



THE PRUDENTIAL ASSURANCE COMPANY LIMITED

*One Hundred and Thirteenth Annual Report
and Statement of Accounts*

YEAR ENDED 31 DECEMBER 1961

P00019873

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THE PRUDENTIAL ASSURANCE COMPANY LIMITED

Directors :

Sir Frank William Morgan, M.C., Chairman.
Sir John Serocold Paget Mellor, Bt., Deputy Chairman.
John Anthony Tristram Barstow, D.S.O., T.D.
The Rt. Hon. Lord Coleraine, P.C.
Sir John Donald Balfour Fergusson, G.C.B.
Walter Frank Gardner, C.B.E., F.I.A.
The Rt. Hon. Sir Percy James Grigg, K.C.B., K.C.S.I.
Maurice Petherick.
Charles William Allan Ray.
Desmond Arthur Reid.
Rupert Stanley Thorp.
Sir James Millard Tucker, Q.C.

General Manager :

K. A. Usherwood, M.A., F.I.A.

*Secretary and
Chief Investment Manager :*
L. Brown, F.I.A.

Deputy General Managers :

R. E. Montgomery, A.C.I.I.
R. H. Owen, F.I.A.

Chief Actuary :

F. M. Redington, M.A., F.I.A.

Investment Managers :

H. G. Clarke, B.Sc., F.I.A.
A. F. Murray, M.A., F.I.A.

Assistant General Managers :

G. W. Eley, F.C.I.I.
W. G. Haslam, D.F.C.
A. J. Males, F.I.A.
H. H. New, F.C.I.I.
H. Proctor.

Deputy Actuaries :

A. S. Clarke, F.I.A.
J. Edey, F.I.A.
W. E. H. Hickox, F.I.A.
R. S. Skerman, F.I.A.
S. S. Townsend, F.I.A.

Deputy Secretary :

C. E. Puckridge, F.I.A.

Deputy Investment Managers :

E. P. Hatchett, F.I.A.
P. E. Moody, F.I.A.
L. C. Polke, A.I.A.

Agency Managers :

R. P. Johnson.
F. Pearson.

Group Pensions Manager :

J. G. Haslam, F.I.A.

Chief Surveyor :

F. N. Waller, F.R.I.C.S.

Life Manager—Ordinary Branch:

C. D. Clark.

Marine Underwriter :

C. E. R. Taylor.

Deputy Chief Surveyor :

M. R. Dunnett, F.R.I.C.S.

Senior Solicitor :

P. B. Cockshutt.

Principal Medical Officer :

T. W. Preston, T.D., M.D.

General Manager for Australia and New Zealand :

S. C. Canfield, F.C.I.I.

General Manager for Canada :

H. D. McNairn, M.B.E., Q.C.

General Manager for Southern and East Africa :

G. E. Rumball, F.I.A.



THE PRUDENTIAL ASSURANCE COMPANY LIMITED

NOTICE IS HEREBY GIVEN

that the ANNUAL GENERAL MEETING of this Company will be held at the Registered Office of the Company, No. 142, HOLBORN BARS, LONDON, E.C.1 on THURSDAY, the 10th May, 1962, at 12.15 p.m., for the following purposes :

1

To receive the Report of the Directors and Statement of Accounts for the year ended 31st December, 1961

2

To re-elect Directors

3

To fix the remuneration of the Auditors

4

To transact any other business proper to be transacted at such Meeting.

In connection with the re-election of Directors special notices have been given to the Company pursuant to the Companies Act, 1948, that separate resolutions will be moved proposing the re-election of the following Directors, who retire by rotation and whose respective ages at the date of the Meeting will be as shewn in brackets after their names:—

Sir Frank William Morgan, M.C. (74)
 Sir John Donald Balfour Fergusson, G.C.B. (70)
 Mr. Maurice Petherick (67)
 Sir James Millard Tucker, Q.C. (69)

142, Holborn Bars, London, E.C.1.
 17th April, 1962.

By order of the Board of Directors,
 L. BROWN,
 Secretary.

PROXIES

A member entitled to attend and vote at the above mentioned Meeting is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company.

The attention of those shareholders, who are members of the Company's Field Staff, is drawn to Section 33 (2) of the Industrial Assurance Act 1923 which provides that no collector or superintendent shall be present at any meeting of an Industrial Assurance Company.

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ANNUAL REPORT

Year ended 31st December 1961

The Directors submit their Report and Accounts for 1961.

The Balance sheet total of the Company's Assets is £1,187,732,015 as compared with £1,111,942,109 at 31st December, 1960.

The Income from all sources during 1961 was £230,736,092 as compared with £213,735,781 in 1960.

The Tables which follow summarise the operations of the Life and General branches during 1961.

BUSINESS IN FORCE 31st DECEMBER 1961

1960						1961	
UNITED KINGDOM	OVERSEAS	ORDINARY BRANCH				UNITED KINGDOM	OVERSEAS
£	£					£	£
1,203,626,616	723,406,453	LIFE ASSURANCE BUSINESS				1,319,480,352	776,697,286
36,030,262	17,292,091	Sums Assured, including bonus				38,548,398	18,016,875
		Annual Premium Income					
		DEFERRED AND CONTINGENT ANNUITIES					
		Amount of Annuities per annum, including bonus (and including amounts to be purchased by future recurrent single premiums)				71,443,122	11,206,457
65,164,835	10,608,982	Annual Premium Income				18,344,953	2,707,934
15,828,338	2,591,317	IMMEDIATE ANNUITIES					
		Amount of Annuities per annum				3,093,540	322,369
		INDUSTRIAL BRANCH					
1,261,795,652	—	Sums Assured, including bonus				1,304,841,454	—
59,717,489	—	Annual Premium Income				61,967,819	—

GENERAL BRANCH

11,546,097	7,255,882	Premium Income	12,741,459	7,322,385
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The General branch figures do not include the premiums of £3,990,460 (£3,322,659 for 1960) written by the Company's American subsidiary, The Prudential Insurance Company of Great Britain located in New York, the accounts of which appear on page 22.

SUMMARY OF INCOME AND OUTGO

1960		1961		1960		1961	
ORDINARY BRANCH £	INDUSTRIAL BRANCH £	ORDINARY BRANCH £	INDUSTRIAL BRANCH £	£	£	£	£
LIFE BRANCHES				GENERAL BRANCH			
INCOME				UNDERWRITING INCOME AND OUTGO			
INCOME				INCOME			
70,941,303	58,212,657	Premiums	77,526,492	60,540,417	18,865,161	Premiums and fees	20,131,403
670,898	—	Consideration for immediate annuities	1,338,073	—	107,996	Investment income allocated to long term contracts	106,542
31,566,575	31,816,829	Investment income	35,286,819	34,071,402	<u>18,973,157</u>	TOTAL INCOME	<u>20,237,945</u>
<u>103,178,776</u>	<u>90,029,486</u>	TOTAL INCOME	<u>114,151,384</u>	<u>94,611,819</u>			
OUTGO				OUTGO			
31,343,476	40,959,915	Claims and Surrenders	36,281,214	53,769,266	9,783,379	Claims	10,435,384
2,780,869	—	Annuities	3,152,853	—	73,566	Contributions to fire brigades and fire prevention	77,012
11,750,568	17,674,589	Expenses including Commission	12,949,326	18,754,023	7,569,952	Expenses including Commission	8,401,444
4,222,467	5,372,643	Taxation	4,990,027	5,783,507	93,379	Overseas taxes charged to revenue accounts (See Note 6, page 21)	93,230
<u>50,097,380</u>	<u>64,007,147</u>	TOTAL OUTGO	<u>57,373,420</u>	<u>78,306,796</u>	<u>17,520,276</u>	TOTAL OUTGO	<u>19,007,070</u>
53,081,396	26,022,339	EXCESS OF INCOME OVER OUTGO	<u>56,777,964</u>	<u>16,305,023</u>	<u>1,452,881</u>	EXCESS OF INCOME OVER OUTGO	<u>1,230,875</u>
<i>Deduct</i>				<i>Deduct</i>			
31,896,915	6,718,616	Provision for increase in liabilities to policyholders	33,386,646	—4,703,009	682,347	Provision for increase in liabilities to policyholders	693,632
300,000	450,000	Transfer to Investment reserve account	—	—	770,534	GROSS UNDERWRITING SURPLUS	<u>537,243</u>
<u>20,884,481</u>	<u>18,853,723</u>	SURPLUS FOR THE YEAR	<u>23,391,318</u>	<u>21,008,032</u>	<u>1,095,986</u>	INVESTMENT INCOME	
<i>Add</i>				<i>Add</i>			
1,033,235	1,860,524	Surplus brought forward from previous year	1,101,888	1,904,409	879,621	Investment income other than that allocated to long term contracts	1,194,845
21,917,716	20,714,247		24,493,206	22,912,441	10,000	TOTAL GROSS SURPLUS	<u>1,732,088</u>
1,101,888	1,904,409		1,114,974	1,931,961	<u>976,899</u>	<i>Deduct</i>	
<u>£20,815,828</u>	<u>£18,809,838</u>	SURPLUS FOR DISTRIBUTION	<u>£23,378,232</u>	<u>£20,980,480</u>	232,827	Taxes charged to Profit and loss account	874,000
ALLOCATION				NET SURPLUS FOR THE YEAR			
19,512,033	17,631,688	To Policyholders' bonuses 93.78% (93.74% in 1960) in each branch	21,924,480	19,675,829	1,209,726	Surplus brought forward from previous year	220,837
1,303,795	1,178,150	To Profit and loss account for Shareholders 6.22% (6.26%) in each branch	1,453,752	1,304,651	500,000		1,078,925
<u>£2,481,945</u>		Appropriated as follows:	<u>£2,471,945</u>		220,837	Transfer to Branch contingency fund	300,000
		To Dividend on A Shares	<u>£286,458</u>		<u>£488,889</u>	Transfer to Additional reserve fund	50,000
		To Dividend reserve fund (A Shares)			<u>£122,222</u>	Surplus carried forward	230,036
					<u>£366,667</u>	SURPLUS FOR DISTRIBUTION	<u>£498,889</u>
						Appropriated as follows:	
						To Dividend on A Shares	£132,222
						To Dividend on B Shares	£366,667

NOTE: General branch business in the United States of America is transacted by the Company's subsidiary, The Prudential Insurance Company of Great Britain, located in New York (accounts on page 22). This business is not included in the above figures, but the dividend received from the subsidiary is included in the investment income.

BONUS DECLARATIONS

The Directors have declared the following bonuses on participating policies:

ORDINARY BRANCH

Assurance policies of classes issued in the United Kingdom, the Channel Islands and the Isle of Man

A reversionary bonus at the rate of 60s. per £100 sum assured.

A final bonus on policies issued in 1958 or earlier which become claims by death or maturity of endowment between 22nd March, 1962, and 31st December, 1962, inclusive, at the rate of 15s. per £100 sum assured for each 31st December prior to 1959 on which the policy was a participating policy, subject to a maximum addition of £27 per £100 sum assured.

Assurance policies of the undermentioned overseas classes

Reversionary bonuses at the following rates per cent. of the sum assured:

Australia:

First Series	...	...	...	...	...	2.45
Second Series	...	...	...	...	...	1.7 compound.

New Zealand:

First Series	2.0
Second Series	1.3 compound.

Canada	1.8 compound.
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South Africa, the Rhodesias and Nyasaland:

First Series	2.6
Second Series	2.0 compound.

East Africa	2.3
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Malaya and Singapore	2.2
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Cyprus	2.8
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Malta	3.0
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Pakistan	1.1
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Bonuses for assurance policies of other overseas classes, retirement annuity policies and group pension business have also been declared at the rates set out on page 26 in the Valuation Report of the Chief Actuary.

INDUSTRIAL BRANCH

A reversionary bonus at the rate of 44s. per £100 sum assured.

This bonus is added as on 22nd March, 1962, or on completion of payment of one year's premium, whichever is the later.

A final bonus on policies issued in 1958 or earlier which become claims by death or maturity of endowment between 22nd March, 1962, and 31st December, 1962, inclusive, at the rate of 15s. per £100 sum assured for each 31st December prior to 1959 on which the policy was a premium paying policy, subject to a maximum addition of £27 per £100 sum assured. P00019879

DIVIDENDS

The Directors have declared the following dividends:

A SHARES

A dividend of 8s. 4d. per share, of which 6s. 10d. is payable on 10th May, 1962, to the shareholders on the Register on 13th April, 1962, and 1s. 6d. is payable on 8th November, 1962, to the shareholders on the Register on 12th October, 1962.

Of the total dividend on the A Shares 5·08d. is derived from the profits of the General branch and 7s. 10·92d. from the profits of the Life branches.

The sum of £286,458 has been placed to the Dividend reserve fund.

B SHARES

A dividend of 1s. 10d. per share payable on 10th May, 1962, to the shareholders on the Register on 13th April, 1962.

The dividend on the B Shares is wholly derived from the profits of the General branch.

The dividends on both the A and B Shares are payable free of income tax.

The valuation of the contracts in all branches has been made by Mr. F. M. Redington, M.A., F.I.A., upon the bases stated in his report, which appears in full on pages 24-28.

The Directors deeply regret the death of their colleague Mr. Hubert Samuel Lane on the 26th February, 1962. Mr. Lane who joined the staff in March 1904 was appointed to the Board in September 1948.

The Directors retiring by rotation are:

Sir Frank William Morgan, M.C.

Sir John Donald Balfour Fergusson, G.C.B.

Mr. Maurice Petherick.

Sir James Millard Tucker, Q.C.

who offer themselves for re-election.

Messrs. Deloitte, Plender, Griffiths and Co., the present Auditors of the Company, have signified their willingness to continue in office.

Holborn Bars,
6th April, 1962.

F. W. MORGAN,
Chairman.

ORDINARY BRANCH REVENUE ACCOUNT

for the year ended 31st December 1961

LIFE ASSURANCE BUSINESS

1960 £	£	1960 £	£
475,371,574	Amount of life assurance fund at the beginning of the year		£525,245,078
1,604,097	Deduct adjustment in exchange		1,739,553
473,767,477		523,505,525	
70,941,303	Premiums	77,526,492	
670,898	Consideration for immediate annuities	1,338,073	
31,566,575	Interest, dividends and net rents (less amount written off terminable securities) ...	35,286,819	
4,122,467	Deduct Income tax (less estimated rebate in respect of 1961)	4,825,027	
27,444,108		30,461,792	
<u>£572,823,786</u>		<u>£632,831,882</u>	
		Claims under policies paid and outstanding—	
		7,880,512	By death 8,608,579
		14,574,533	By maturity 16,849,843
		22,455,045	25,458,422
		8,188,791	Surrenders 10,052,352
		699,640	Bonuses surrendered for cash 770,440
		2,780,869	Annuities 3,152,853
		3,739,812	Commission 3,911,668
		8,010,756	Expenses of management 9,037,658
		100,000	Profits tax 165,000
		300,000	Transfer to Investment reserve account —
		1,303,795	Transfer to Profit and loss account 1,453,752
		525,245,078	Amount of life assurance fund at the end of the year 578,829,737
		<u>£572,823,786</u>	<u>£632,831,882</u>

NEW BUSINESS DURING THE YEAR

Assurances: The number of policies issued was 180,557; sums assured were £331,614,363; the annual premium income was £7,267,305; single premiums were £195,723.

Annuities: The amount of annuities was £18,975,012 per annum; the annual premium income was £4,332,589; single premiums (including consideration for immediate annuities) were £1,841,953.

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INDUSTRIAL BRANCH REVENUE ACCOUNT

for the year ended 31st December 1961

INDUSTRIAL ASSURANCE BUSINESS

1960 £	£	1960 £	£
			Claims under policies paid and outstanding—
472,616,399	497,010,588	14,848,335	By death 16,313,861
58,212,657	60,540,417	16,605,992	By maturity 27,176,422
		<u>31,454,327</u>	43,490,283
31,816,829	£34,071,402	9,505,588	Surrenders 10,278,983
		17,674,589	Expenses of management 18,754,023
5,272,643	5,643,507	100,000	Profits tax 140,000
26,544,186	<u>28,427,895</u>	450,000	Transfer to Investment reserve account —
		1,178,150	Transfer to Profit and loss account... .. 1,304,651
		497,010,588	Amount of Industrial assurance fund at the end of the year 512,010,960
<u>£557,373,242</u>	<u>£585,978,900</u>	<u>£557,373,242</u>	<u>£585,978,900</u>

NEW BUSINESS DURING THE YEAR

Assurances : The number of policies issued was 1,421,700 ; sums assured were £125,740,394 ; the annual premium income was £8,367,434.

GENERAL BRANCH

for the year ended

FIRE INSURANCE BUSINESS

1960 £	£	1960 £	£
Amount of fire insurance fund at the beginning of the year—		2,694,451	2,648,938
2,673,467	Provision for unexpired risks	1,071,428	Commission
5,754,561	Premiums	1,595,930	Expenses of management
		43,862	Overseas taxes other than on profits
		73,566	Contributions to fire brigades and fire prevention
		90,001	Exchange depreciation on currency assets held against currency liabilities
		95,813	Transfer to Profit and loss account... ..
			Amount of fire insurance fund at the end of the year—
			Provision for unexpired risks, which amounts to 48·0 per cent. (48·0 per cent. for 1960) of the premium income for the current year
		2,762,977	2,843,162
<u>£8,428,028</u>	<u>£8,683,565</u>	<u>£8,428,028</u>	<u>£8,683,565</u>

SICKNESS AND ACCIDENT INSURANCE BUSINESS

1960 £	£	1960 £	£
Amount of sickness and accident insurance fund at the beginning of the year—		604,537	692,322
559,466	Provision for unexpired accident and disability risks	234,012	Commission
	£633,805	402,081	Expenses of management
		3,391	Overseas taxes other than on profits
		254,886	Transfer to Profit and loss account... ..
644,000	Further provision for renewable accident and disability risks		Amount of sickness and accident insurance fund at the end of the year—
	640,000		Provision for unexpired accident and disability risks, which amounts to 40 per cent. of the premium income for the current year
25,816	Provision for permanent sickness risks	633,805	£715,837
	17,171	640,000	Further provision for renewable accident and disability risks
232,574	Total estimated liability in respect of outstanding accident and disability claims	17,171	600,000
	249,588		18,270
1,461,856	Deduct adjustment in exchange	249,588	300,534
	16,081	1,540,564	1,634,641
1,447,262			
	1,524,483		
1,584,512	Premiums—		
6,310	Accident and disability		
1,590,822	Permanent sickness		
	1,789,592		
	6,550		
	1,796,142		
1,387	Interest on permanent sickness provision		
	949		
<u>£3,039,471</u>	<u>£3,321,574</u>	<u>£3,039,471</u>	<u>£3,321,574</u>

REVENUE ACCOUNTS

31st December 1961

MOTOR VEHICLE INSURANCE BUSINESS

1960 £	£	1960 £	£
Amount of motor vehicle insurance fund at the beginning of the year—		4,231,561	4,691,820
2,603,736	Provision for unexpired risks	783,862	Commission
	£2,881,014	1,702,895	Expenses of management
		26,648	Overseas taxes other than on profits... ..
21,259	Deduct adjustment in exchange	159,033	Transfer to Profit and loss account... ..
	26,277		Amount of motor vehicle insurance fund at the end of the year—
2,582,477			Provision for unexpired risks, which amounts to 40 per cent. of the premium income for the current year
7,202,536	Premiums	2,881,014	3,154,714
	2,854,737		
	7,886,784		
<u>£9,785,013</u>	<u>£10,741,521</u>	<u>£9,785,013</u>	<u>£10,741,521</u>

MISCELLANEOUS INSURANCE BUSINESS

1960 £	£	1960 £	£
Amount of miscellaneous insurance fund at the beginning of the year—		1,787,668	1,881,829
1,554,874	Provision for unexpired risks	620,339	Commission
	£1,630,259	1,107,177	Expenses of management
		19,478	Overseas taxes other than on profits
20,742	Deduct adjustment in exchange	159,176	Transfer to Profit and loss account... ..
	22,184		Amount of miscellaneous insurance fund at the end of the year—
1,534,132			Provision for unexpired risks, which amounts to 43·6 per cent. (43·7 per cent. for 1960) of the premium income for the current year
3,726,783	Premiums	1,630,259	1,691,078
	1,608,075		
63,182	Trustee and executor fees		
	67,559		
<u>£5,324,097</u>	<u>£5,556,671</u>	<u>£5,324,097</u>	<u>£5,556,671</u>

The amount of debentures, debenture stocks and estates for which the Company acts as trustee exceeded £348,000,000 at the end of the year.

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GENERAL BRANCH REVENUE ACCOUNTS — CONTINUED

SINKING FUND INSURANCE BUSINESS

1960							
£		£		£		£	
2,161,660	Amount of sinking fund insurance fund at the beginning of the year ...	2,062,515	...	146,150	Claims under policies paid and outstanding	153,850	...
30,439	Premiums ...	27,602	...	37,808	Surrenders ...	3,312	...
106,609	Interest and dividends ...	105,593	...	—	Commission ...	—	...
				609	Expenses of management ...	552	...
				51,626	Transfer to Profit and loss account...	45,038	...
				2,062,515	Amount of sinking fund insurance fund at the end of the year...	1,992,958	...
£2,298,708		£2,195,710		£2,298,708		£2,195,710	

**MARINE, AVIATION
AND TRANSIT INSURANCE BUSINESS**

Total 1960 £	Current Year.	Last Preceding Year.	Previous Years.	Total.	Total 1960 £	Current Year.	Last Preceding Year.	Previous Years.	Total.
	£	£	£	£		£	£	£	£
1,031,872	—	381,184	765,050	1,146,234					
					281,204	106,375	144,577	74,850	363,313
						15,065	22,446	—	
496,838	487,607	1,121	4,455	551,691	20,928	21,339	—507	4	20,836
	34,988	23,520	—		15,433	12,149	—1,540	1	10,610
347	—	—	—	—	15,258	35	545	14,365	14,945
					—	14,061	1,005	88	15,154
					50,000	—	—	60,000	60,000
					1,146,234	353,571	239,299	620,197	1,213,067
£1,529,057		£1,697,925		£1,529,057					£1,697,925

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PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1961

ORDINARY AND INDUSTRIAL BRANCHES

1960		1960		1960		1960	
£		£		£		£	
				2,481,945	Transfer to Appropriation account...		2,758,403
1,303,795	Ordinary branch	1,453,752					
1,178,150	Industrial branch	1,304,651					
<u>£2,481,945</u>		<u>£2,758,403</u>		<u>£2,481,945</u>			<u>£2,758,403</u>

GENERAL BRANCH

1960		1960		1960		1960	
£		£		£		£	
95,813	Fire	124,527					
254,886	Sickness and accident	229,634		49,621	Overseas taxes not charged to other accounts		76,000
159,033	Motor vehicle	23,438		145,000	Profits tax		162,000
159,176	Miscellaneous	54,606		685,000	Income tax... ..		636,000
51,626	Sinking fund	45,038		10,000	Transfer to Investment reserve account		—
50,000	Marine	60,000		976,899	Transfer to Appropriation account		858,088
1,095,986	Interest and dividends not carried to other accounts	1,194,845					
<u>£1,866,520</u>		<u>£1,732,088</u>		<u>£1,866,520</u>			<u>£1,732,088</u>

APPROPRIATION ACCOUNT

for the year ended 31st December 1961

Ordinary and Industrial Branches 1960.	General Branch 1960.		Ordinary and Industrial Branches.	General Branch.	Ordinary and Industrial Branches 1960.	General Branch 1960.		Ordinary and Industrial Branches.	General Branch.
£	£		£	£	£	£		£	£
—	232,827	Balance brought forward from previous year ...	—	220,837	—	500,000	Transfer to Branch contingency fund	—	300,000
2,481,945	976,899	Transfers from Profit and loss account	2,758,403	858,088	—	—	Transfer to Additional reserve fund	—	50,000
					—	—	Transfer to Dividend reserve fund (A shares)	286,458	—
					2,481,945	122,222	Provision for dividends (free of income tax) in respect of 1961 to holders of—		
					—	366,667	A shares	2,471,945	132,222
					—	220,837	B shares	—	366,667
<u>£2,481,945</u>	<u>1,209,726</u>		<u>£2,758,403</u>	<u>1,078,925</u>	<u>£2,481,945</u>	<u>1,209,726</u>	Balance carried to Balance sheet	—	230,036
								<u>£2,758,403</u>	<u>1,078,925</u>

CONTINGENCY FUNDS AND

- Accounts for the year ended 31st December 1961

COMMON CONTINGENCY FUND

1960 £	£	1960 £	£
Amount of Common contingency fund at the beginning of the year	3,885,126	Taxation—	
Interest and dividends	195,934	Profits tax	28,125
		Income tax... ..	75,925
		Amount of Common contingency fund at the end of the year... ..	3,977,010
£3,967,884	£4,081,060	£3,967,884	£4,081,060

SPECIAL CONTINGENCY FUND

1960 £	£	1960 £	£
Amount of Special contingency fund at the beginning of the year	6,382,220	Taxation—	
Interest and dividends	316,984	Profits tax	45,664
		Income tax... ..	122,831
		Amount of Special contingency fund at the end of the year	6,530,709
£6,520,930	£6,699,204	£6,520,930	£6,699,204

DIVIDEND RESERVE FUND (A SHARES)

1960 £	£	1960 £	£
Amount of Dividend reserve fund at the beginning of the year	685,792	Taxation—	
Interest and dividends	27,181	Profits tax	3,880
Transfer from Appropriation account ...	286,458	Income tax... ..	10,533
		Amount of Dividend reserve fund at the end of the year	985,018
£698,782	£999,431	£698,782	£999,431

DIVIDEND RESERVE FUND

Balance Sheets 31st December 1961

COMMON CONTINGENCY FUND

LIABILITIES.		ASSETS.	
1960 £	£	1960 £	£
Common contingency fund	3,977,010	Investments—	
		British Government securities	2,437,063
		British Government guaranteed securities	1,198,638
		Municipal and county securities, United Kingdom	67,120
		Public Board securities, United Kingdom	31,500
		Other Commonwealth Government securities... ..	26,029
		Debentures and debenture stocks home and foreign	120,606
		Current assets—	
		Estimated tax recoverable	83,321
		Balances at Bankers—	
		On deposit in the United Kingdom ...	—
		On current account in the United Kingdom	12,733
£3,885,126	£3,977,010	£3,885,126	£3,977,010

SPECIAL CONTINGENCY FUND

LIABILITIES.		ASSETS.	
1960 £	£	1960 £	£
Special contingency fund	6,530,709	Loans—	
		On parochial and other public rates ...	15,012
		Investments—	
		British Government securities	3,409,267
		British Government guaranteed securities	2,389,588
		Municipal and county securities, United Kingdom... ..	51,270
		Other Commonwealth Government securities... ..	250,408
		Debentures and debenture stocks home and foreign	286,093
		Current assets—	
		Estimated tax recoverable	117,293
		Balances at Bankers—	
		On deposit in the United Kingdom ...	—
		On current account in the United Kingdom	11,778
£6,382,220	£6,530,709	£6,382,220	£6,530,709

DIVIDEND RESERVE FUND (A SHARES)

LIABILITIES.		ASSETS.	
1960 £	£	1960 £	£
Dividend reserve fund	985,018	Investments—	
Current liabilities and provisions—		British Government securities	657,019
Profits tax	4,280	British Government guaranteed securities	46,328
Income tax... ..	1,333	Current assets—	
		Balances at Bankers—	
		On deposit in the United Kingdom ...	—
		On current account in the United Kingdom	287,284
£690,571	£990,631	£690,571	£990,631

CERTIFICATES TO THE ACCOUNTS

I certify that in my belief the liabilities in respect of long term business do not exceed the amounts of the respective funds and all other liabilities in respect of long term business as shown in the Balance sheet.

F. M. REDINGTON, *Chief Actuary.*

We certify that in our belief the value of the assets exceeds the amount of the liabilities computed in accordance with the provisions of sub-section (2) of Section 13 of the Insurance Companies Act, 1958, by the amount required by sub-section (1) of that Section. The liabilities in respect of long term business have been taken at the amounts of the respective funds and all other liabilities in respect of long term business as shown in the Balance sheet.

No part of any fund has been applied directly or indirectly for any purposes other than those of the class of business to which the fund is applicable.

We certify that in our belief the value at 31st December, 1961, of the assets set forth in the Balance sheet is in the aggregate in excess of the amount stated therein. For the purpose of this certificate the values of the quoted Stock Exchange securities have been taken at middle market prices as at that date and the values of other assets have been estimated by the Directors.

The amounts at which the Stock Exchange securities and other assets are stated in the Balance sheet are determined under the Articles of Association of the Company by the Directors; individual groups of assets appear at amounts which are above or below the values referred to in the previous paragraph.

K. A. USHERWOOD, *General Manager.*

F. W. MORGAN, *Chairman.*

F. M. REDINGTON, *Chief Actuary.*

JOHN S. P. MELLOR, *Director.*

L. BROWN, *Secretary.*

R. S. THORP, *Director.*

6th April, 1962.

NOTES TO THE ACCOUNTS

1. The Company has the following forward commitments and contingent liabilities:

1960 £		1961 £
61,770,000	Capital commitments for settlement after 31st December	74,540,000
2,060,000	Contingent capital commitments	200,000
2,790,000	Uncalled capital on investments held	2,690,000
340,000	Reserve liability on shares, etc.	340,000

In addition certain guarantees have been given by the Company in respect of retirement benefits for the Staff and benefits for their relatives and dependants.

2. Part of the assets (investments and cash) of the General branch has been deposited under local laws in places out of the United Kingdom on account of fire, casualty and marine insurance business. Specific deposits of life assurance assets of the Ordinary branch, as set out below, have been made under local laws as security to holders of policies issued. Investments (at or under market value, if quoted), property and cash amount to:

1960 £		1961 £
34,500	Australia	35,000
19,000	Burma	17,000
32,811,500	Canada	34,518,000
1,361,500	Egypt (see Note 8)	1,356,000
11,500	Ireland	10,500
4,500	Israel	1,500
48,500	New Zealand	P00019888
2,621,000	Pakistan	2,710,000

3. The ledger values of holdings in South African Government, Municipal and Public Board securities which were formerly included with Other Commonwealth Government, Municipal and Public Board securities, are now included with Foreign Government, Municipal and Public Board securities and the corresponding figures as at 31st December, 1960, have been adjusted accordingly.

4. A Shares—This capital is liable in respect of contracts in all branches of the Company's business, but is included in the Industrial branch accounts pursuant to Section 3 of The Prudential Assurance Company Act, 1875.

B Shares—In accordance with the special resolution passed by the shareholders on 11th May, 1961, the sum of £800,000, part of the sum standing to the credit of the General branch contingency fund, has been capitalised and applied in paying up the amounts unpaid on the B Shares of 4s. per share.

5. The aggregate amount of the Directors' remuneration for the year was £56,790 (1960, £54,881). In addition sums totalling £5,437 (1960, £3,478) were paid by the Company to Directors and past Directors under arrangements for augmenting pensions payable to ex-employees from the staff pension funds.

6. Overseas taxes of the General branch which do not relate to profits and which have formerly been included with Overseas taxes in the General branch Profit and loss account are now shown in their appropriate Revenue accounts. The corresponding figures for the year ended 31st December, 1960, have been adjusted accordingly.

7. Life and casualty revenue account transactions in overseas currencies have been brought in at the rates of exchange ruling on 31st December, 1961, with the exception of interest received at or paid by the Company's Chief Office which has been brought in at the rates ruling on the dates of the respective transactions; the adjustment in exchange item appearing in certain revenue accounts is the difference between the sterling equivalents at the rates ruling at the beginning and the end of the year of the fund brought forward at the beginning of the year. Fire and marine revenue account transactions in overseas currencies have been brought in at rates of exchange approximating to those current on the dates of the respective transactions.

Currency liabilities overseas are, in the main, covered by currency assets. Both have been converted into sterling at the rates ruling on 31st December, 1961, except that in the case of certain investments in overseas currency held at Chief Office book values have been based on the rates of exchange ruling on the dates of acquisition.

8. The business of the Company in Egypt was sequestrated by the Egyptian Government on the 1st November, 1956, and is understood to have been subsequently sold by the Custodian General to the Al Goumhouria Insurance Company. Pending clarification of the position, which is being investigated, the assets and liabilities of this part of the Company's business as at the date when the last accounts were received have been retained in the Company's Balance sheet. As provided in the agreement signed on the 28th February, 1959, between the Governments of the United Kingdom and the United Arab Republic, a claim has been made for compensation but no credit has been taken in the accounts for any amount which may be received.

9. An investment reserve account is maintained in each branch to which are carried profits and losses on realisation of assets together with adjustments to ledger values and exchange differences, other than exchange differences on fire, marine, aviation and transit insurance business, less any relative taxes thereon. The investment reserve accounts have been applied to reduce the Balance sheet values of the assets in the appropriate branches.

10. With the approval of the Board of Trade (a) the group accounts do not deal with Prudential Nominees Limited or one overseas subsidiary whose business is so different from that of the Company that they cannot reasonably be treated together as a single undertaking and in which subsidiary the shareholding is held merely as an investment, and (b) the particulars of such subsidiaries otherwise required to be given in accordance with paragraphs 15 (4) and (6) of the Eighth Schedule to the Companies Act, 1948, are omitted. The accounts of the Italian agency company, which is a subsidiary of the Company, have not been dealt with in the group accounts as the amounts involved are insignificant; the operations up to 31st December, 1961, have resulted in a loss of £23,309 of which £10,262 relates to 1961; these losses have been reimbursed by the Company.

11. General branch business in the United States of America is transacted by the Company's subsidiary, The Prudential Insurance Company of Great Britain located in New York. The accounts of this subsidiary for the year 1961 have been approved by the Directors and are annexed to these accounts. In the Company's main Balance sheet its investment in this subsidiary appears as an asset of the General branch under the heading "Subsidiary dealt with in accounts annexed—Ordinary shares" and is shown at dollar cost converted to sterling at the rate of \$2.80 to the £. The Company's main accounts do not include the business transacted by the subsidiary except that the dividend received in 1961 is included with General branch interest and dividends.

ACCOUNTS OF AMERICAN SUBSIDIARY COMPANY

THE PRUDENTIAL INSURANCE COMPANY OF GREAT BRITAIN

located in New York

REVENUE ACCOUNT

for the year ended 31st December 1961

1960		£	1960		£
	Amount of insurance fund at the beginning of the year—		1,806,395	Claims under policies paid and outstanding	2,240,087
2,435,978	Provision for unexpired risks	2,579,702	1,323,343	Commission	1,552,837
3,322,659	Premiums	3,990,460	71,204	Expenses of management	65,716
22,007	Transfer from Profit and loss account ...	11,929		Amount of insurance fund at the end of the year—	
			2,579,702	Provision for unexpired risks	2,723,451
<u>£5,780,644</u>		<u>£6,582,091</u>	<u>£5,780,644</u>		<u>£6,582,091</u>

The whole of the business transacted is fire and casualty risks reinsurance business.

PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1961

1960		£	1960		£
	Balance (earned surplus) brought forward from previous year	1,352,130	10,108	Taxes	19,392
1,277,887	Interest and dividends	199,057	20,234	Investment expenses	21,048
176,577	Profit on sale of securities	—	—	Loss on sale of securities	10,614
6,526			2,940	Amounts written off securities	2,949
			53,571	Dividend to Shareholders	53,571
			22,007	Transfer to Revenue account	11,929
			1,352,130	Balance (earned surplus) as per Balance sheet	1,431,684
<u>£1,460,990</u>		<u>£1,551,187</u>	<u>£1,460,990</u>		<u>£1,551,187</u>

BALANCE SHEET

31st December 1961

LIABILITIES.		ASSETS.	
1960	£	1960	£
	Authorised and Issued capital—		Investments (at or under cost)—
535,714	15,000 shares of \$100 each, fully paid	2,380,929	United States Government securities ...
535,714	Capital reserve (surplus paid in)	2,250,703	Debentures and bonds
	Profit and loss account balance (earned surplus)	417,827	Preference stocks and shares
1,352,130	Insurance fund	682,352	Ordinary stocks and shares
2,579,702	Current liabilities—		Current assets—
	Outstanding claims	33,496	Interest and dividends accrued
1,074,041	Outstanding commission and expenses ...	143,085	Amounts due on reinsurance account ...
33,416	Amounts due on reinsurance account ...	218,274	Balances at Bankers and Cash in hand ...
—	Taxation		
15,949			
<u>£6,126,666</u>	<u>£6,631,402</u>	<u>£6,126,666</u>	<u>£6,631,402</u>

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All items have been converted at the rate of \$2.80 to the £. This Company is a wholly owned subsidiary of The Prudential Limited.

1278-018

REPORT OF THE AUDITORS
TO THE MEMBERS OF
THE PRUDENTIAL ASSURANCE COMPANY LIMITED

We have obtained all the information and explanations which we considered necessary for our audit apart from confirmation of assets in Egypt. In our opinion proper books of account have been kept by the Company and proper returns adequate for the purposes of our audit have been received from the branches which have not been visited by us.

We have examined the balance sheet and revenue and profit and loss accounts of the Company which are in agreement with the books and returns and in our opinion give the information required by the Companies Act, 1948, as modified for assurance companies in regard to reserves and provisions and aggregate market value of quoted investments. On this basis, in our opinion, the balance sheet and the profit and loss account, as supplemented by the revenue accounts, give a true and fair view of the state of the Company's affairs at 31st December, 1961, and of the profit, ascertained in the manner indicated in the accounts, for the year ended on that date.

No part of any fund has been applied, directly or indirectly, for any purpose other than the class of business to which the fund is applicable. We have investigated the methods of calculating and apportioning the expenses of management and in our opinion the apportionment of these expenses between the Industrial and other Branches of the Company's business has been made on a fair and equitable basis.

We have also examined the group accounts comprising the accounts of the Company, as audited by us, and the annexed accounts of its subsidiary compiled from audited accounts received from New York. In our opinion the group accounts comply with the Companies Act, 1948, and, on the basis mentioned above, give a true and fair view of the state of affairs at 31st December, 1961, and of the profit for the year ended on that date of the Company and its subsidiary so far as concerns members of the Company.

DELOITTE, PLENDER, GRIFFITHS & CO.,
Chartered Accountants,
5, London Wall Buildings, London, E.C.2.

6th April, 1962.

VALUATION REPORT

To the Directors of The Prudential Assurance Company Limited.

Gentlemen,

I have the honour to submit my report on the valuation as at 31st December, 1961, of the life assurances and annuities and other insurance contracts of the Company.

ORDINARY BRANCH

The number of contracts in force was **1,883,414**, producing an annual premium income of **£77,618,160**. Sums assured with bonuses amounted to **£2,096,177,638**; deferred and contingent annuities with bonuses amounted to **£82,649,579** per annum including amounts of annuity to be purchased by future recurrent single premiums. Annuities in course of payment amounted to **£3,415,909** per annum.

The interest earned in 1961 represents a gross rate of **£6 11s. 8d.** per cent. on the Ordinary branch life assurance fund.

Assurances issued in the United Kingdom and in overseas territories other than Australia and New Zealand have been valued by the A1924/29 Ultimate table with a rating up in age of 3 years for assurances issued at non-European rates of premium. Assurances issued in Australia and New Zealand have been valued by the A1949/52 Ultimate table. The net rates of interest assumed for assurances were:—

Business issued in:—	Rate of Interest
United Kingdom, the Channel Islands and the Isle of Man	2½%
Australia and New Zealand:	
(a) Other than Second Series policies	3¼%
(b) Second Series policies	3%
South Africa, the Rhodesias and Nyasaland:	
(a) Other than Second Series policies	3½%
(b) Second Series policies	3¼%
East Africa	3¼%
Other overseas territories	3%

For assurances issued in the United Kingdom, the Channel Islands and the Isle of Man, net premiums have been valued, calculated on the valuation bases. For assurances issued in other territories modified net premiums have been valued, calculated on the valuation bases with an addition to allow for part of the initial expenses. The whole of the difference between the value of the future office premiums and the value of the future net or modified net premiums has been reserved for future expenses and profits.

Deferred annuities have been valued for the period of deferment by the A1949/52 Ultimate table of mortality with a rating down of one year in the age. Deferred annuities for the period after deferment and immediate annuities have been valued by the *a*(55) Ultimate tables of mortality with an addition of 3 per cent. to the value of the annuities as a provision for future expenses of paying annuities and for the increasing longevity of annuitants. The rates of interest assumed were:—

Deferred annuities:—	United Kingdom, Channel Islands and Isle of Man	Other territories
With profits:		
Individual business:		
During deferment	} 3¼%	{ 3%
After deferment ... ..			} 2¼%
Group business	2½%	3%
Without profits individual and group:		
Pension annuity business	4%	—
General annuity business:		
During deferment	} 3¼%	} P00019892
After deferment ... ..			} 4%
Immediate annuities	4%	3½%
Annuities certain	3½%	3½%

ORDINARY BRANCH (CONTINUED)

For individual deferred annuities the net premiums valued were calculated on the valuation bases. For group deferred annuities secured by annual premiums the net premiums are 95 per cent. of the office premiums. For group deferred annuities secured by recurrent single premiums the benefit valued is the amount of annuity purchased by premiums paid to date.

In view of the situation relating to the business in Egypt, as described in a note to the Accounts, the liability in respect of that business has been calculated as at 31st October, 1956.

The equivalents in sterling of liabilities in other currencies have been calculated at the rates of exchange ruling on 31st December, 1961.

The foregoing bases of valuation incorporate certain changes. In view of the continuing high level of market rates of interest in certain territories, the rates of interest used in the valuation as at 31st December, 1961, of with profit assurances under the simple reversionary bonus system and of without profit assurances have been increased as shown in the following table. The table also shows the amounts by which the net liabilities at the 1st January, 1961, would have been reduced by using the new valuation bases:—

Business issued in:—	Valuation rate of interest increased from:—	Reduction in net liability at 1st January, 1961
United Kingdom, the Channel Islands and the Isle of Man	2¼% to 2½%	£6,494,000
Australia and New Zealand	3% to 3¼%	£1,499,000
South Africa, the Rhodesias and Nyasaland	3¼% to 3½%	£580,000

In my opinion the sums released by the changes in the valuation bases should be retained as part of the total net liability and be amalgamated with the existing additional reserve of loading (£3,400,000) and the existing provision for revivals, options and general contingencies (£3,500,000) to form an additional reserve for these several contingencies and as a stabilising fund to facilitate the declaration of equitable bonuses on the various classes of policies. Thus, at the beginning of the year the total sums available for such an additional reserve would have amounted to £15,473,000.

The result of the valuation is as follows:—

Life assurance fund (subject to transfers out of surplus) on 31st December, 1961	£580,283,489
Net liability under assurance policies	£373,100,660
Net liability under annuity contracts	167,089,623
Additional reserve at the end of the year	15,600,000
Total net liability	555,790,283
Surplus, including £1,101,888 brought forward from last year	£24,493,206

I recommend that £21,924,480 be allocated to participating policies. I am of the opinion that, on participating assurances issued in the United Kingdom, part of the surplus would again be more equitably distributed by way of final bonuses varying with the duration of the policies, rather than as a normal reversionary bonus, and that the final bonus should be maintained on the same basis as last year. I therefore recommend that the amount allocated to participating policies be used to provide:—

- (A) For assurance policies issued in the United Kingdom, the Channel Islands and the Isle of Man a final bonus on policies issued in 1958 or earlier which become claims by death or maturity between the date of declaration and 31st December, 1962, at the rate of 75 per cent. of the sum assured for each 31st December prior to 1959 on which the policy was a participating policy, subject to a maximum addition of 27 per cent. of the sum assured.

VALUATION REPORT (CONTINUED)

ORDINARY BRANCH (CONTINUED)

(B) For assurance policies, reversionary bonuses, per cent. of the sum assured, at the following rates:—

(1) Policies of classes issued in the United Kingdom, the Channel Islands and the Isle of Man	... ..	3.0	simple.
(2) Policies of the undermentioned overseas classes			
(a) Australia:			
First Series	... ..	2.45	simple.
Second Series	... ..	1.7	compound.
(b) New Zealand:			
First Series	... ..	2.0	simple.
Second Series	... ..	1.3	compound.
(c) Canada	... ..	1.8	compound.
(d) South Africa, the Rhodesias and Nyasaland:			
First Series	... ..	2.6	simple.
Second Series	... ..	2.0	compound.
(e) East Africa	... ..	2.3	simple.
(f) Malaya and Singapore	... ..	2.2	simple.
(g) Cyprus	... ..	2.8	simple.
(h) Malta	... ..	3.0	simple.
(i) Pakistan	... ..	1.1	simple.
(j) Ceylon (a closed class)	... ..	1.5	simple.
(k) Sudan and Palestine (closed classes)	... ..	2.0	simple.
(l) Burma (a closed class)	... ..	1.0	simple.
(m) India (a closed class comprising a few policies on the Burma and United Kingdom registers)	... ..	1.4	simple.

(C) For individual retirement annuity policies, bonuses at the following rates:—

(1) Reversionary bonuses on annuities not yet commenced, per cent. of the annuity being purchased, for policies issued in:—			
(a) United Kingdom	... ..	2.375	simple.
(b) Canada	... ..	1.2	compound.
(2) Final bonuses on annuities, per cent. of the annuity, for policies issued in:—			
(a) United Kingdom, on annuities commencing between the date of declaration and 31st December, 1962, inclusive	... ..	12.0	compound.
(b) Canada, on annuities commencing between 1st July, 1962, and 30th June, 1963, inclusive	... ..	12.0	compound.

(D) For group pension business, bonuses at the following rates:—

(1) Bonuses on pensions not yet commenced, per cent. of the pension secured, for policies issued in:—			
(a) United Kingdom			
(i) Pension annuity business	... ..	2.9	compound.
(ii) General annuity business	... ..	2.3	compound.
(b) Channel Islands and Isle of Man	... ..	2.3	compound.
(c) Canada	... ..	1.5	compound.
(d) South Africa, the Rhodesias, Nyasaland and East Africa	... ..	2.25	compound.
(2) Final bonuses on pensions commencing between 15th March, 1962, and 14th March, 1963, inclusive, per cent. of the pension, for policies issued in:—			
(a) United Kingdom, the Channel Islands and the Isle of Man	... ..	23.1	
(b) Canada	8.0	compound.
(c) South Africa, the Rhodesias, Nyasaland and East Africa	12.5	compound.

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INDUSTRIAL BRANCH

The number of policies in force, including 5,876,707 free or paid-up policies, was 28,563,342, producing an annual premium income of £61,967,819. The maximum sums assured with bonuses amounted to £1,304,841,454.

The interest earned in 1961 represents a gross rate of £6 19s. 0d. per cent. on the Industrial assurance fund.

The English Life Table No. 11, Males, has been used for the valuation of all assurances. The net rate of interest assumed in the valuation was 2½ per cent. Net premiums have been valued, calculated on the valuation basis, and every policy has been treated as a liability. The whole of the difference between the value of the future office premiums and the value of the future net premiums has been reserved for future expenses and profits.

As in the case of the Ordinary branch, the basis of valuation has been changed. The rate of interest used in the valuation has been increased from 2¼ per cent. to 2½ per cent. The amount by which the net liability at 1st January, 1961, would have been reduced by using the new basis was £10,673,000. In my opinion, the sum released by the change in the valuation basis should be retained as part of the total net liability and be amalgamated with the existing additional reserve of loading (£8,300,000) and the existing provision for revivals, options and general contingencies (£2,000,000) to form an additional reserve for these several contingencies and as a stabilising fund to facilitate the declaration of equitable bonuses. Thus, at the beginning of the year the total sums available for such an additional reserve would have amounted to £20,973,000.

The result of the valuation is as follows:—

Industrial assurance fund (subject to transfers out of surplus) on 31st December, 1961	...	£513,315,611
Net liability under Industrial assurance policies...	... ..	£469,203,170
Additional reserve at the end of the year	... ..	21,200,000
Total net liability	... ..	490,403,170
Surplus, including £1,904,409 brought forward from last year	... ..	£22,912,441

I recommend that £19,675,829 be allocated to participating policies. As in the case of the Ordinary branch, I am of the opinion that the final bonus should be maintained on the same basis as last year. I therefore recommend that the amount allocated to participating policies be used to provide:—

- (A) A final bonus on policies issued in 1958 or earlier which become claims by death or maturity between the date of declaration and 31st December, 1962, at the rate of 75 per cent. of the sum assured for each 31st December prior to 1959 on which the policy was a premium paying policy, subject to a maximum addition of 27 per cent. of the sum assured.
- (B) A reversionary bonus at the rate of 2.2 per cent. of the sum assured.

GENERAL BRANCH

In respect of fire, sickness, accident, motor vehicle and miscellaneous contracts (excluding permanent sickness and other long term contracts), the provision for unexpired risks is 40 per cent. of the premium income for the year.

The permanent sickness policies have been valued by a gross premium method with an allowance for future expenses, assuming 80 per cent. of the Manchester Unity 1893/97 (A.H.J.) sickness experience and the A1949/52 Ultimate table for mortality with interest at 3 per cent.

In respect of long term fire and miscellaneous contracts, the provision for unexpired risks is 80 per cent. of the unearned premiums.

To many of the policies issued in the life branches there are attached additional benefits payable in the event of accident or disability, the liability for which is borne by the General branch. These insurances carry the right of renewal and, in my opinion, a further provision of £600,000 is required in addition to the 40 per cent. of the premium income for the current year.

VALUATION REPORT (CONTINUED)

GENERAL BRANCH (CONTINUED)

The marine fund of **£1,213,067** is, in my opinion, a sufficient provision for the liabilities pending under the accounts.

The sinking fund policies have been valued by a gross premium method with an allowance for future expenses. The rate of interest assumed was 3 per cent. or the rate of interest employed in the calculation of the premiums, if less than 3 per cent. The policies in force provide for the payment of capital sums amounting to **£3,228,097** at the end of fixed terms of years, and produce an annual premium income of **£27,713**.

The equivalents in sterling of provisions in other currencies have been calculated at the rates of exchange ruling on 31st December, 1961.

The result of the valuation is as follows:—

Insurance fund (subject to transfers out of surplus) on 31st December, 1961	... ..	£17,508,545
Provision for fire, sickness and accident, motor vehicle and miscellaneous insurances	... ..	£9,323,595
Provision for marine insurance	... ..	1,213,067
Provision for sinking fund insurance	... ..	1,992,958
Additional reserve fund	... ..	3,900,000
		16,429,620
Surplus, including £220,837 brought forward from last year	... ..	£1,078,925

I recommend that **£300,000** be transferred to the General branch contingency fund and **£50,000** to the Additional reserve fund.

I am, Gentlemen,

Your obedient Servant,

F. M. REDINGTON,

Chief Actuary.

22nd March, 1962.

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THE PRUDENTIAL ASSURANCE COMPANY LIMITED

HOLBORN BARS, LONDON E.C.1

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