

PRUDENTIAL ASSURANCE COMPANY LIMITED.

SIXTY-FIFTH ANNUAL REPORT,

FOR THE YEAR ENDING 31ST DECEMBER, 1913.

THE DIRECTORS have much pleasure in presenting their report and accounts for the year 1913.

ORDINARY BRANCH.—The number of policies issued during the year was 71,359, assuring the sum of £6,849,224, and producing a new annual premium income of £425,717. The premiums received during the year were £4,920,518, being an increase of £93,525 over the year 1912. In addition, £11,116 was received in premiums under the Sickness Insurance Tables.

The claims of the year amounted to £3,766,625. The number of deaths was 8,699. The number of endowment assurances matured was 23,497, the premium income of which was £131,017.

The number of policies in force at the end of the year was 917,091.

INDUSTRIAL BRANCH.—The premiums received during the year were £7,874,456, being an increase of £81,894. The increase shewn would have been much greater but for the fact that, owing to our system of accounts, fifty-three weekly collections were credited in the report for the year 1912.

The claims of the year amounted to £3,139,193, including £359,572 bonus additions. The number of claims and surrenders, including 5,942 endowment assurances matured, was 366,104.

The number of free policies granted during the year to those policyholders of five years' standing and upwards who desired to discontinue their payments, was 126,768, the number in force being 1,890,406. The number of free policies which became claims during the year was 45,546.

The total number of policies in force in this Branch at the end of the year was 19,778,135: their average duration exceeds twelve and three-quarter years.

The assets of the Company, in both branches, as shewn in the balance sheet, after deducting £1,750,000 written off securities, are £86,993,003, being an increase of £2,421,071 over those of 1912.

The Staff Provident Fund, which was founded in 1898 for the benefit of the outdoor staff, now amounts to £247,766.

The valuation has been made by Mr. BURN, and the following mortality tables and rate of interest have been used, namely, in the Ordinary Branch, the Institute of Actuaries (H^M) Table of Mortality for the life risks, and British Offices' Life Annuity Tables, 1893, for the annuities, the reserves being specially strengthened by assuming all annuitants to be select lives; for the Sickness Insurances all the premiums and interest received have been reserved, after deduction of claims and expenses, thus providing an additional reserve of about fifty per cent. above that required by the valuation basis adopted; in the Industrial Branch, Dr. Farr's English Life Table No. 3 has been employed for all Assurances by weekly premiums for the Whole Term of Life, the English Life Table No. 6 being employed for all other classes. The net premiums only have been valued in both branches, the rate of interest in each case being three per cent.

In the ORDINARY BRANCH the surplus shewn is £2,070,984, including the sum of £355,559 brought forward from last year. Out of this surplus the Directors have added £700,000 to the Investments Reserve Fund, which, after deducting the £1,050,000 written off value of securities, stands as at 31st December, 1913, at £500,000.

In the INDUSTRIAL BRANCH the surplus shewn is £1,837,621, including the sum of £508,116 brought forward from last year. Out of this surplus the Directors have added £550,000 to the Investments Reserve Fund, which, after deducting the £700,000 written off value of securities, stands as at 31st December, 1913, at £500,000.

The total surplus of the two branches, as shewn by the valuation, is thus £3,908,605, which is disposed of as follows: £700,000 has been added to the Investments Reserve Fund of the Ordinary Branch, and £550,000 has been added to the Investments Reserve Fund of the Industrial Branch; £2,198,854 will be distributed among participating policyholders in the Ordinary Branch, policyholders in the Industrial Branch, the Shareholders, and the Superintendency and Agency Staff in accordance with the Regulations of the Company under its special Act of Parliament, leaving £459,751 to be carried forward, namely, £153,230 in the Ordinary Branch and £306,521 in the Industrial Branch.

In the ORDINARY BRANCH a reversionary bonus at the rate of £1 16s. per cent. on the original sums assured has again been added to all classes of participating policies issued since the year 1876.

In the INDUSTRIAL BRANCH a bonus addition will be made to the sums assured on all policies of over five years' duration which become claims either by death or maturity of endowment from the 6th of March, 1914, to the 4th of March, 1915, both dates inclusive, as follows:—

PREMIUMS PAID FOR.	BONUS ADDITION TO SUMS ASSURED.	PREMIUMS PAID FOR.	BONUS ADDITION TO SUMS ASSURED.
5 years and less than 10 years	£5 per cent.	35 years and less than 40 years	£35 per cent.
10 " " " " 15 "	£10 "	40 " " " " 45 "	£40 "
15 " " " " 20 "	£15 "	45 " " " " 50 "	£45 "
20 " " " " 25 "	£20 "	50 " " " " 55 "	£50 "
25 " " " " 30 "	£25 "	55 " " " " 60 "	£55 "
30 " " " " 35 "	£30 "	60 " and upwards ...	£60 "

The rate of bonus declared for last year has thus been maintained, and an increased bonus of £5 per cent. will be distributed in the case of policies on which premiums have been paid for 35 and less than 40 years, 45 and less than 50 years, and 55 and less than 60 years.

The six Prudential Approved Societies formed under the National Insurance Act 1911 have done important work during the year and the membership continues to increase. Payment of sickness and maternity benefits commenced on the 13th January, 1913, and during the year a sum of £1,401,360 was distributed to members by the Company's Agents. It may be noted that in a Government Inter-Departmental Report recently presented to Parliament particular attention is drawn to the advantage of payment in cash by a representative of the Society. The Report continues:—"The fact that a personal visit accompanies the payment imposes some restraint on any temptation to claim benefit improperly. The risk of the benefit falling into wrong hands is reduced to a minimum . . ."

In the Revenue Account of the Industrial Branch the figures in respect of Commission and Expenses of Management include the sum of £296,630, the cost of work done in connection with the Prudential Approved Societies. In estimating the ratio of expenses to premiums received this sum must be deducted.

The retiring Directors are Mr. WILLIAM EDGAR HORNE, M.P., Sir JOHN HENRY LUSCOMBE and Sir PHILIP GREGORY who offer themselves for re-election.

The Auditors, Messrs. SECRETAN and NICHOLLS, also offer themselves for re-election.

Messrs. DELOITTE, PLENDER, GRIFFITHS & Co. have examined the securities, and their certificate is appended to the balance sheets.

THOS. C. DEWEY,
Chairman.

HOLBORN BARS,
19th February, 1914.

BALANCE SHEET of the PRUDENTIAL ASSURANCE COMPANY LIMITED, BEING THE SUMMARY OF BOTH BRANCHES ON THE 31ST DECEMBER, 1913.

LIABILITIES.		£	s.	d.	ASSETS.		£	s.	d.
Shareholders' capital		1,000,000	0	0	Mortgages on property within the United Kingdom		8,553,062	18	7
	£ s. d.				Mortgages on property out of the United Kingdom		nil		
Life assurance fund— Ordinary Branch	45,693,479 19 5				Loans on parochial and other public rates		13,980,705	11	9
Sickness insurance fund	10,119 12 3				Loans on Life interests		1,117,287	0	11
Life assurance fund— Industrial Branch	38,901,678 14 2				Loans on Reversions		95,278	4	0
		84,605,278	5	10	Loans on stocks and shares		79,385	2	0
Investments reserve funds		1,000,000	0	0	Loans on Company's policies within their surrender values		3,282,841	14	8
Claims under life policies intimated and in course of payment		158,273	15	6	Loans on Personal security		nil		
Annuities due and unpaid		2,508	6	8	Loans to Educational Institutions secured on income, etc.		45,882	9	2
Balance of bonus under life policies reserved for distribution		226,942	8	6	Investments:—				
					Deposit with the High Court (£24,400 2½ % Consolidated stock)		17,568	0	0
					British Government securities		1,745,934	14	3
					Bank of England stock		143,117	2	10
					Municipal and county securities, United Kingdom		1,674,443	6	3
					Indian and Colonial Government securities		4,709,807	17	7
					Colonial provincial securities		1,236,745	15	11
					Indian and Colonial municipal securities		3,415,166	0	4
					Foreign Government securities		4,323,467	16	0
					Foreign provincial securities		691,843	12	4
					Foreign municipal securities		3,507,309	3	6
					Railway and other debentures and debenture stocks and gold and sterling bonds—Home and Foreign		19,748,404	11	0
					Railway and other preference and guaranteed stocks and shares		3,198,909	13	1
					Railway and other ordinary stocks and shares		2,801,315	16	0
					Rent charges		455,793	18	5
					Freehold ground rents and Scotch feu duties		4,777,685	1	9
					Leasehold ground rents		8,696	19	1
					House property		4,034,994	18	11
					Life interests		34,626	14	6
					Reversions		1,611,216	19	8
					Agents' balances		6,940	7	7
					Outstanding premiums		597,179	2	4
					Outstanding interest and rents		80,682	2	8
					Interest, dividends and rents accrued but not payable		528,165	6	7
					Bills receivable		nil		
					Cash:—				
					On deposit		20,000	0	0
					In hand and on current accounts		469,444	14	4
		<u>£86,993,002</u>	<u>16</u>	<u>6</u>			<u>£86,993,002</u>	<u>16</u>	<u>6</u>

The values of the Stock Exchange securities are determined, under the regulations of the Company, by the Directors. These values have been compared with the middle market prices on 31st December, 1913, due allowance being made for accrued interest, and the difference is more than provided for by the investments reserve funds.

We certify that in our belief the Assets set forth in the Balance Sheet are in the aggregate fully of the value stated therein less the investments reserve funds taken into account. No part of any fund has been applied directly or indirectly for any purpose other than the class of business to which it is applicable.

A. C. THOMPSON, *General Manager.*
J. BURN, *Actuary.*

D. W. STABLE, } *Joint Secretaries.*
J. SMART, }

THOS. C. DEWEY, *Chairman.*
W. J. LANCASTER, } *Directors.*
J. IRVINE BOSWELL, }

We report that with the assistance of the Chartered Accountants as stated below we have examined the foregoing accounts and have obtained all the information and explanations that we have required and in our opinion such accounts are correct and the foregoing Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company. No part of any fund has been applied directly or indirectly for any purpose other than the class of business to which it is applicable.

PHILIP SECRETAN, } *Auditors.*
W. H. NICHOLLS, }

We have examined the Cash transactions (receipts and payments) affecting the accounts of the Assets and Investments for the year ended December 31st, 1913, and we find the same in good order and properly vouched. We have also examined the Deeds and Securities, Certificates, &c., representing the Assets and Investments set out in the above account, and we certify that they were in possession and safe custody as on December 31st, 1913.

DELOITTE, PLENDER, GRIFFITHS & Co., *Chartered Accountants.*

17th February, 1914.

ASSURANCE COMPANIES ACT, 1909.—FIRST SCHEDULE.

REVENUE ACCOUNTS OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED (ORDINARY BRANCH)
FOR THE YEAR ENDING 31ST DECEMBER, 1913, IN RESPECT OF LIFE ASSURANCE, AND SICKNESS INSURANCE BUSINESS.

LIFE ASSURANCE ACCOUNT.			
		£ s. d.	
Amount of life assurance fund at the beginning of the year ...	£44,504,184	0 10	
Less amount transferred to the Industrial Branch, being proportion of profits ...	116,418	0 0	
Premiums ...		4,920,518	1 2
Consideration for annuities granted ...		102,107	12 2
Interest and dividends ...	£1,856,181	12 11	
Less income tax thereon ...	82,933	14 3	
		1,773,247	18 8
		£51,183,639	12 10
			£ s. d.
Claims under policies paid and outstanding:—			
By death ...	£1,124,774	6 2	
By maturity ...	2,641,851	0 9	
Surrenders ...	351,678	6 1	
Bonuses surrendered for cash ...	124,021	1 6	
Annuities ...			475,699 7 7
Commission ...			141,500 19 7
Expenses of management ...			283,320 15 6
Amount transferred to investments reserve fund ...			123,013 3 10
Amount of life assurance fund at the end of the year, as per Third Schedule ...			700,000 0 0
			45,693,479 19 5
			£51,183,639 12 10

NOTES.—During the year 71,359 policies were issued assuring £6,849,224. The amount received by way of single premiums was £10,355 5s. 7d. The yearly renewal premium income was £425,717 7s. 2d. No business is transacted out of the United Kingdom.

SICKNESS INSURANCE ACCOUNT.			
		£ s. d.	
Amount of sickness insurance fund at the beginning of the year...		5,214	4 2
Premiums ...		11,116	0 1
Interest and dividends ...	£319	5 10	
Less income tax thereon ...	18	12 6	
		300	13 4
			£ s. d.
Payments under policies ...			5,593 1 8
Commission ...			640 5 8
Expenses of management ...			277 18 0
Amount of sickness insurance fund at the end of the year, as per Third Schedule ...			10,119 12 3

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ASSURANCE COMPANIES ACT, 1909.—FIRST SCHEDULE.

REVENUE ACCOUNT OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED (INDUSTRIAL BRANCH)

FOR THE YEAR ENDING 31ST DECEMBER, 1913, IN RESPECT OF LIFE ASSURANCE BUSINESS.

	£	s.	d.		£	s.	d.
Amount of life assurance fund at the beginning of the year	£37,207,842	16	7				
Amount transferred from Ordinary Branch under Regulations of the company	116,418	0	0				
	<u>37,324,260</u>	16	7				
Balance of bonus under life policies reserved for distribution at the beginning of the year	186,514	18	5				
Premiums	7,874,455	11	1				
Interest, dividends and rents	£1,506,280	13	5				
Less income tax thereon	71,667	9	6				
	<u>1,434,613</u>	3	11				
Amount received from Approved Societies for Expenses	296,630	6	3				
	<u>£47,116,474</u>	16	3				
				Claims under policies paid and outstanding:—			
				By death	£2,714,123	6	6
				By maturity	65,497	11	5
				Bonus additions paid to 31st December	359,572	9	11
							3,139,193 7 10
				Surrenders			208,550 12 2
				Bonus to Superintendents and Agents			100,000 0 0
				Commission:—			
				Agency charges, including salaries of 17,524 agents for the weekly collection of premium from 17,887,729 policies	£1,509,239	19	5
				Special new business charges	723,731	12	4
							2,233,021 11 9
				Expenses of management:—			
				Policy, postage, and receipt stamps (Head Office only)	£73,694	13	11
				Superintendency charges	286,886	8	0
				Medical fees	51,792	11	4
				Head Office expenses	744,714	8	7
							1,157,088 1 10
				Dividend and bonus to shareholders			600,000 0 0
				Amount transferred to investments reserve fund			550,000 0 0
				Balance of bonus under life policies reserved for distribution			226,942 8 6
				Amount of life assurance fund at the end of the year, as per Third Schedule			38,901,678 14 2
							<u>£47,116,474 16 3</u>

NOTES:—During the year 2,119,818 policies were issued, assuring a maximum sum of £32,506,941, exclusive of bonus.

No business is transacted out of the United Kingdom.

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ASSURANCE COMPANIES ACT, 1909.—THIRD SCHEDULE.

BALANCE SHEET OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED
(INDUSTRIAL BRANCH) ON THE 31ST DECEMBER, 1913.

LIABILITIES.			ASSETS.			
	£	s. d.	£	s. d.	£	s. d.
Shareholders' capital	1,000,000	0 0			Mortgages on property within the United Kingdom ...	2,029,107 8 6
Life assurance fund	38,901,678	14 2			Mortgages on property out of the United Kingdom ...	nil
Investments reserve fund	£1,200,000	0 0			Loans on parochial and other public rates	9,320,403 13 3
Written off value of securities	700,000	0 0			Loans on Life interests	381,633 12 0
		500,000 0 0			Loans on Personal security	nil
			40,401,678	14 2	Loans to Educational institutions secured on income, &c.	443 19 2
Claims under life policies intimated and in course of payment			3,400	0 0	Investments:—	
Balance of bonus under life policies reserved for distribution			226,942	8 6	Deposit with the High Court (£24,400 2½ % Consolidated stock)	17,568 0 0
					British Government securities	1,400,525 18 9
					Municipal and county securities, United Kingdom	994,926 4 10
					Indian and Colonial Government securities	1,102,018 16 10
					Colonial provincial securities	559,208 16 11
					Indian and Colonial municipal securities	933,635 9 11
					Foreign Government securities	791,551 0 0
					Foreign provincial securities... ..	506,247 19 0
					Foreign municipal securities... ..	1,008,636 9 10
					Railway and other debentures and debenture stocks and gold and sterling bonds—Home and Foreign	10,462,281 13 2
					Railway and other preference and guaranteed stocks and shares	1,286,038 17 4
					Railway and other ordinary stocks and shares	15,889 9 1
					Freehold ground rents and Scotch feu duties	4,777,685 1 9
					Leasehold ground rents	8,696 19 1
					House property	4,034,994 18 11
					Agents' balances	6,040 7 7
					Outstanding premiums	379,568 5 0
					Outstanding interest and rents	66,271 5 7
					Interest, dividends and rents accrued but not payable	246,779 12 3
					Bills receivable	nil
					Cash:—	
					On deposit	20,000 0 0
					In hand and on current accounts	281,867 3 11
			£40,632,021	2 8		£40,632,021 2 8

The values of the Stock Exchange securities are determined, under the regulations of the Company, by the Directors. These values have been compared with the middle market prices on 31st December, 1913, due allowance being made for accrued interest, and the difference is more than provided for by the investments reserve fund.

We certify that in our belief the Assets set forth in the Balance Sheet are in the aggregate fully of the value stated therein less the investments reserve fund taken into account.

A. C. THOMPSON, *General Manager.*
J. BURN, *Actuary.*

D. W. STABLE, }
J. SMART, } *Joint Secretaries.*

THOS. C. DEWEY, *Chairman.*

W. J. LANCASTER, }
J. IRVINE BOSWELL, } *Directors.*

We report that with the assistance of the Chartered Accountants as stated below we have examined the foregoing accounts and have obtained all the information and explanations that we have required and in our opinion such accounts are correct and the foregoing Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company.

PHILIP SECRETAN, }
W. H. NICHOLLS, } *Auditors.*

We have examined the Cash transactions (receipts and payments) affecting the accounts of the Assets and Investments for the year ended December 31st, 1913, and we find the same in good order and properly vouched. We have also examined the Deeds and Securities, Certificates, &c., representing the Assets and Investments set out in the above account, and we certify that they were in possession and safe custody as on December 31st, 1913.

DELOITTE, PLENDER, GRIFFITHS & Co., *Chartered Accountants.*

PRUDENTIAL
Assurance Company Limited.

DIRECTORS' REPORT
AND
STATEMENT OF ACCOUNTS

At 31st December, 1913.

Printers: SIR JOSEPH CAUSTON & SONS, Limited, London.

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