

# PRUDENTIAL ASSURANCE COMPANY

LIMITED.

## SIXTY-EIGHTH ANNUAL REPORT,

FOR THE YEAR ENDING 31ST DECEMBER, 1916.

THE DIRECTORS have much pleasure in presenting their report and accounts for the year 1916.

ORDINARY BRANCH.—The number of policies issued during the year was 48,258, assuring the sum of £5,080,989, and producing a new annual premium income of £373,309. The premiums received during the year were £5,230,170, being an increase of £72,654 over the year 1915.

The claims of the year amounted to £4,573,917, of which £249,689 was in respect of War Claims. The number of deaths was 12,407. The number of endowment assurances matured was 27,065, the annual premium income of which was £146,894.

The number of policies including annuities in force at the end of the year was 932,539.

INDUSTRIAL BRANCH.—The premiums received during the year were £8,897,723, being an increase of £391,660.

The claims of the year amounted to £4,005,251, of which £827,879 was in respect of 49,625 War Claims. The bonus additions included in the claims amounted to £112,565. The total number of claims and surrenders, including 16,741 endowment assurances matured, was 398,917.

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 69,775, the number in force being 2,004,282. The number of free policies which became claims during the year was 50,016.

The total number of policies in force in this Branch at the end of the year was 21,305,330: their average duration exceeds thirteen and a quarter years.

The War Claims paid during the year, in both Branches, number 52,433 and amount to £1,077,568. The total paid up to the present on this account since the outbreak of War exceeds £1,860,000, in respect of over 88,000 claims.

GENERAL BRANCH.—Under the Sickness Insurance Tables the premiums received during the year were £7,780, and £3,974 was paid in Sickness claims. Under the new Memorandum of Association, 13 Sinking fund policies were issued during the year, assuring a capital sum of £131,300 and producing an annual income of £2,531. The whole of the Fund of £23,399 is reserved for future liabilities.

The assets of the Company, in all branches, as shown in the balance sheet, are £99,123,746, being an increase of £4,328,948 over those of 1915.

The Staff Provident Fund, which was founded in 1898 for the benefit of the outdoor staff, now amounts to £285,231.

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<sup>M</sup>) 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-five per cent. above that required by the valuation basis adopted; for the Sinking Fund policies the net premiums received have been accumulated with interest at 3½ per cent. The net premiums only have been valued in all Branches, the rate of interest in each case with the exception of the Sinking Fund policies being three per cent.

In the ORDINARY BRANCH the surplus shown is £1,418,240, including the sum of £219,331 brought forward from last year. Out of this surplus the Directors have added £400,000 to the Investments Reserve Fund, which stands as at 31st December, 1916, at £2,000,000. In addition, £800,000 has been added to the Special Contingency Fund, which stands at £1,500,000, and £218,240 has been carried forward. The Directors have decided to continue the payment of a bonus on all participating policies of this Branch which become claims either by death or maturity during the financial year. They much regret however that the present circumstances do not justify them in making a general distribution of bonus and the shareholders will again receive no part of the profits of this Branch. The Directors have every confidence however that the interests of the participating policyholders are fully secured by the Special Contingency Fund referred to above.

In the INDUSTRIAL BRANCH the surplus shown is £1,000,892, including the sum of £249,282 brought forward from last year. Out of this surplus the Directors have added £415,082 to the Investments Reserve Fund, which after deducting £15,082 representing realised loss on Securities stands as at 31st December, 1916, at £1,400,000.

There has been set aside a sum of £1,280 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 £184,530 will be carried forward.

The provisions relating to Industrial Assurance contained in the Courts (Emergency Powers) Act 1914 have again 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 £350,000 set aside last year to meet contingent liabilities created by the Act but have met the loss out of revenue. The Courts (Emergency Powers) Act Reserve therefore stands as at 31st December 1916 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, 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.	112,565
1917	Nil.	Nil.	39,297
	<u>£565,000</u>	<u>£565,000</u>	<u>£2,260,000</u>

The Directors regret that the amount of surplus shown this year does not permit of any increase being made to this sum; there is however still a balance remaining, from which bonus additions will be made to the sums assured on all policies in the Industrial Branch on which at least 30 years' premiums have been paid and which become claims either by death or maturity of Endowment from the 2nd March, 1917, to the 7th March, 1918, both dates inclusive, as follows:—

PREMIUMS PAID FOR.	BONUS ADDITION TO SUMS ASSURED.
30 years and less than 40 years ...	£2 10s. per cent.
40 " " " " 50 " ...	£5 "
50 " " " " 55 " ...	£10 "
55 " " " " 60 " ...	£20 "
60 " and upwards ...	£40 "

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 as was the case last year, 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 £5,650,000.

The Balance Sheet includes amounts totalling over £17,750,000 in British Government Securities; this represents an increase compared with last year of about £4,500,000.

During the year the Company has lent or sold to the Treasury under the various mobilisation schemes securities of a nominal value of £6,955,159.

The 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 £1,320,397, making a total exceeding £5,700,000 since the Act came into operation. An arrangement has been made and approved by the Insurance Commissioners whereby the Prudential Approved Society for Miners is absorbed into the Prudential Approved Society for Men and the Society for Laundresses is absorbed into the Society for Women as from the 31st December, 1916, thus reducing the number of Prudential Approved Societies to four.

During the year the Government has continuously availed itself of the services of the Company and its officials; it has been a matter for congratulation that the services so rendered have met with the greatest appreciation.

The indoor and outdoor Staffs have been further depleted during the year by Naval and Military demands, and the Company is now supplying more than ten thousand men to the fighting strength of the nation.

The Directors wish again to record their admiration of the spirit with which the Staff, male and female, have carried on the business of the Company, a task which the War has rendered infinitely difficult of accomplishment.

The Prudential Voluntary Aid Detachments of the Red Cross Society have continued their good work without intermission throughout the year, the number of casualties met at the various Railway Stations and conveyed to London Homes and Hospitals having now reached a total of 156,000.

In May last two fully equipped motor ambulances purchased by the voluntary subscriptions of the outdoor Staff of the Company, and a balance of cash for upkeep of the cars, were presented in the Courtyard of the Prudential Chief Office, to the Red Cross Society, and received by their Chairman the Hon. ARTHUR STANLEY.

These cars, together with the motor omnibus presented by the late Mr. WHARRIE, have since been in constant use by the London Ambulance Column, which is largely staffed by Prudential men.

The Directors deplore the loss during the past year of their esteemed colleague, Mr. THOMAS WHARRIE, who died on the 16th January last after 24 years continuous service on the Board.

The Board propose to fill the vacancy thus caused, by the appointment of Mr. ALFRED CORDEROY THOMPSON, a qualified Shareholder, who has served the Company for nearly forty-five years, and who has held the office of Manager since 1907. The Directors desire that Mr. THOMPSON should retain his present office of General Manager, and the Shareholders are being asked to make the necessary alterations in the Articles of Association of the Company.

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.

HOLBORN BARS,  
13th February, 1917.

THOS. C. DEWEY,  
Chairman.



ASSURANCE COMPANIES ACT, 1909.—FIRST SCHEDULE.

REVENUE ACCOUNT OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED (ORDINARY BRANCH)  
FOR THE YEAR ENDING 31ST DECEMBER, 1916, IN RESPECT OF LIFE ASSURANCE BUSINESS.

Amount of life assurance fund at the beginning of the year ...	£47,383,780 6 7	£	s.	d.	Claims under policies paid and outstanding:—		£	s.	d.
Amount transferred from Industrial Branch, being proportion of profits ...	1,378 0 0				By death ... ..	£1,554,677 13 0			
Premiums ... ..	...	47,385,158 6 7			By maturity ... ..	3,019,239 9 5			4,573,917 2 5
Consideration for annuities granted ...	...	5,230,169 14 10			Surrenders ... ..	£234,946 11 4			
Interest, discounts and dividends ...	£2,231,577 1 4	36,729 5 2			Bonuses surrendered for cash	68,289 3 9			303,235 15 1
Less income tax thereon ...	348,711 14 8				Annuities ... ..				137,380 11 2
		1,882,865 6 8			Commission ... ..				304,783 4 0
					Expenses of management ... ..				130,696 9 11
					Amount transferred to investments reserve fund ...				400,000 0 0
					Amount transferred to contingency fund ...				800,000 0 0
					Amount of life assurance fund at the end of the year as per				
					Third Schedule ... ..				47,884,909 10 8
		£54,534,922 13 3							£54,534,922 13 3

NOTES.—During the year 48,258 policies were issued assuring £5,080,989. The amount received by way of single premiums was £4,765 12s. 9d. The yearly renewal premium income was £373,309. No business is transacted out of the United Kingdom.

## ASSURANCE COMPANIES ACT, 1909.—THIRD SCHEDULE.

BALANCE SHEET OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED  
(ORDINARY BRANCH) ON THE 31ST DECEMBER, 1916.

LIABILITIES.				ASSETS.			
		£	s. d.			£	s. d.
Life assurance fund...	£17,884,909 10 8			Mortgages on property within the United Kingdom		6,531,441	10 11
Investments reserve fund ...	2,000,000 0 0			Mortgages on property out of the United Kingdom		372,966	6 2
		49,884,909	10 8	Loans on parochial and other public rates ...		4,174,243	8 9
Contingency fund...		1,500,000	0 0	Loans on Life interests ...		732,853	8 11
Claims under life policies intimated and in course of payment ...		363,870	16 2	Loans on Reversions ...		48,963	16 4
Annuities due and unpaid ...		5,694	5 5	Loans on stocks and shares ...		81,470	2 0
				Loans on Company's policies within their surrender values ...		2,804,214	9 7
				Loans on Personal security ...		<i>nil</i>	
				Loans to Educational Institutions secured on Income		39,582	1 0
				Investments:—			
				British Government securities ...		7,092,080	14 9
				Bank of England stock ...		143,117	2 10
				Municipal and county securities, United Kingdom		929,753	19 6
				Indian and Colonial Government securities ...		3,708,653	8 6
				Colonial provincial securities ...		812,282	9 7
				Colonial municipal securities ...		2,534,636	12 2
				Foreign Government securities ...		5,122,986	16 7
				Foreign provincial securities ...		286,553	16 9
				Foreign municipal securities ...		1,976,018	10 5
				Railway and other debentures and debenture stocks and gold and sterling bonds—Home and Foreign ...		6,709,144	11 4
				Railway and other preference and guaranteed stocks and shares ...		1,949,647	6 5
				Railway and other ordinary stocks and shares		2,890,928	1 5
				Rent charges ...		565,705	12 7
				Life interests ...		34,626	14 6
				Reversions ...		1,249,709	11 10
				Outstanding premiums ...		253,772	14 2
				Outstanding interest ...		91,096	14 4
				Interest and dividends accrued but not payable ...		290,623	19 10
				Bills receivable ...		<i>nil</i>	
				Cash in hand and on current accounts ...		328,500	10 1
						<u>£61,764,474</u>	<u>11 3</u>
						<u>£61,764,474</u>	<u>11 3</u>

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, 1916, 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,  
D. WINTRINGHAM STABLE, } *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, 1916, 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 of December 31st, 1916.

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

ASSURANCE COMPANIES ACT, 1909—FIRST SCHEDULE.  
 REVENUE ACCOUNT OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED  
 (INDUSTRIAL BRANCH)  
 FOR THE YEAR ENDING 31ST DECEMBER, 1916, IN RESPECT OF LIFE ASSURANCE BUSINESS.

	£	s.	d.		£	s.	d.
Amount of life assurance fund at the beginning of the year ... ..	£42,322,260		5 10				
Amount transferred to Ordinary Branch under Articles of Association of the company	1,378		0 0				
Amount of bonus under life policies reserved for distribution at the beginning of the year... ..			151,861 12 7	Claims under policies paid and outstanding :—			
By maturity ... ..			8,897,722 11 3	By death ... ..	£3,727,632		4 3
By discounts, dividends and rents ... ..	£1,904,176			By maturity... ..	165,053		8 8
Income tax thereon ... ..	311,307		19 3	Bonus additions paid to 31st December... ..	112,564		17 9
Amount received from General Branch for Approved Societies' expenses ... ..			388,978 12 8	Surrenders ... ..			4,005,250 10 8
				Commission :—			153,782 11 0
				Agency charges including salaries of 13,578 agents for the weekly collection of premiums from 19,301,048 policies... ..	£1,703,609		
				Special new business charges ... ..	643,029		19 0
				Expenses of management :—			2,346,639 9 9
				Policy, postage, and receipt stamps (Head Office only) ... ..	£69,618		
				Superintendency charges... ..	375,458		11 10
				Medical fees ... ..	38,274		12 10
				Head Office expenses ... ..	955,484		13 0
				Dividend to shareholders ... ..			1,438,836 16 5
				Amount transferred to investments reserve fund ... ..			400,000 0 0
				Balance of bonus under life policies reserved for distribution ... ..			415,082 9 6
				Amount of life assurance fund at the end of the year as per Third Schedule ... ..			39,296 14 10
							44,553,424 17 9
							£53,352,313 9 11
			£53,352,313 9 11				

During the year 1,739,616 policies were issued, assuring a maximum sum of £28,986,749, exclusive of bonus. No business is transacted out of the United Kingdom.

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## ASSURANCE COMPANIES ACT, 1909.—FIRST SCHEDULE.

REVENUE ACCOUNT OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED  
(GENERAL BRANCH)  
FOR THE YEAR ENDING 31ST DECEMBER, 1916, IN RESPECT OF GENERAL INSURANCE BUSINESS.

	£	s.	d.		£	s.	d.
Amount of insurance fund at the beginning of the year	16,955	6	11	Payments under policies	3,974	9	7
Premiums	10,306	18	9	Commission	1,104	11	11
Interest and discount	1,473	17	11	Expenses of management	257	13	6
Amount transferred from Approved Societies	388,978	12	8	Amount transferred to Industrial Branch	388,978	12	8
				Amount of insurance fund at the end of the year as per Third Schedule	23,399	8	7
	£417,714	16	3		£417,714	16	3

## ASSURANCE COMPANIES ACT, 1909.—THIRD SCHEDULE.

BALANCE SHEET OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED  
(GENERAL BRANCH) ON THE 31ST DECEMBER, 1916.

LIABILITIES.	£	s.	d.	ASSETS.	£	s.	d.
Insurance fund	23,399	8	7	British Government securities	19,419	3	7
				Cash in hand	3,980	5	0
	£23,399	8	7		£23,399	8	7

The values of the 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 £20,000, maturing 31st July, 1917, 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.*

G. E. MAY, *Secretary.*

THOS. C. DEWEY, *Chairman.*

W. J. LANCASTER,  
D. WINTRINGHAM STABLE, } *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, 1916, 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, 1916.

13th February, 1917.

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

PRUDENTIAL  
Assurance Company Limited.

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DIRECTORS' REPORT  
AND  
STATEMENT OF ACCOUNTS

*At 31st December, 1916.*

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