carrying values of the invested assets).

Policy maintenance expenses

Amounts are included in policy liabilities to provide for the costs of administering policies in force and include the costs of premium collection, adjudication and processing of claims, periodic actuarial calculations, preparation and mailing of policy statements, related indirect expenses and overhead. The process of forecasting expenses requires estimates to be made of such factors as salary rate increases, productivity changes, inflation, business volumes and indirect tax rates. Estimates of future policy maintenance expenses are based on the Company's experience.

Policyholder dividends

Policy liabilities include estimated future policyholder dividends which reflect the expectation that future dividends will be adjusted to take account of future experience attributable to participating policies. Actual future dividends will be higher or lower than those used in determining the policy liabilities depending on future experience.

(b) Sensitivity to assumption changes

Those assumptions that are most susceptible to change in the near term are policy lapse rates and future investment yields.

Policy lapse rates

For lapse-supported policies in force at December 31, 2004, policy liabilities would increase by \$10,966 (2003 - \$10,897) if the lapse rates are decreased by 15% (7.5% for policies participating in dividends and policies with adjustable premiums). For non-lapse-supported policies in force at December 31, 2004, policy liabilities would increase by \$8,395 (2003 - \$7,549) if the lapse rates are increased by 15% (7.5% for policies participating in dividends and policies with adjustable premiums).

Interest rate risk

The Company manages its sensitivity to interest rate changes by being well-matched in terms of its asset and liability cash flows. Based on these projected cash flows at December 31, 2004, the approximate impact of a 1% increase in the general level of interest rates would be to reduce the value of the assets backing the policy liabilities by \$3,600 more (2003 - \$200 less) than the reduction in the value of the policy liabilities. A 1% decrease would increase the value of the assets backing the policy liabilities by \$5,500 less (2003 - \$4,700 less) than the increase in the value of the policy liabilities.

(c) The change in policy liabilities is as follows:

	2004	2003
Balance, beginning of year	\$ 668,846	\$ 619,691
Normal changes	21,652	48,021
Assumption changes	2,029	1,134
Balance, end of year	\$ 692,527	\$ 668,846

Normal changes in the policy liabilities include the effect of new business, claims, surrenders and other changes in the policy liabilities in the ordinary course of business.

Valuation assumptions are reviewed and updated annually. Changes in assumptions can increase or decrease policy liabilities. The most significant changes in 2004 related to individual life, where changes in the lapse assumptions increased policy liabilities by \$3,800 and changes in the mortality assumptions decreased policy liabilities by \$1,500. The most significant changes in 2003 related to annuity, where changes in the mortality assumptions decreased policy liabilities by \$3,100 and changes in the expense assumptions increased policy liabilities by \$1,300 as well as individual life, where changes in the lapse assumptions increased policy liabilities by \$1,300 and changes in the expense assumptions increased policy liabilities by \$1,200.

d) The composition of assets supporting liabilities and equity is as follows:

2004	Individual Life and Health	Group Life and Health	Savings and Retirement	Surplus	Total
Bonds and debentures	\$ 173,372	\$ 23,790	\$ 58,686	\$ 92,524	\$ 348,372
Mortgages	67,237	25,257	129,543	30,831	252,868
Equities	79,109	4,687	132,581	271	216,648
Real estate	25,101	–	–	14,246	39,347
Loans to policyholders	36,499	465	–	–	36,964
Other	39,017	6,024	16,691	14,804	76,536
Total	\$ 420,335	\$ 60,223	\$ 337,501	\$ 152,676	\$ 970,735

2003	Individual Life and Health	Group Life and Health	Savings and Retirement	Surplus	Total
Bonds and debentures	\$ 146,779	\$ 23,478	\$ 60,116	\$ 69,163	\$ 299,536
Mortgages	73,085	21,521	130,761	28,693	254,060
Equities	67,713	5,194	136,768	233	209,908
Real estate	24,149	–	–	13,661	37,810
Loans to policyholders	35,691	391	6	–	36,088
Other	37,140	4,149	15,241	27,446	83,976
Total	\$ 384,557	\$ 54,733	\$ 342,892	\$ 139,196	\$ 921,378

6. INCOME TAXES

(thousands of dollars)

(a) Income tax expense

Components of income tax expense included in the Consolidated Statements of Income and Participating Account are:

	2004	2003
Current income taxes	\$ 2,573	\$ 3,062
Future income taxes	(3,555)	(2,015)
	\$ (982)	\$ 1,047
Reconciliation of income tax expense:		
Provision for income taxes at statutory rates	\$ 4,499	\$ 4,200
Increase (decrease) in tax due to:		
Changes in future tax rates	–	920
Tax exempt investment income	(5,789)	(4,484)
Capital taxes	308	411
Income tax expense	\$ (982)	\$ 1,047

(b) Future income taxes

The Company's future income tax liabilities arise from temporary differences on the following items:

	2004	2003
Investments	\$ 2,549	\$ 2,130
Policy liabilities	6,420	7,919
Other	(3,527)	(1,052)
	\$ 5,442	\$ 8,997

7. CONTINGENT LIABILITIES

From time to time in connection with its operations, the Company and its subsidiaries are named as defendants in actions for damages and costs allegedly sustained by the plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, such actions have generally been resolved with minimal damages or expense in excess of amounts accrued. The Company does not believe that it will incur any significant additional loss or expense in connection with such actions.

8. REINSURANCE

(thousands of dollars)

The Company reinsures a portion of its insurance business in order to limit potential losses through the spreading of risks. Although the Company's reinsurers are contractually obligated to pay their share of claims to the ceding company, the Company retains the primary liability as the original insurer. As such, a contingent liability exists should the reinsurer be unable to meet its obligations.

The amounts shown in the financial statements are net of the following amounts relating to reinsurance ceded:

	2004	2003
Policy liabilities	\$ 210,138	\$ 196,454
Premiums	86,855	77,967
Current benefits to policyholders and beneficiaries	44,255	46,970

9. SEGMENTED INFORMATION

(thousands of dollars)

The Company operates a variety of business segments, each offering different products and services to meet clients' needs. The individual life and health segment provides participating and universal life insurance products, non-participating term products and critical illness products. The group life and health segment provides group life, dental, prescription drug, long- and short-term disability, accidental death and dismemberment and supplemental health care insurance and administrative services. The savings and retirement segment provides individual and group savings and annuity products, administration and management of the segregated funds. The surplus segment provides investment income on assets not required to back liabilities in the above three business segments.

2004	Individual Life and Health	Group Life and Health	Savings and Retirement	Surplus	Total
Revenues					
Premiums	\$ 58,601	\$ 135,915	\$ 32,481	\$ –	\$ 226,997
Net investment income	26,476	3,100	16,202	9,572	55,350
Fee income	2,465	780	8,900	–	12,145
Total revenues	\$ 87,542	\$ 139,795	\$ 57,583	\$ 9,572	\$ 294,492
Current benefits to policyholders and beneficiaries	\$ 25,567	\$ 100,121	\$ 58,525	\$ –	\$ 184,213
Net income	\$ 4,994	\$ 3,176	\$ (584)	\$ 5,894	\$ 13,480
Total assets	\$ 420,335	\$ 60,223	\$ 337,501	\$ 152,676	\$ 970,735

Individual Life 2003	Group Life and Health	Savings and and Health	Retirement	Surplus	Total
Revenues					
Premiums	\$ 58,432	\$ 125,582	\$ 43,351	\$ –	\$ 227,365
Net investment income	25,905	3,066	17,795	9,065	55,831
Fee income	1,952	681	7,472	–	10,105
Total revenues	\$ 86,289	\$ 129,329	\$ 68,618	\$ 9,065	\$ 293,301
Current benefits to policyholders and beneficiaries	\$ 27,820	\$ 92,536	\$ 45,910	\$ –	\$ 166,266
Net income	\$ 926	\$ 3,300	\$ 1,865	\$ 4,212	\$ 10,303
Total assets	\$ 384,557	\$ 54,733	\$ 342,892	\$ 139,196	\$ 921,378

10. CAPITAL ADEQUACY

The Company is subject to regulation by the Office of the Superintendent of Financial Institutions Canada (OSFI). Under regulations and guidelines prescribed by OSFI, the Company is required to maintain prescribed levels of capital which are dependent on the type and amount of insurance policies in force and the nature of the Company's assets.

The minimum levels of capital are calculated in accordance with the Minimum Continuing Capital and Surplus Requirements (MCCSR) issued by OSFI. At December 31, 2004, the Company's MCCSR ratio is 215% (2003 - 204%) of the minimum capital requirement.



SUBSIDIARIES

The subsidiaries of the Company are:

	Book Value
262695 Holdings Limited	
One Westmount Road North Waterloo, Ontario N2J 4C7	1,000 common shares \$1,000
762443 Ontario Limited	
One Westmount Road North Waterloo, Ontario N2J 4C7	100 common shares \$1
Equilife Investment Management Inc.	
One Westmount Road North Waterloo, Ontario N2J 4C7	35,000 common shares \$35,000

DIVIDEND POLICY

Participating policyholders are eligible to receive dividends provided that Company distributable earnings and experience justify their declaration and payment.

The Board of Directors determines the amount of dividends for distribution in accordance with the Company's Dividend Policy. Dividend scale recommendations by the Appointed Actuary and senior management are made at least annually to the Board of Directors in accordance with the principles adopted by the Board of Directors. Dividend determination will conform with legislative and regulatory requirements and with the Standards of Practice of the Canadian Institute of Actuaries.

A dividend distribution policy objective is to maintain reasonable equity between broad classes of policyholders. The Company follows the "Contribution Principle" in determining individual policy dividends whereby distributable earnings are divided among policyholders approximately in proportion to their contribution to these earnings. Dividends may be declared when Company conditions and actual experience of a class of policies justify their declaration and payment. Factors taken into consideration include investment returns, asset defaults, mortality, expenses, lapses and taxes, the experience of which is compared to the assumptions underlying the premium and other guaranteed value calculations for those policies. The continuing solvency of the Company, regulatory requirements, financing of new business growth, and competitive positioning are also taken into account.

BOARD OF DIRECTORS

As at December 31, 2004

Douglas W. Dodds, FCMA
(Chairman)
President and Chief Executive Officer
Schneider Foods Inc.
Kitchener, Ontario
4 (16/14)

Ronald D. Beaubien, FSA, FCIA
President and Chief Executive Officer
The Equitable Life
Insurance Company of Canada
Waterloo, Ontario
3, 4, 5 (31/31)

Rita Burak, BA, CLF
President and Chief Executive Officer
The Network Executive Team,
Management Consultants Inc.
Toronto, Ontario
4, 5 (21/21)

Douglas L. Derry, FCA
Corporate Director
Caledon, Ontario
1, 2, 3, 4 (34/34)

Maureen Farrow, BSc, FCMC
President
Economap Inc.
Toronto, Ontario
1, 2, 3 (28/28)

Paul D. Mitchell
Chairman of the Board (Retired)
McNeil Consumer Healthcare
Guelph, Ontario
1, 2, 5 (23/23)

Marc J. Somerville, QC
Barrister & Solicitor
Gowling Lafleur Henderson
Ottawa, Ontario
4, 5 (21/18)

Donald N. Stevens
President
IC Funding Group
London, Ontario
1, 2, 3 (28/28)

Lee Watchorn, BSc, FSA, FCIA
President
The Watchorn Advisory Group
Toronto, Ontario
1, 2, 3, 5 (31/31)



Standing (left to right): Lee Watchorn, Rita Burak, Douglas L. Derry, Marc J. Somerville, Maureen Farrow
Sitting (left to right): Paul D. Mitchell, Douglas W. Dodds, Ronald D. Beaubien, Donald N. Stevens

BOARD COMMITTEES

1. Conduct Review
2. Audit
3. Senior Credit and Investment Policy
4. Corporate Governance, Compliance and Nominating
5. Human Resources and Compensation

The numbers following the Director's place of residence indicate current Board Committee memberships. The numbers in parentheses indicate the total number of Board and Committee meetings which the Director was eligible to attend in the year, and the number actually attended.

CORPORATE GOVERNANCE

The Board of Directors (“the Board”), either directly or through its Committees (“Board Committees”), is ultimately responsible for the management or supervision of the management of the Company’s business and affairs. The Company’s corporate governance processes, structures and information are designed to strengthen the ability of the Board to oversee management and to enhance long-term policyholder value.

Board Independence

Demonstrable evidence of independence is at the heart of effective governance. Independence is normally a matter of the Board demonstrating its ability to act independently of management when appropriate. Currently, only the Chief Executive Officer is “affiliated” or “related” to the Company.

Board Composition

Annually, the Board reviews its composition to determine whether or not the Board is optimally structured to ensure the achievement of the corporate strategy and business plan. Critical to the review is an assessment of the skills, experience and independence present on the Board. A comprehensive orientation program is provided for new directors.

Board Responsibilities

The basic oversight responsibilities of the Board include:

- reviewing and approving organizational structure and controls;
- assessing organizational and procedural controls and reviewing management and the independent oversight functions (“the IOSFs”) – the Appointed Actuary, the External Auditor, the internal audit function and the compliance function – and reports on their effectiveness;
- ensuring that the Chief Executive Officer and other members of senior management are qualified, competent and compensated in a manner that is consistent with appropriate prudential initiatives;
- taking an active role in the choice, review and approval of corporate strategies, business objectives and plans;
- reviewing and approving policies for major initiatives and activities;
- monitoring performance of business objectives, strategies and plans;
- obtaining reasonable assurance on a regular basis from management and the IOSFs that the institution is operating within an appropriate control framework; and
- undertaking succession planning for the position of Chief Executive Officer and other critical management positions.

The Board is assisted in fulfilling these responsibilities through the following Committees:

- **Conduct Review Committee** – Reviews the “related parties” policies and practices of the Company in accordance with statutory requirements and maintains oversight for complaint handling procedures and compliance with privacy legislation.
- **Audit Committee** – Oversees the financial reporting systems, integrity of financial statements, risk management and the audit function. The Audit Committee is comprised of only unrelated directors.
- **Senior Credit and Investment Policy Committee** – Recommends investment and lending policies and objectives for Board approval, and reviews investment portfolio performance and compliance.
- **Corporate Governance, Compliance and Nominating Committee** – Evaluates the effectiveness of governance structures, processes and information used for directing and overseeing the management of the Company, the Board and the compliance function. Develops the criteria for identifying and recommending prospective Board candidates.
- **Human Resources and Compensation Committee** – Reviews and approves policies and procedures for recommendation to the Board relating to various human resource functions, including compensation, benefits, performance and succession planning.

The corporate governance processes and mandate are derived, in part, from the Insurance Companies Act of Canada and regulatory “best practices”.

OPERATING COMMITTEE

As at December 31, 2004

Ronald D. Beaubien, FSA, FCIA
President and
Chief Executive Officer

W. (Willie) A.T. Young,
BComm, FICB, AIB
Senior Vice-President,
Investments

Mark K. Courtepatte, BComm
Vice-President, Group and
Individual Operations

Michael M. Dawe
Vice-President,
Sales and Distribution

Harley R. Rashleigh-Berry, LLB
Vice-President,
Chief Compliance Officer,
Legal Counsel and
Corporate Secretary

Timothy M. Strome, BBA, CA
Vice-President, Finance and
Chief Financial Officer



Standing (from left to right): W. (Willie) A.T. Young, Mark K. Courtepatte, Harley R. Rashleigh-Berry, Michael M. Dawe
Sitting (from left to right): Timothy M. Strome, Ronald D. Beaubien

SALES AND DISTRIBUTION TEAM

Michael M. Dawe
Vice-President
Sales and Distribution

John Rees, CLU
Director of
Individual Sales and Distribution

Randolph D. Taylor
Director of
Group Sales and Distribution,
Corporate Communications

Phil De Lucia
Regional Director, Eastern Canada
Individual Sales and Distribution

Adrian W. Boyko, CFP, CLU, ChFC
Regional Director, Western Canada
Individual Sales and Distribution

Glendine L. Skagen, FLMI
Regional Director, Western Canada
Group Sales and Distribution



Standing (from left to right): Adrian W. Boyko, John Rees, Phil De Lucia
Sitting (from left to right): Glendine L. Skagen, Michael M. Dawe, Randolph D. Taylor

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CompCorp

The Equitable Life Insurance Company of Canada is a member of the Canadian Life and Health Insurance Compensation Corporation (CompCorp). CompCorp administers the Consumer Protection Plan, which was established to provide protection to the policyholders of member companies.

The CompCorp brochure, which provides details and limitations of coverage, is available from your Equitable Life representative or the Company's head office.

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