

PRUDENTIAL ASSURANCE COMPANY LIMITED.

SIXTY-SEVENTH ANNUAL REPORT,

FOR THE YEAR ENDING 31ST DECEMBER, 1915.

THE DIRECTORS have much pleasure in presenting their report and accounts for the year 1915.

ORDINARY BRANCH.—The number of policies issued during the year was 68,785, assuring the sum of £6,619,218, and producing a new annual premium income of £457,217. The premiums received during the year were £5,157,516, being an increase of £121,891 over the year 1914.

The claims of the year amounted to £4,330,768, of which £145,536 was in respect of War Claims. The number of deaths was 11,358. The number of endowment assurances matured was 25,559, the premium income of which was £137,797.

The number of policies in force at the end of the year was 935,514.

INDUSTRIAL BRANCH.—The premiums received during the year were £8,506,063, being an increase of £329,861.

The claims of the year amounted to £3,938,596, of which £425,499 was in respect of 25,379 War Claims. The bonus additions included in the claims amounted to £276,721. The total number of claims and surrenders, including 15,505 endowment assurances matured, was 429,510.

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 88,384, the number in force being 1,984,523. The number of free policies which became claims during the year was 51,417.

The total number of policies in force in this Branch at the end of the year was 20,859,887: their average duration exceeds thirteen years.

The War Claims paid during the year, in both Branches, number 26,826 and amount to £571,035. The total paid up to the present on this account since the outbreak of War exceeds £750,000 in respect of over 34,500 claims.

GENERAL BRANCH.—Under the Sickness Insurance Tables the premiums received during the year were £9,065, and £5,468 was paid in Sickness claims. The whole of the Fund of £16,955 is reserved for future liabilities.

The assets of the Company, in all branches, as shown in the balance sheet, are £94,794,798, being an increase of £3,592,454 over those of 1914.

The Staff Provident Fund, which was founded in 1898 for the benefit of the outdoor staff, now amounts to £270,637.

During the year the Company obtained power to substitute a Memorandum and Articles of Association for its Deed of Settlement and Regulations. The new Memorandum enables the Company to extend its objects in the direction of undertaking various other classes of Insurance (excluding Marine and Employers' Liability Insurance) in addition to Life Assurance.

The valuation has been made by Mr. JOSEPH BURN, and the following mortality tables 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; 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; in the General Branch 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 over seventy-four per cent. above that required by the valuation basis adopted. The net premiums only have been valued in all branches, the rate of interest in each case being three per cent.

In the ORDINARY BRANCH the surplus shown is £1,519,331, including the sum of £263,724 brought forward from last year. Out of this surplus the Directors have added £600,000 to the Investments Reserve Fund, which stands as at 31st December, 1915, at £1,600,000. In addition, £700,000 has been set aside as a Special Contingency Fund, and £219,331 has been carried forward. The Directors after careful consideration feel justified in paying a bonus on all participating policies of this Branch which become claims either by death or maturity during the financial year, but in view of the present unsettled conditions it is not proposed to make a general distribution of bonus, and the shareholders will not therefore receive any part of the profits of this Branch. The interests of participating policyholders are safeguarded by the Special Contingency Fund to which reference has already been made.

In the INDUSTRIAL BRANCH the surplus shown is £1,043,025, including the sum of £293,947 brought forward from last year. Out of this surplus the Directors have added £342,365 to the Investments Reserve Fund, which, after deducting £92,365 representing realised loss on Securities, principally due to conversion of Consols into War Loan Stock, stands as at 31st December, 1915, at £1,000,000.

There has been set aside a sum of £1,378 on account of a small number of policies belonging to a series which was closed in 1876. £400,000 will be distributed among the shareholders of the Company and £249,282 will be carried forward.

The provisions relating to Industrial Assurance contained in the Courts (Emergency Powers) Act 1914 have resulted in a severe strain upon the Company's resources which has reduced the surplus shown on the operations of the year, and whilst these provisions remain in force the strain must continue. In these circumstances the Directors have not felt justified in drawing upon the £300,000 set aside last year to meet contingent liabilities created by the Act but have met the loss out of revenue and in addition have felt it necessary to increase the amount set aside by £50,000. The Courts (Emergency Powers) Act Reserve therefore stands as at 31st December 1915 at £350,000.

The profit sharing scheme in the Industrial Branch provides that after payment of a fixed dividend to the shareholders any surplus profit shall be divided into six parts: one part being retained by the shareholders, one distributed among the outdoor staff of the Company and the remaining four parts being allotted by way of Bonus to the policyholders of the Industrial Branch.

From the following Table it will be seen that the sum which has already been paid or allotted under this scheme by way of bonus to the Industrial Branch policyholders and outdoor staff amounts to **£2,825,000**.

YEAR.	SHAREHOLDERS.	OUTDOOR STAFF.	POLICYHOLDERS.
	£	£	£
1908	35,000	35,000	72,697
1909	50,000	50,000	176,401
1910	65,000	65,000	222,507
1911	75,000	75,000	277,083
1912	90,000	90,000	324,797
1913	100,000	100,000	359,572
1914	100,000	100,000	398,360
1915	50,000	50,000	276,721
1916	Nil.	Nil.	151,862
	£565,000	£565,000	£2,260,000

The amount of surplus shown this year does not permit of any increase being made to this sum; there is however a substantial balance still remaining from which bonus additions will be made to the sums assured on all policies in the Industrial Branch of over ten years duration which become claims either by death or maturity of Endowment from the 3rd March, 1916, to the 1st March, 1917, both dates inclusive, as follows:—

PREMIUMS PAID FOR.	BONUS ADDITION TO SUMS ASSURED.
10 years and less than 35 years ...	£2 10s. per cent.
35 " " " " 40 " ...	£5 "
40 " " " " 45 " ...	£15 "
45 " " " " 50 " ...	£30 "
50 " " " " 55 " ...	£40 "
55 " " " " 60 " ...	£50 "
60 " and upwards ...	£60 "

The strain imposed upon the Company by the operation of the Courts (Emergency Powers) Act and the necessity of reserving funds to meet the liabilities which this Act unnecessarily and inequitably creates, are in a large measure responsible for the temporary suspension of the profit sharing scheme; this year there will be no surplus profit sharing by the shareholders or by the out-door staff, while the fixed dividend of the shareholders will be reduced by **£100,000**.

In addition to the reserves held against the liabilities shown by the valuation, the total amount reserved for contingencies including amounts carried forward, exceeds **£4,100,000**.

The Balance Sheet includes amounts totalling over **£13,000,000** in War Loan and Treasury Bills. The increase in the holding of British Government Securities compared with last year is **£11,849,133**, against a decrease of **£8,276,885** in the Balance Sheet item "Railway and other debentures, and debenture stocks and gold and sterling bonds—Home and Foreign." Apart from the purchase of $4\frac{1}{2}$ per cent. War Loan this is principally due to the sale to the Government in July last of the whole of the Company's holding of United States securities.

The following letter was received from the Chancellor of the Exchequer in connection with the transaction:—

[Copy.]

TREASURY CHAMBERS,
WHITEHALL, S.W.,
4th August, 1915.

Dear Sir,

I have to thank the Prudential Assurance Company on behalf of His Majesty's Government for the patriotic spirit they have shown in placing the whole of their American securities at the disposal of the Treasury at a fair and reasonable price. The transaction has been of considerable assistance in facilitating Exchange operations and the greatest credit is due to the Company for its prompt action.

Yours very truly,

G. E. MAY, Esq.,

R. MCKENNA.

Secretary,

Prudential Assurance Company, Ltd.

The six Prudential Approved Societies formed under the National Insurance Act, 1911, continue to make satisfactory progress and the valuable services rendered to the members by the Agency staff are highly appreciated. The amount distributed in benefits to the members at their homes during the year amounted to £1,414,109, making a total exceeding £4,400,000 since the commencement of the Act.

It is with feelings of pride and satisfaction that the Directors are able to report that no fewer than 9,221 of their staff are either serving with the Colours or have attested or been rejected for service:—1,305 from the indoor staff and 7,916 from the outdoor staff. They feel quite sure the Shareholders will heartily approve of their action in making good to the staff the difference between their salaries and their service pay, and in guaranteeing the re-employment of those who may happily return. In the case of Officers a slightly larger payment has been granted to enable them to meet their increased expenditure.

Dr. Boswell was one of the earliest volunteers and has been engaged on Army Medical duty since September, 1914: he is now serving as an honorary surgeon in France. The Directors and principal officers have sent twenty-one sons to the front, three of them, alas, to return no more.

Our Red Cross Companies of the male and female staff have been at work since the War began. Those of the male staff are on duty at the office night and day, and have had the privilege of meeting and removing to various London Homes and Hospitals no fewer than 65,000 cases.

Members of the female Red Cross Staff are serving at various Hospitals at home and abroad.

The business of the Company has been carried on under considerable difficulties and though some temporary help has been secured, it is impossible to speak too highly of the splendid way in which the greatly diminished staff have responded to the call upon their services and of their unselfish efforts to maintain the complex organisation in its full efficiency.

The retiring Directors are Messrs. THOMAS CHARLES DEWEY, THOMAS WHARRIE and JOHN IRVINE BOSWELL, M.D., 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.

HOLBORN BARS,
17th February, 1916.

THOS. C. DEWEY,
Chairman.

ASSURANCE COMPANIES ACT, 1909.—THIRD SCHEDULE.

BALANCE SHEET of the PRUDENTIAL ASSURANCE COMPANY LIMITED,
BEING THE SUMMARY OF ALL BRANCHES ON THE 31ST DECEMBER, 1915.

LIABILITIES.		£	s.	d.	ASSETS.		£	s.	d.
Shareholders' capital		1,000,000	0	0	Mortgages on property within the United Kingdom...		9,432,218	13	3
Life assurance fund—					Mortgages on property out of the United Kingdom...		316,195	14	4
Ordinary Branch	£47,383,780	6	7		Loans on parochial and other public rates		12,864,388	0	9
Life assurance fund—					Loans on Life interests		1,123,287	0	11
Industrial Branch	42,822,260	5	10		Loans on Reversions		50,024	8	5
Sickness insurance fund—					Loans on stocks and shares		75,385	2	0
General Branch	16,955	6	11		Loans on Company's policies within their surrender values		3,043,561	5	7
					Loans on Personal security		<i>nil</i>		
		89,722,995	19	4	Loans to Educational institutions secured on income, &c.		41,989	11	4
Investments reserve funds		2,600,000	0	0	Investments:—				
Contingency fund		700,000	0	0	Deposit with the High Court (£16,266 13s. 4d. 4½ % War Loan, 1925-1945)		16,080	19	1
Courts (Emergency Powers) Act reserve		350,000	0	0	British Government securities—				
Claims under life policies intimated and in course of payment		267,084	8	10	4½ % War Loan, 1925-1945	£4,912,421	19	0	
Annuities due and unpaid		2,856	10	4	Treasury Bills... ..	8,199,256	9	7	
Balance of bonus under life policies reserved for distribution in Industrial Branch		161,861	12	7	Government Annuities, &c.	64,307	16	4	
					Local Loans Stock, &c.	88,002	0	0	
							13,263,983	4	11
					Bank of England stock		143,117	2	10
					Municipal and county securities, United Kingdom		1,673,037	13	5
					Indian and Colonial Government securities		4,639,591	12	8
					Colonial provincial securities		1,359,655	6	10
					Indian and Colonial municipal securities		3,558,890	19	9
					Foreign Government securities		6,151,487	17	6
					Foreign provincial securities		791,846	12	10
					Foreign municipal securities		3,417,044	17	11
					Railway and other debentures and debenture stocks and gold and sterling bonds—Home and Foreign		12,971,059	0	11
					Railway and other preference and guaranteed stocks and shares		3,243,090	4	1
					Railway and other ordinary stocks and shares		2,856,222	9	10
					Rent charges		597,710	16	6
					Freehold ground rents and Scotch feu duties...		4,775,293	0	6
					Household ground rents		9,578	14	5
					House property		4,263,067	18	6
					Life interests		34,626	14	6
					Reversions		1,283,446	1	6
					Agents' balances		6,025	2	10
					Outstanding premiums		614,662	14	1
					Outstanding interest and rents		124,497	12	10
					Interest, dividends and rents accrued but not payable		510,720	13	1
					Bills receivable		<i>nil</i>		
					Cash:—				
					On deposit		20,000	0	0
					In hand and on current accounts		1,527,678	4	2
							£94,794,798	11	1
							£94,794,798	11	1

The values of Stock Exchange securities are determined, under the Articles of Association of the Company, by the Directors. Due allowance has been made for accrued interest and the book value of these securities as set forth in the Balance Sheet stands considerably below cost price. A careful investigation as to the actual saleable value on 31st December, 1915 (all minimum price quotations being greatly reduced) compared with the book value, shows that the Investments Reserve Funds are much more than sufficient to meet any depreciation of the permanent securities. Terminable securities have been valued on a basis, which with Sinking Funds already established, provides for the equalisation of the book values and the redemption values at the date of maturity.

We certify that in our belief the Assets set forth in the Balance Sheet (having regard to the standards indicated) are in the aggregate fully of the value stated therein less the Investments Reserve and Contingency Funds taken into account, and make ample provision for all the liabilities 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.

A. C. THOMPSON, *General Manager.*

J. BURN, *Actuary.*

THOS. C. DEWEY, *Chairman.*

G. E. MAY, *Secretary.*

W. J. LANCASTER, } *Directors.*
JAMES MOON, }

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, 1915, 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, 1915.

ASSURANCE COMPANIES ACT, 1909.—THIRD SCHEDULE.

BALANCE SHEET OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED
(ORDINARY BRANCH) ON THE 31ST DECEMBER, 1915.

LIABILITIES.		ASSETS.	
	£ s. d.		£ s. d.
Life assurance fund... ..	£47,383,780 6 7	Mortgages on property within the United Kingdom	6,930,357 11 3
Investments reserve fund	1,600,000 0 0	Mortgages on property out of the United Kingdom	310,155 14 4
	48,983,780 6 7	Loans on parochial and other public rates	4,325,155 2 8
Contingency fund... ..	700,000 0 0	Loans on Life interests	741,553 8 11
Claims under life policies intimated and in course of payment	262,304 8 10	Loans on Reversions	50,084 8 5
Annuities due and unpaid	2,856 10 4	Loans on stocks and shares	76,385 2 0
		Loans on Company's policies within their surrender values	3,043,561 5 7
		Loans on Personal security	nil
		Loans to Educational institutions secured on income, &c.	41,602 12 9
		Investments:—	
		British Government securities:—	
		4½% War Loan, 1925-1945	£414,473 16 7
		Treasury Bills	4,424,599 3 0
		Government Annuities, &c.	64,307 16 4
			4,903,380 15 11
		Bank of England stock	143,117 2 10
		Municipal and county securities, United Kingdom	680,701 9 4
		Indian and Colonial Government securities	3,495,222 2 8
		Colonial provincial securities	791,613 4 0
		Colonial municipal securities	2,550,259 14 2
		Foreign Government securities	4,619,197 11 8
		Foreign provincial securities	285,850 11 9
		Foreign municipal securities	2,122,164 6 10
		Railway and other debentures and debenture stocks and gold and sterling bonds—Home and Foreign	6,863,776 5 3
		Railway and other preference and guaranteed stocks and shares	1,942,387 4 7
		Railway and other ordinary stocks and shares	2,791,129 18 3
		Rent charges	597,710 16 6
		Life interests	34,626 14 6
		Reversions	1,283,446 1 6
		Outstanding premiums	210,507 1 4
		Outstanding interest	45,580 0 6
		Interest and dividends accrued but not payable	295,071 7 6
		Bills receivable	nil
		Cash in hand and on current accounts	775,255 10 10
			£49,948,941 5 9
			£49,948,941 5 9

The values of Stock Exchange securities are determined under the Articles of Association of the Company, by the Directors. Due allowance has been made for accrued interest and the book value of these securities as set forth in the Balance Sheet stands considerably below cost price. A careful investigation as to the actual saleable value on 31st December, 1915 (all minimum price quotations being greatly reduced) compared with the book value, shows that the Investments Reserve Fund is much more than sufficient to meet any depreciation of the permanent securities. Terminable securities have been valued on a basis, which with Sinking Funds already established, provides for the equalisation of the book values and the redemption values at the date of maturity.

We certify that in our belief the Assets set forth in the Balance Sheet (having regard to the standards indicated) are in the aggregate fully of the value stated therein less the Investments Reserve and Contingency Funds taken into account, and make ample provision for all the liabilities of the Company.

A. C. THOMPSON, *General Manager.*

J. BURN, *Actuary.*

G. E. MAY, *Secretary.*

THOS. C. DEWEY, *Chairman.*

W. J. LANCASTER, } *Directors.*
JAMES MOON, }

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, } *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, 1915, 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, 1915.

ASSURANCE COMPANIES ACT, 1909—FIRST SCHEDULE.
 REVENUE ACCOUNT OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED
 (INDUSTRIAL BRANCH)
 FOR THE YEAR ENDING 31ST DECEMBER, 1915, IN RESPECT OF LIFE ASSURANCE BUSINESS.

	£	s.	d.		£	s.	d.
Amount of life assurance fund at the beginning of the year	£40,649,318	9	8				
Amount transferred from Ordinary Branch under Articles of Association of the company ...	101,225	0	0				
	40,750,543	9	8	Claims under policies paid and outstanding:—			
Amount of bonus under life policies reserved for distribution at the beginning of the year... ..	228,582	15	10	By death	£3,513,572	5	6
Premiums	8,506,063	4	9	By maturity... ..	148,302	3	2
Interest, dividends and rents	£1,633,998	5	10	Bonus additions paid to 31st December... ..	276,721	3	3
Income tax thereon	182,318	14	4				
	1,451,679	11	6	Surrenders			3,938,595 11 11
Amount received from General Branch for Approved Societies expenses	401,263	16	7	• Bonus to superintendents and agents			195,444 15 9
				Commission:—			50,000 0 0
				Agency charges including salaries of 15,260 agents for the weekly collection of premiums from 18,875,364 policies... ..	£1,639,168	6	1
				Special new business charges	748,606	11	4
							2,387,774 17 5
				Expenses of management:—			
				Policy, postage, and receipt stamps (Head Office only)	£75,930	19	9
				Superintendency charges... ..	322,513	2	11
				Medical fees	44,227	6	0
				Head Office expenses	907,159	6	2
							1,349,830 14 10
				Dividend and bonus to shareholders			550,000 0 0
				Amount transferred to investments reserve fund			342,365 0 0
				Amount transferred to Courts (Emergency Powers) Act Reserve			50,000 0 0
				Balance of bonus under life policies reserved for distribution			151,861 12 7
				Amount of life assurance fund at the end of the year as per third Schedule			42,322,260 5 10
	£51,338,132	18	4				£51,338,132 18 4

NOTES.—During the year 2,112,784 policies were issued, assuring a maximum sum of £35,112,816, exclusive of bonus. No business is transacted out of the United Kingdom. The sum of £401,264 received from the Approved Societies is included in Commission and Expenses of Management. In estimating the ratio of expenses to premiums this sum should be deducted.

ASSURANCE COMPANIES ACT, 1909.—FIRST SCHEDULE.

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

FOR THE YEAR ENDING 31ST DECEMBER, 1915, IN RESPECT OF GENERAL INSURANCE BUSINESS.

	£	s.	d.		£	s.	d.
Amount of sickness insurance fund at the beginning of the year	13,562	8	9	Payments under policies	5,467	14	3
Premiums	9,064	17	9	Commission	576	0	11
Interest and dividends £665 3 8				Expenses of management	226	12	5
Less income tax thereon 66 15 8				Amount transferred to Industrial Branch	401,263	16	7
Amount transferred from Approved Societies ...	401,263	16	7	Amount of sickness insurance fund at the end of the year as per Third Schedule	16,955	6	11
	£424,489	11	1		£424,489	11	1

ASSURANCE COMPANIES ACT, 1909.—THIRD SCHEDULE.

BALANCE SHEET OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED
(GENERAL BRANCH) ON THE 31ST DECEMBER, 1915.

LIABILITIES.		£	s.	d.	ASSETS.		£	s.	d.
Sickness insurance fund		16,955	6	11	British Government securities... ..		16,554	15	11
					Cash in hand		400	11	0
		£16,955	6	11			£16,955	6	11

The values of Stock Exchange securities are determined, under the Articles of Association of the Company, by the Directors. The British Government Securities as above consist of Treasury Bills for £17,000, maturing 31st July, 1916, and have been taken at cost price with due allowance for accrued interest.

We certify that in our belief the Assets set forth in the Balance Sheet are fully of the value stated therein.

A. C. THOMPSON, *General Manager.*

J. BURN, *Actuary.*

THOS. C. DEWEY, *Chairman.*

G. E. MAY, *Secretary.*

W. J. LANCASTER, } *Directors.*
JAMES MOON, }

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, } *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, 1915, 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, 1915.

15th February, 1916.

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

PRUDENTIAL

Assurance Company Limited.

DIRECTORS' REPORT
AND
STATEMENT OF ACCOUNTS

At 31st December, 1915.

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