



**THE PRUDENTIAL ASSURANCE COMPANY LIMITED**

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

**YEAR ENDED 31 DECEMBER 1963**

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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., D.L.  
The Rt. Hon. Lord Coleraine, P.C.  
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

### General Manager:

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

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

Deputy General Managers:  
W. G. Haslam, D.F.C.  
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.  
A. J. Males, F.I.A.  
H. H. New, F.C.I.I.  
F. Pearson

Deputy Actuaries:  
A. S. Clarke, F.I.A.  
J. Edey, F.I.A.  
R. S. Skerman, F.I.A.  
S. S. Townsend, F.I.A.

Deputy Secretary:  
C. E. Puckridge, F.I.A.

Agency Managers:  
R. Armstrong  
R. P. Johnson

Group Pensions Manager:  
J. G. Haslam, F.I.A.

Deputy Investment Managers:  
E. P. Hatchett, F.I.A.  
P. E. Moody, F.I.A.  
L. C. Polke, A.I.A.

Life Manager—Ordinary Branch: Deputy Group Pensions Manager:  
C. D. Clark  
F. A. Lewis, F.I.A.

Assistant Secretaries:  
R. J. Males, A.A.C.C.A.  
W. R. Marshall

Chief Controller:  
J. L. Maxted, LL.M.

Mechanisation Manager:  
G. A. Brown, T.D., F.I.A.

Chief Surveyor:  
M. R. Dunnett, F.R.I.C.S.

Manager—Industrial Branch  
Administration:  
D. S. Craigen, B.A.

Marine Underwriter:  
C. E. R. Taylor

Deputy Chief Surveyor:  
E. E. Chapman, M.B.E., 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 Africa:  
G. E. Rumball, P00019983



## 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 14th May, 1964, so soon after 12.15 p.m. as the proceedings of the separate General Meetings of the holders of the A and of the B shares of the Company previously to be held at that office on such day shall have been concluded, for the following purposes:

#### ORDINARY BUSINESS

1

To receive the Report of the Directors and Statements of Accounts for the year ended 31st December, 1963

2

To re-elect and elect Directors

3

To fix the remuneration of the Auditors

4

To transact any other business proper to be transacted at the said Meeting not being Special Business

#### SPECIAL BUSINESS

To consider, and if thought fit pass, the Resolutions set out in the separate Notice of Special Business sent herewith, the first two of which resolutions will be proposed as special resolutions.

In connection with the re-election of Directors special notice has 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:

The Rt. Hon. Sir Percy James Grigg, K.C.B., K.C.S.I. (73)

Mr. Charles William Allan Ray (70)

142, Holborn Bars, London, E.C.1.  
21st April, 1964.

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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# CHAIRMAN'S STATEMENT

Before reviewing the progress of the Company during the past year I must refer to the sad loss we have sustained by the death in September last of Sir James Millard Tucker, Q.C., who had been a Director of the Company since 1955. Before joining the Board Sir James had a distinguished career at the Bar and had been Chairman of two important Government Committees set up to enquire into certain aspects of taxation. His profound legal knowledge and wide experience and understanding of industrial problems enabled him to make a valuable contribution to the direction of your Company's affairs. He is and will continue to be greatly missed by his colleagues on the Board and I am sure by all those who worked with him.

As from the 1st January 1964 the Board was further depleted by the resignation of Sir Giles Guthrie, Bt., O.B.E., D.S.C., J.P., who was elected only last May at the Annual General Meeting of the Company. Sir Giles' resignation resulted from his appointment as Chairman of the British Overseas Airways Corporation which requires his full-time attention. We much regret losing his services and wish him every success in the onerous task with which he has been entrusted.

The Directors are recommending that Sir Eric Bowyer, K.C.B., K.B.E. and Sir John Hogg be elected to fill the vacancies on the Board.

During 1963 three of the Directors made extensive tours of some of the territories overseas in which we operate. Mr. Petherick went to The Republic of South Africa, The Rhodesias and East Africa. Mr. Reid visited our principal offices throughout Canada. He also devoted some time to our interests in New York. Mr. Barstow travelled to all our main centres in Australia and in the North Island of New Zealand and also visited Singapore. Such visits enable your Directors to become more closely acquainted with the Company's major activities overseas, in the field of investment in addition to that of insurance. Everywhere they were most favourably impressed by the enthusiasm of the staff and by the high reputation that the Company enjoys in the countries they visited.

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Last year there was a further notable expansion in the Company's business. A record amount of over £600 millions new sums assured was issued in the two Life branches. The sums assured and bonuses in force under life assurance policies now exceed £4,000 millions, and it is evidence of our marked progress that the amount has more than doubled in the past ten years. In 1963 the total funds of our Life branches increased by the impressive amount of £90 millions: this figure provides a measure of the net saving achieved through Prudential policies, to the advantage of millions of policyholders and their dependants and to the benefit of the national economies both of this country and of the others in which we operate.

## BONUS DECLARATIONS

Announcements of our bonus declarations have already appeared in the Press and fuller details are set out in the Directors' Report and the Valuation Report of the Chief Actuary.

The main feature of this year's declarations is the considerable extension of the final bonuses on participating assurance policies issued in the United Kingdom which become claims by death or maturity in the next twelve months. Not only have the rates of these final bonuses been increased but the range of policies entitled to participate has been extended by including for the first time policies issued in the years 1959 to 1962. We have made a minor change of practice in respect of final bonus declarations which have hitherto related to policies becoming claims by death or maturity up to 31st December of the year of declaration. As it is more appropriate that the period covered should be between one declaration and the next we have decided that future final bonus declarations shall be for the period 1st April to 31st March. As a consequence of this change the current declarations include an extra three months' period up to 31st March 1965, thus causing a non-recurrent charge on the year's surplus which has been met by recourse to the additional reserves in the Life branches.

When we first introduced these final bonuses eight years ago I explained that they arose from the substantial increase in the surplus from the growth in the dividends on our holdings of ordinary shares in this country. Because of the continued success of our investments in recent years we have now felt it proper to extend this policy by augmenting the surplus available for distribution by contributions from the improved margins in the value of our assets. We have accordingly transferred to revenue amounts of £1,700,000 and £750,000 from the Investment reserve accounts in the Industrial Branch and Ordinary Branch respectively and it is these transfers which have enabled the final bonuses to be so substantially increased. Without giving any guarantee, it is our expectation that by means of similar transfers we shall be able to maintain final bonuses at the new levels on claims arising in the future on participating policies issued in the United Kingdom prior to 1963. On this expectation it is clear that although the actual transfers this year are relatively modest, ultimately the total contribution from the capital value of our assets P00019985 increase in the final bonuses will be significant.

The value of these bonus additions to Prudential policies is demonstrated in the following table. This shows for specimen years of issue the normal reversionary bonus additions to date, plus the final bonus, for an Ordinary Branch participating endowment assurance policy with an original sum assured of £1,000 which becomes a claim before 1st April 1965.

Year of Issue	Reversionary bonuses	Final bonuses	Total bonuses
	£	£	£
1923	776	330	1,106
1933	559	250	809
1943	394	170	564
1953	273	80	353

Although reversionary bonus rates are lower in the case of Industrial Branch policies, the final bonus additions to claims are at the same rates and for the same years of issue in both Branches.

Final bonuses have in recent years become an important feature of our bonus distributions and were introduced because of the unusually favourable investment conditions of the past decade. Whatever the circumstances of the future, it will continue to be our policy always to treat our policyholders as generously as, in our judgment, conditions permit. The table given above demonstrates the success of the policy.

### ORDINARY BRANCH

Record new business figures were again achieved in this Branch, both in the United Kingdom and Overseas, the combined figures being shown on page 14.

In the United Kingdom the new premium income, including group business and purchase money for annuities, increased by £1½ millions to £13½ millions. Half the increase came from premiums for individual assurances and half from group pension business.

While it is as a means of saving that life assurance has of recent years been increasingly regarded, provision of cover on death is fundamental and it is gratifying to note that nearly 14,000 families were protected during 1963 by new Prudential policies with family income benefits. The initial sums assured for such benefits under these policies amounted to £96 millions, in addition to the basic sums assured. At the end of 1963 the current sums assured in force for income benefits were £230 millions, corresponding to current immediate protection averaging £4 a week for varying periods to some 60,000 families, a substantial contribution to family security.

In connection with endowment assurances on the lives of employed persons we arranged facilities last year whereby the premiums are paid by weekly or monthly deduction from wages or salary. The "Pruplan", as we have called the scheme, requires of course the co-operation of the employer, and it is hoped that it will bring the advantages of our policies to an increasing number of people.

In the Overseas branches the sums assured in force, including bonuses, now exceed £900 millions and constitute over one-third of the total in the Ordinary Branch. An upward turn in the rate of expansion took place in 1963, the new premium income of nearly £4 millions being 16 per cent. higher than that for the previous year. Our overseas business is now well established and such a rate of expansion at this stage of its development is a matter for satisfaction. Record amounts of new premiums were written in Australia, New Zealand and in the African territories where we operate.

In 1963 we were advised by the Foreign Compensation Commission of the establishment of our claim to compensation for the loss of our former Egyptian business both in the Ordinary Life and General Branches. Subsequently we received from the Commission a payment which, in accordance with the statutory provisions as to the scaling down of larger claims, amounted to rather more than one-half of the established claim. That part of the payment which represents partial compensation for goodwill and loss of future profits is a sum due to shareholders and its disposal is described in a note to the Accounts.

### PENSION SCHEME BUSINESS

Last year the scope of the State scheme for graduated pensions was enlarged and, as a result, employers who wished to continue to contract out their employees had to amend their arrangements. There was only a limited time in which to make the necessary alterations but, nevertheless, our staff were able to assist employers to complete the task on time and we may feel well satisfied with the service that we have been able to give. I am pleased to say that virtually all the contracted out employees covered under our schemes remained contracted out following the 1963 Act.

Bonuses on with-profit group pension schemes have again been increased for policies issued in the United Kingdom. Since we pioneered the introduction of group pension schemes with participation in profits in 1951 there has been a steady growth in the bonuses which we have been able to declare for this class.

I commented two years ago on the opportunity, and indeed the responsibility that rested in a particular degree on our Company, to provide facilities through insurance for the retirement of employees of smaller firms. In a further endeavour to meet this need we launched last July our Pension-Unit Scheme which enables the very small firm to provide, with the minimum of formality, retirement benefits and life assurance cover over and above the benefits provided for employees by the State. There is still a wide gap between what the State provides and what the retired employee needs in order to maintain a standard of living properly comparable with that to which he has been accustomed. We have, therefore, every reason to hope that there will be a welcome for this new development, in which our field staff are able to give the employer immediate and regular service.

### INDUSTRIAL BRANCH

I referred last year to the fact that in this Branch comparative figures of progress were distorted because in the year 1962 there were fifty-three dates for payment of premiums due at weekly intervals and fourteen for payment of premiums due at four weekly intervals. This also affects comparisons between figures for 1962 and 1963 and notes have been included in the Accounts to show the effect on the premium income. The decrease last year in the new sums assured and new premium income in this Branch is also accounted for by this feature of the calendar. The volume of new business was in reality at a slightly higher level than in 1962.

Over 80 per cent. of the new premium income was derived from endowment assurances. This illustrates the changing character of industrial assurance, because it is not many years since the dominant motive for taking out policies in this Branch was provision for expenses at death. The original conception of industrial assurance as a means of providing for funeral expenses has to a large extent been replaced by one closely allied to that of ordinary life assurance where the emphasis is on combined protection and saving.

### GENERAL BRANCH

Although the expansion in the premium income in this Branch continues to be satisfactory, adverse factors affecting underwriting results to which I referred last year are again reflected in our 1963 accounts. In fact the figures for home and overseas business produced an underwriting loss of £438,000 compared with the small profit of £95,000 in 1962.

At home the unprecedented weather conditions in the early months of 1963 involved the Company in very heavy claims. At the same time the satisfaction experienced by our policyholders from a prompt and efficient settlement of these claims has added to the Company's prestige and has without doubt helped to extend the Company's business. Occasions such as this emphasize the need for the protection which we offer and the value of the service we give. The experience of weather claims in the early months of 1964 is proving very much more favourable.

As will have been seen from the extensive publicity given to the subject, fire wastage in 1963 was even worse than it was for the previous year, and the annual extent of loss by fire has become a matter of grave national concern. Not surprisingly, we and most other companies have found it necessary to make a general increase in Fire and Special Perils premiums for commercial and trade risks. At the same time the first £5 loss exclusion for Storm, Tempest and Burst Pipes damage under House-Owners' policies has been raised to £15.

The home Motor Account provided a modest underwriting profit and, while the margin of profit may well remain slender, the increases in motor premiums applicable from October of last year encourage a somewhat more favourable outlook.

The Sickness and Accident Accounts, both at home and overseas, produced satisfactory underwriting profits.

The premium income from our subsidiary in the United States which transacts only reinsurance business showed a marked reduction due to a number of special factors. Most British insurers have found it hard to make profits in the United States in recent years and our own operations in 1963 resulted in an underwriting loss, due mainly to heavy fire and weather claims during the first half of the year.

Elsewhere overseas the increasing incidence of fires persisted in many countries, especially in Canada and on the continent of Europe, and our underwriting loss in this class was a little heavier than in 1962.

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Last year I commented on the deterioration in the motor insurance results in several overseas countries where we operate. Unfortunately, there has been no improvement in 1963. There is a noticeable increase both in the frequency and in the severity of accidents. In addition to adverse factors such as greater density of traffic and higher speeds, motor insurers operating in countries where there is fairly rapid inflation suffer from the fact that premium rates do not keep pace with repair costs or the level of damages awarded.

Our Marine and Aviation Account has again produced an underwriting surplus and the sum of £125,000 has been released to the Profit and loss account.

Gross interest earnings in the General Branch of £1,228,000 show little change, and the net surplus after allowing for taxation was £443,000 compared with £645,000 in the preceding year. In the special circumstances of the year we have thought it appropriate to transfer £100,000 into surplus from the Additional reserve fund.

## D I V I D E N D S

The dividend free of income tax which has been declared on the A shares is 11s. 8d., an increase of 1s. 7d. This increase of 1s. 7d. is larger than customary due to the two special features to which I have already referred in my comments regarding bonuses to policyholders.

- (1) We have provided for an extra three months' period in the final bonus declarations. This feature, which has produced nearly an extra 3d. of the dividend, will not recur.
- (2) We have augmented the surplus in the Life branches by transfers from the Investment reserve accounts and thereby increased the rates of final bonus. This has increased the level of the dividend by almost 6d. Since it is our present intention to maintain such transfers at about this level, their effect will be to maintain this higher dividend.

It is likely therefore that any increase over this year's dividend (11s. 5d. excluding the non-recurrent item) which it may be found possible to declare next year would be smaller than this year's increase.

The dividend free of income tax on the B shares is 2s. 0d. The allocations to shareholders from the General Branch are again well covered by the interest earnings of the General Branch after deduction of the relevant taxes.

As explained in the letter to shareholders which accompanies these Accounts, it has been decided to change our practice of deferring 1s. 6d. of the A share dividend for payment in November and the whole of this year's declaration will be made in one payment on 14th May next. If the proposed alteration to the Articles of Association is approved by the shareholders, it will in future be possible to declare interim dividends accountable as advance payments out of the current year's profits. It is the Directors' intention to make a first interim payment in respect of the 1964 profits in November next of an amount which bears a reasonable relationship to the total dividend of the year and will be significantly larger than the deferred payment of 1s. 6d. per share we have previously paid in November. With regard to the B shares it will still not be possible to declare an interim dividend in 1964 but it is hoped to do so in respect of subsequent years' profits.

## I N V E S T M E N T S

The measures taken by the Chancellor of the Exchequer in the latter part of 1962 to stimulate the economy had made little headway by the spring of 1963. Later in the year, however, the economy began to regain buoyancy and the market in ordinary shares improved, with a sharp rise in the last two months of the year. The downward trend of interest rates which had been apparent since early 1962 continued through the spring and summer months of 1963. With the recovery in the economy this trend was reversed and rates finished the year at levels similar to those ruling at the beginning.

We have not added to our holdings of ordinary shares in the last two years on the scale of a few years ago. Even though we have not been pessimistic concerning the prospects for improved industrial earnings we have had to take into account the fact that, as a result of the large investments we have made in this field and the appreciation in market values that has occurred, our holdings now represent a much higher proportion of our total assets than used to be considered appropriate. In 1963 we purchased altogether £19 millions of ordinary shares and exercised our right to convert certain of our debenture stocks, which, after carrying out substantial sales, left us with a net addition to our holdings of ordinary shares of £11 millions.

During the year we invested a total of £120 millions which arose from the increase in the funds and from the proceeds of sales, maturities, etc. This sum was applied in the purchase of £19 millions ordinary shares already mentioned, in the investment of £19 millions in British Government securities, £30 millions in debentures, £24 millions in property and £19 millions in mortgages, which includes house purchase loans. These figures include the investments made by our Overseas branches; they also invested £7 millions in the Government and Public loans of their respective territories. The Balance sheet shows a substantial fall in the figure for British Government guaranteed securities and a consequent rise in that for direct British Government securities due to a reclassification following the dissolution of the British Transport Commission as from 1st January, 1963.

## CHAIRMAN'S STATEMENT (CONTINUED)

The heavy commitments that we carried at the beginning of the year were mainly for investment in property and property debentures, and part of these are reflected in the figures above. The yields that were available on this type of investment continued to make them attractive for life policyholders' funds and by the end of the year we had undertaken further substantial commitments.

It has in recent years been difficult to invest the large amount of new money and maintain the high level of the yields currently being earned on the funds. That we have continued to achieve this has been due to increasing rates of dividend received from our ordinary share portfolio. During 1963 dividends have again shown a modest increase which, together with some improvement in the rents received from our property investments, has contributed to an increase in the yield on the Industrial Branch fund from £6 18s. 2d. per cent. to £7 1s. 4d. per cent.\* The gross yield on the Ordinary Branch fund, which includes the rapidly expanding Overseas funds where yields are lower than in the United Kingdom, was virtually unchanged at £6 12s. 10d. per cent.

The total amount of our investment in the main overseas territories in which we operate exceeded £150 millions at the end of last year. These investments are expressed in the local currencies of the territories and were made in pursuance of our normal policy of investing our funds in the territories in which they arise. Our liabilities in the Overseas branches are broadly of the same nature as they are in this country and we therefore follow similar investment policies suitably modified in practice to take account of varying local conditions. We believe that the investments so made are in the best interests of policyholders and shareholders and also of the economies of the territories concerned.

## RETIREMENTS

At the end of 1963 four members of the Management retired: Mr. R. E. Montgomery, Deputy General Manager, Mr. H. Proctor, Assistant General Manager, Mr. W. E. H. Hickox, Deputy Actuary, and Mr. F. N. Waller, Chief Surveyor. Mr. Montgomery had a very wide experience of the Company's affairs, having served both at a district office and on the field staff before being appointed to Chief Office in 1939. In post-war years he has been particularly associated with the development of the Company's Ordinary Branch and his capacity for organisation has been a key factor in the notable expansion in this Branch in recent years.

Mr. Proctor in his long experience of field staff affairs, Mr. Hickox in his numerous actuarial activities and Mr. Waller in his association with the vast growth in our property holdings, have all given very valuable service to the Company.

## APPOINTMENTS

The following appointments and promotions have been made in the past year: Mr. W. G. Haslam, D.F.C., to be a Deputy General Manager, Mr. F. Pearson to be an Assistant General Manager, Mr. R. Armstrong to be an Agency Manager in the United Kingdom, Mr. J. L. Maxted to be Chief Controller, Mr. D. S. Craigen to be Manager, Industrial Branch Administration, Mr. M. R. Dunnett to be Chief Surveyor, Mr. E. E. Chapman, M.B.E., to be Deputy Chief Surveyor, Mr. W. R. Marshall and Mr. R. J. Males to be Assistant Secretaries and Mr. F. A. Lewis to be Deputy Group Pensions Manager.

## STAFF

I again welcome the opportunity of paying tribute to the work and enthusiasm of all grades of the Company's staff both at home and overseas.

The impressive results which are seen in the accompanying Report bear fitting testimony to the "Man from the Prudential" who is so firmly established in the minds of the public as a symbol of goodwill and efficient service.

I am confident that shareholders will wish to join in expressing to all members of the staff our warm appreciation of their success in upholding the Company's prestige.

F. W. MORGAN,  
*Chairman.*



# ANNUAL REPORT

Year ended 31st December 1963

The Directors submit their Report and Accounts for 1963.

The Balance sheet total of the Company's Assets is £1,355,734,492 as compared with £1,262,419,948 at 31st December, 1962.

The Income from all sources during 1963 was £262,783,433 as compared with £250,620,349 in 1962.

The Tables which follow summarise the operations of the Life and General branches during 1963.

## BUSINESS IN FORCE 31st DECEMBER 1963

1962				1963	
UNITED KINGDOM	OVERSEAS	ORDINARY BRANCH		UNITED KINGDOM	OVERSEAS
£	£			£	£
1,516,845,430	843,138,387	LIFE ASSURANCE BUSINESS		1,719,473,777	939,105,903
41,137,366	18,803,358	Sums Assured, including bonus ... ..		44,098,947	20,397,450
		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) ... ..		90,197,631	13,067,926
82,542,300	11,696,484	Annual Premium Income ... ..		20,646,503	3,006,546
19,341,086	2,826,414				
		IMMEDIATE ANNUITIES			
		Amount of Annuities per annum ... ..		4,631,124	398,454
3,809,889	359,325				
		INDUSTRIAL BRANCH			
		Sums Assured, including bonus ... ..		1,404,857,793	—
1,358,083,106	—	Annual Premium Income ... ..		66,892,373	—
64,632,230	—				

## GENERAL BRANCH

13,740,055	7,122,135	Premium Income ... ..	14,969,754	7,546,008
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The General branch figures do not include the premiums of £3,315,108 (£4,302,094 for 1962) 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 26.

## 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 62s. per £100 sum assured.

A final bonus on policies issued in 1962 or earlier which become claims by death or maturity of endowment between 19th March, 1964, and 31st March, 1965, inclusive, at rates varying from 10s. per £100 sum assured for policies issued in 1962 to £33 per £100 sum assured for policies issued in 1923 and earlier. The rates are set out in full on page 29 in the Valuation Report of the Chief Actuary.

Assurance policies of the undermentioned overseas classes

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

Australia (other than superannuation policies):

First Series	... ..	2.65
Second Series	... ..	1.90 compound.

New Zealand:

First Series	... ..	2.1
Second Series	... ..	1.35 compound.

Canada ... .. 2.05 compound.

South Africa, the Rhodesias and Nyasaland:

First Series	... ..	2.75
Second Series (other than Retirement Fund policies)	... ..	2.125 compound.

East Africa ... .. 2.3

Pakistan ... .. 1.4

Malaya and Singapore ... .. 2.5

Cyprus ... .. 2.8

Malta ... .. 3.1

Bonuses for assurance policies of other overseas classes, retirement annuity policies, group pension business and Pension-Unit Scheme policies have also been declared at the rates set out on page 30 in the Valuation Report of the Chief Actuary.

### INDUSTRIAL BRANCH

A reversionary bonus at the rate of 48s. per £100 sum assured.

This bonus is added as on 19th March, 1964, or on completion of payment of one year's premiums, whichever is the later.

A final bonus on policies issued in 1962 or earlier which become claims by death or maturity of endowment between 19th March, 1964, and 31st March, 1965, inclusive, at rates varying from 10s. per £100 sum assured for policies issued in 1962 to £33 per £100 sum assured for policies issued in 1923 and earlier. The rates are the same as those for the Ordinary branch and are set out in full on page 29 in the Valuation Report of the Chief Actuary.

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# DIVIDENDS

The Directors have declared the following dividends out of the profits of the year 1963:

## A SHARES

A dividend of 11s. 8d. per share payable on 14th May, 1964, to the shareholders on the Register on 17th April, 1964.

Of the total dividend on the A shares 5.50d. is derived from the profits of the General branch and 11s. 2.50d. from the profits of the Life branches.

## B SHARES

A dividend of 2s. 0d. per share payable on 14th May, 1964, to the shareholders on the Register on 17th April, 1964.

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.

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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 28-32.

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The Directors deeply regret the death on the 9th September, 1963, of their colleague Sir James Millard Tucker, Q.C., who was appointed to the Board in December, 1955.

Sir Giles Connop McEacharn Guthrie, Bt., O.B.E., D.S.C., J.P., relinquished his Directorship as from the 1st January, 1964, upon his appointment as Chairman of British Overseas Airways Corporation. The resignation of Sir Giles, who was elected a Director at the last Annual General Meeting, was accepted with great regret.

The Directors retiring by rotation are Mr. Rupert Stanley Thorp, The Rt. Hon. Sir Percy James Grigg, K.C.B., K.C.S.I. and Mr. Charles William Allan Ray who offer themselves for re-election.

To fill the vacancies on the Board the Directors recommend the election of Sir Eric Blacklock Bowyer, K.C.B., K.B.E. and Sir John Nicholson Hogg.

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

*Holborn Bars,  
3rd April, 1964.*

F. W. MORGAN,  
*Chairman.*





## GENERAL BRANCH

*for the year ended*

### FIRE INSURANCE BUSINESS

1962 £	£	1962 £	£
Amount of fire insurance fund at the beginning of the year—		3,294,631	3,845,477
2,843,162	2,858,560	1,089,699	1,002,990
6,061,485	6,169,103	1,849,243	1,965,465
		39,918	39,132
		87,016	87,227
417,788	718,144	103,368	9,193
			2,835,287
			2,835,287
<u>£9,322,435</u>	<u>£9,784,771</u>	<u>£9,322,435</u>	<u>£9,784,771</u>

## REVENUE ACCOUNTS

*31st December 1963*

### MOTOR VEHICLE INSURANCE BUSINESS

1962 £	£	1962 £	£
Amount of motor vehicle insurance fund at the beginning of the year—		5,064,772	5,494,623
3,154,714	£3,251,034	884,358	990,139
		2,047,359	2,239,535
		25,530	27,765
38,037	3,694		
3,116,677	3,247,340		
8,127,584	9,008,694	3,251,034	3,603,478
28,792	99,506		
<u>£11,273,053</u>	<u>£12,355,540</u>	<u>£11,273,053</u>	<u>£12,355,540</u>

### SICKNESS AND ACCIDENT INSURANCE BUSINESS

1962 £	£	1962 £	£
Amount of sickness and accident insurance fund at the beginning of the year—		914,893	960,470
689,598	£770,695	319,442	367,240
475,000	300,000	604,703	651,353
169,509	199,043	3,831	4,509
300,534	321,416	228,568	251,933
1,634,641	1,591,154		
12,459	647		
1,622,182	1,590,507		
1,926,737	2,233,849		
102,496	116,851		
2,029,233	2,350,700		
11,176	13,521		
<u>£3,662,591</u>	<u>£3,954,728</u>	<u>£3,662,591</u>	<u>£3,954,728</u>

### MISCELLANEOUS INSURANCE BUSINESS

1962 £	£	1962 £	£
Amount of miscellaneous insurance fund at the beginning of the year—		1,941,029	2,238,514
1,691,078	£1,728,928	614,347	701,485
25,052	1,167	1,281,274	1,367,780
1,666,026	1,727,761	16,647	17,475
3,995,692	4,350,908	148,798	—
69,305	74,259		
	39,641		
<u>£5,731,023</u>	<u>£6,192,569</u>	<u>£5,731,023</u>	<u>£6,192,569</u>

The amount of debentures, debenture stocks and estates for which the Company acts as trustee exceeded £396,000,000 at the end of the year.

GENERAL BRANCH REVENUE ACCOUNTS

CONTINUED

SINKING FUND INSURANCE BUSINESS

1962		1962	
£	£	£	£
1,992,958	Amount of sinking fund insurance fund at the beginning of the year ... ..	1,812,557	Claims under policies paid and outstanding
24,936	Premiums ... ..	20,229	2,744 Surrenders ... ..
99,039	Interest, dividends and net rents ... ..	93,162	— Commission ... ..
			484 Expenses of management ... ..
			44,598 Transfer to Profit and loss account ...
			1,812,557 Amount of sinking fund insurance fund at the end of the year ... ..
<u>£2,116,933</u>		<u>£1,925,948</u>	<u>1,771,937</u>
			<u>£1,925,948</u>

MARINE, AVIATION AND TRANSIT INSURANCE BUSINESS

Total 1962 £	Current Year.	Last Preceding Year.	Previous Years.	Total.	Total 1962 £	Current Year.	Last Preceding Year.	Previous Years.	Total.
	£	£	£	£		£	£	£	£
1,213,067		392,441	857,159	1,249,600	412,656	126,427	183,832	100,649	448,151
						12,096	21,179	3,968	
623,260	563,374	-10,218	3,362	616,128	23,679	27,103	-250	17	26,870
	27,712	25,927	5,971		13,054	12,876	163	6	13,045
					12,085	41	-29	11,740	11,752
					5,253	2,795	284	3,754	6,833
					120,000	—	—	125,000	125,000
					1,249,600	409,748	202,971	621,358	1,234,077
<u>£1,836,327</u>				<u>£1,865,728</u>	<u>£1,836,327</u>				<u>£1,865,728</u>

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# PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1963

## ORDINARY AND INDUSTRIAL BRANCHES

1962		1962		1962	
£		£		£	£
	Transfers from Revenue accounts—			3,076,989	Transfer to Appropriation account ... 3,516,437
1,715,902	Ordinary branch ... ..	1,893,920			
1,361,087	Industrial branch ... ..	1,622,517			
<u>£3,076,989</u>		<u>£3,516,437</u>		<u>£3,076,989</u>	<u>£3,516,437</u>

## GENERAL BRANCH

1962		1962		1962	
£		£		£	£
	Transfers from Revenue accounts—				Transfers to Revenue accounts—
228,568	Sickness and accident ... ..	251,933		417,788	Fire ... .. 718,144
148,798	Miscellaneous ... ..	—		28,792	Motor vehicle ... .. 99,506
44,598	Sinking fund ... ..	41,965		—	Miscellaneous ... .. 39,641
120,000	Marine ... ..	125,000			Taxation—
1,221,142	Interest, dividends and net rents not carried to other accounts ... ..	1,227,580		51,000	Overseas taxes not charged to other accounts ... .. 70,000
—	Compensation in respect of Egyptian business ... ..	18,004		115,000	Profits tax ... .. 25,000
				506,000	Income tax ... .. 269,000
				644,526	Transfer to Appropriation account ... 443,191
<u>£1,763,106</u>		<u>£1,664,482</u>		<u>£1,763,106</u>	<u>£1,664,482</u>

# APPROPRIATION ACCOUNT

for the year ended 31st December 1963

Ordinary and Industrial Branches 1962.	General Branch 1962.	Ordinary and Industrial Branches.	General Branch.	Ordinary and Industrial Branches 1962.	General Branch 1962.	Ordinary and Industrial Branches.	General Branch.
£	£	£	£	£	£	£	£
—	230,036	—	231,229	—	100,000	—	—
3,076,989	644,526	3,516,437	443,191	—	—	13,937	—
—	—	—	100,000	3,007,709	143,333	3,502,500	143,333
				—	400,000	—	400,000
				69,280	—	—	—
				—	231,229	—	231,087
<u>£3,076,989</u>	<u>874,562</u>	<u>£3,516,437</u>	<u>774,420</u>	<u>£3,076,989</u>	<u>874,562</u>	<u>£3,516,437</u>	<u>774,420</u>

## CONTINGENCY FUNDS AND

Accounts for the year ended 31st December 1963

### COMMON CONTINGENCY FUND

1962 £		1962 £
Amount of Common contingency fund at the beginning of the year ... ..	4,075,439	Taxation—
Interest and dividends ... ..	220,418	Profits tax ... ..
		Income tax ... ..
		Amount of Common contingency fund at the end of the year ... ..
£4,187,356	£4,295,857	£4,187,356

### SPECIAL CONTINGENCY FUND

1962 £		1962 £
Amount of Special contingency fund at the beginning of the year ... ..	6,687,744	Taxation—
Interest and dividends ... ..	351,296	Profits tax ... ..
		Income tax ... ..
		Amount of Special contingency fund at the end of the year ... ..
£6,868,700	£7,039,040	£6,868,700

### DIVIDEND RESERVE FUND (A SHARES)

1962 £		1962 £
Amount of Dividend reserve fund at the beginning of the year ... ..	713,894	Taxation—
Interest and dividends ... ..	30,483	Profits tax ... ..
Transfer from Investment reserve account ... ..	55,000	Income tax ... ..
Transfer from Appropriation account ... ..	13,937	Dividend to Shareholders ... ..
		Amount of Dividend reserve fund at the end of the year ... ..
£1,019,423	£813,314	£1,019,423

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## DIVIDEND RESERVE FUND

Balance Sheets 31st December 1963

### COMMON CONTINGENCY FUND

1962 £		LIABILITIES.	1962 £	
		Common contingency fund ... ..		4,177,415
		Current liabilities and provisions—		
		Profits tax ... ..		33,202
£4,099,911	£4,210,617		£4,099,911	£4,210,617

  

1962 £		ASSETS.	1962 £	
		Investments—		
		British Government securities ... ..		3,246,888
		British Government guaranteed securities		321,424
		Municipal and county securities, United Kingdom ... ..		415,811
		Public Board securities, United Kingdom		31,500
		Other Commonwealth Government securities... ..		51,029
		Debentures and debenture stocks home and foreign ... ..		120,047
		Current assets—		
		Estimated tax recoverable ... ..		16,096
		Balances at Bankers—		
		On deposit in the United Kingdom ...		—
		On current account in the United Kingdom ... ..		7,822
£4,099,911	£4,210,617		£4,099,911	£4,210,617

### SPECIAL CONTINGENCY FUND

1962 £		LIABILITIES.	1962 £	
		Special contingency fund ... ..		6,850,209
		Current liabilities and provisions—		
		Profits tax ... ..		52,945
£6,733,681	£6,903,154		£6,733,681	£6,903,154

  

1962 £		ASSETS.	1962 £	
		Loans—		
		On parochial and other public rates ...		15,012
		Investments—		
		British Government securities ... ..		5,435,951
		British Government guaranteed securities		550,295
		Municipal and county securities, United Kingdom ... ..		335,116
		Other Commonwealth Government securities... ..		256,711
		Debentures and debenture stocks home and foreign ... ..		284,952
		Current assets—		
		Estimated tax recoverable ... ..		10,682
		Balances at Bankers—		
		On deposit in the United Kingdom ...		—
		On current account in the United Kingdom ... ..		14,435
£6,733,681	£6,903,154		£6,733,681	£6,903,154

### DIVIDEND RESERVE FUND (A SHARES)

1962 £		LIABILITIES.	1962 £	
		Dividend reserve fund ... ..		796,929
		Current liabilities and provisions—		
		Profits tax ... ..		4,618
		Income tax... ..		2,868
£724,508	£804,415		£724,508	£804,415

  

1962 £		ASSETS.	1962 £	
		Investments—		
		British Government securities ... ..		729,512
		British Government guaranteed securities		49,129
		Current assets—		
		Balances at Bankers—		
		On current account in the United Kingdom ... ..		25,774
£724,508	£804,415		£724,508	£804,415

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# BALANCE SHEET

31st DECEMBER 1963

Ordinary Branch 1962.	Industrial Branch 1962.	General Branch 1962.	Total 1962.	LIABILITIES.	Ordinary Branch.	Industrial Branch.	General Branch.	Total.
£	£	£	£		£	£	£	£
				<b>Authorised and Issued Capital—</b>				
	1,250,000		1,250,000	6,250,000 A shares of 4s. each, fully paid ...		1,250,000		1,250,000
		1,000,000	1,000,000	4,000,000 B shares of 5s. each, fully paid ...			1,000,000	1,000,000
14,000,000	21,500,000	1,000,000	36,500,000	<b>Branch contingency funds</b> ...	14,000,000	21,500,000	1,000,000	36,500,000
		231,229	231,229	<b>Appropriation account—balance carried forward</b>			231,087	231,087
636,812,295			636,812,295	<b>Life assurance fund, Ordinary branch</b> ...	703,991,041			703,991,041
	532,507,632		532,507,632	<b>Industrial assurance fund</b> ...		557,720,952		557,720,952
		2,858,560		<b>General branch insurance funds—</b>				
		1,591,154		Fire ...			2,835,287	
		3,251,034		Sickness and accident ...			1,719,223	
		1,728,928		Motor vehicle ...			3,603,478	
		1,812,557		Miscellaneous ...			1,867,315	
		1,249,600		Sinking fund ...			724,304	
		4,050,000		Marine ...			1,771,937	
				Additional reserve ...			1,234,077	
							3,950,000	
				<b>Current liabilities and provisions—</b>				
				Claims admitted or intimated, but not paid, less amounts recoverable under reinsurances—				
4,306,726	1,847,759		6,154,485	Life ...	4,918,333	1,751,728		6,670,061
		1,295,513		Motor vehicle ...			1,290,724	
		3,819,597		Miscellaneous ...			3,999,047	
		1,595,945		Sinking fund ...			1,644,766	
				Annuitants due and unpaid ...			18,000	
7,745			7,745	Outstanding commission and expenses ...	7,237			7,237
1,312,506	550,297	776,163	2,638,966	Premiums received in advance ...	1,381,187	418,850	809,552	2,609,589
403,589		128,968	532,557	Amounts due on reinsurance account—	539,871		121,031	660,902
		548,268		Fire ...			411,807	
		10,908		Sickness and accident ...			8,242	
		19,698		Motor vehicle ...			13,150	
		65,872		Miscellaneous ...			135,503	
		96,384		Marine ...			112,957	
163,449	817,344	2,800	983,593	Amounts due to subsidiaries ...		100	1,526	1,626
651,987	454,707		1,228,237	Other creditors ...	616,925	362,778		1,137,470
1,267,846	349,287		1,617,133	Sundry brokers for investments purchased ...	1,395,123	638,749		2,033,872
748,210	12,139	126,507	886,856	Overseas taxes ...	748,869	12,827	131,463	893,159
209,757	166,531	93,915	470,203	Profits tax ...	244,587	199,712	3,665	447,964
		426,577	426,577	United Kingdom income tax including reserve for future liability on profits earned to date				
69,280			69,280	Non-taxable payment to A Shareholders ...				
1,646,622	1,361,087	543,333	3,551,042	Dividends declared ...	1,879,983	1,622,517	543,333	4,045,833
				<b>The certificates and notes on pages 24 and 25 form an integral part of these accounts.</b>				
£661,600,012	560,816,783	28,445,053	1,250,861,848		£729,723,156	585,478,213	28,614,937	1,343,816,306
			4,099,911	<b>Common contingency fund</b> ...				4,210,617
			6,733,681	<b>Special contingency fund</b> ...				6,903,154
			724,508	<b>Dividend reserve fund (A shares)</b> ...				804,415
			£1,262,419,948	(per separate Balance sheets)				£1,355,734,492

Ordinary Branch 1962.	Industrial Branch 1962.	General Branch 1962.	Total 1962.	ASSETS.	Ordinary Branch.	Industrial Branch.	General Branch.	Total.
£	£	£	£		£	£	£	£
53,618,784	22,336,928	27,475	75,983,187	<b>Mortgages—</b>				
24,115,850	1,112	45,089	24,162,051	On property within the United Kingdom ...	60,551,841	23,396,725	22,442	83,971,008
				On property out of the United Kingdom ...	27,552,567	1	113,513	27,666,081
4,658,096	4,732,096	100,000	9,490,192	<b>Loans—</b>				
1,500,000	900,000	400,763	2,800,763	On parochial and other public rates ...	5,779,084	5,221,416	98,500	11,099,000
				On stocks and shares ...	350,000	500,000	293	850,293
19,444,273		7,500	19,451,773	On Company's policies within their surrender values ...	20,564,360		7,500	20,571,860
997,565	345,596	155,415	1,498,576	Without specific security ...	1,195,626	190,450	190,539	1,576,615
79,495,485	121,422,047	3,411,858	204,329,390	<b>Investments—</b>				
25,505,081	46,166,304	1,380,496	73,051,881	British Government securities ...	113,270,849	161,184,957	4,337,510	278,793,316
				British Government guaranteed securities ...	2,525,652	11,073,559	457,299	14,056,510
339,693	240,166		579,859	Securities guaranteed under Trade Facilities and other Acts ...	623,134	484,635		1,107,769
1,812,521	2,462,532	454,629	4,729,682	Municipal and county securities, United Kingdom ...	1,927,556	2,556,979	411,388	4,895,923
411,498	1,579,786	203,395	2,194,679	Public Board securities, United Kingdom ...	411,498	1,528,786	196,636	2,136,920
28,279,575	3,465,808	1,684,751	33,430,134	Other Commonwealth Government securities ...	31,561,931	3,844,234	1,684,925	37,091,090
12,669,822		1,108,826	13,778,648	Other Commonwealth provincial securities ...	13,522,907		1,042,120	14,565,027
5,748,202	7,615	898,667	6,654,484	Other Commonwealth municipal securities ...	5,845,126	7,615	916,064	6,768,805
724,304			724,304	Other Commonwealth Public Board securities ...	724,304			724,304
3,245,688	113,538	356,840	3,716,066	Foreign Government securities ...	3,687,596	112,527	400,829	4,200,952
				Foreign provincial securities ...	2	3		5
3,692,385		5	3,810,734	Foreign municipal securities ...	4,047,777	5	143,157	4,190,939
2,514,847			2,514,847	Foreign Public Board securities ...	2,792,444			2,792,444
94,840,160	84,771,426	4,445,285	184,056,871	Debentures and debenture stocks and gold and sterling bonds—home and foreign ...	109,588,758	90,690,680	4,247,616	204,527,054
26,779,464	28,008,099	1,735,525	56,523,088	Preference and guaranteed stocks and shares ...	27,227,779	28,071,753	1,773,655	57,073,187
149,658,985	151,881,085	5,319,223	306,859,293	Ordinary stocks and shares ...	158,013,956	154,058,091	5,337,273	317,409,320
				Subsidiaries not dealt with in group accounts—				
				Debentures ...	286,961			286,961
				Ordinary shares ...	83,705	13,770	82,913	180,388
				Rent charges ...	40,000	30,105		70,105
				Freehold ground rents and feu duties ...	8,780,196	7,907,869		16,688,065
				Leasehold ground rents ...		81,000		81,000
				Freehold and leasehold property (including office premises)—				
				In the United Kingdom ...	98,496,225	79,043,576		177,539,801
				Out of the United Kingdom ...	10,639,751		41,347	10,681,098
				Reversions ...				
				Subsidiary dealt with in accounts annexed—				
				Ordinary shares ...			1,071,428	1,071,428
				<b>Current assets—</b>				
				Deposits at interest at home and abroad ...	1,386,183	237,500	510,931	2,134,614
				Agents' balances ...			456,685	456,685
				Commission paid in advance ...	2,317,790			2,317,790
				Outstanding premiums ...	2,521,151	2,457,490	2,486,768	7,465,409
				Outstanding interest, dividends, rents and fees ...	2,184,273	810,877	11,507	3,006,657
				Interest, dividends, rents and fees accrued ...	3,911,760	3,052,764	114,230	7,078,754
				Amounts due on reinsurance account ...			1,043,356	1,043,356
				Amounts due from subsidiaries ...			6,018	6,018
				Sundry brokers for investments sold ...	104,353	228,946		333,299
				Estimated income tax recoverable ...	2,432,000	4,395,000	70,729	6,897,729
				Other debtors ...	141,160	178,860	207,753	527,773
				<b>Balances at Bankers and Cash in hand—</b>				
				On deposit—				
				In the United Kingdom ...	750,000	2,250,000		3,000,000
				Out of the United Kingdom ...	1,818,297		34,384	1,852,681
				<b>In hand and on current account—</b>				
				In the United Kingdom ...	389,958	1,782,256	346,608	2,518,

## 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.

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 and we certify that in our belief the value at 31st December, 1963, 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.

K. A. USHERWOOD, *General Manager.*

F. W. MORGAN, *Chairman.*

F. M. REDINGTON, *Chief Actuary.*

JOHN S. P. MELLOR, *Director.*

L. BROWN, *Secretary.*

COLERAINE, *Director.*

3rd April, 1964.

## NOTES TO THE ACCOUNTS

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

1962 £		1963 £
138,880,000	Capital commitments for settlement after 31st December ... ..	139,855,000
40,000	Contingent capital commitments ... ..	1,400,000
2,780,000	Uncalled capital on investments held ... ..	2,775,000
210,000	Reserve liability on shares, etc. ... ..	55,000

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:

1962 £		1963 £
36,000	Australia ... ..	39,000
15,000	Burma ... ..	15,000
38,431,500	Canada ... ..	41,371,500
12,000	Ireland ... ..	12,000
6,000	Israel ... ..	4,500
—	Malaya ... ..	35,000
49,500	New Zealand ... ..	49,500
3,399,500	Pakistan ... ..	P00020000

NOTES TO THE ACCOUNTS (CONTINUED)

3. 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.

4. The aggregate amount of the Directors' remuneration for the year was £51,938 (1962, £54,076). In addition sums totalling £6,952 (1962, £7,119) were paid by the Company to Directors and past Directors under arrangements for augmenting pensions payable to ex-employees from the staff pension funds.

5. Life and casualty revenue account transactions in overseas currencies have been brought in at the rates of exchange ruling on 31st December, 1963, 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, 1963, 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.

6. During the year payment was received from the Foreign Compensation Commission in respect of the Company's claim for compensation for its former Egyptian business taken over by the Al Goumhouria Insurance Co. After meeting expenses, the amounts in the Company's hands are £78,051 in respect of the Ordinary branch and £56,968 in respect of the General branch of which £64,114 and £38,964 have been credited to the Ordinary branch life assurance fund and the General branch fire insurance revenue account respectively. The balances of £13,937 in the Ordinary branch and £18,004 in the General branch, which are in respect of compensation for loss of goodwill and future profits, have been transferred to the Dividend reserve fund for A shareholders and included in the Appropriation account balance carried forward respectively.

7. 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, have been carried to Investment reserve accounts the balances of which, after transfers to revenue accounts, have been applied to reduce the values of the assets in the respective Balance sheets.

8. With the approval of the Board of Trade (a) the group accounts do not deal with Prudential Nominees Limited or three other subsidiaries whose businesses are so different from that of the Company that they cannot reasonably be treated together as a single undertaking and in which subsidiaries the shareholdings are held merely as investments, 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. Three other subsidiaries have not been dealt with in the group accounts as the amounts involved are insignificant. Based on the rates of exchange ruling on the 31st December, 1963, the aggregate losses of two of these subsidiaries amount to £61,471 of which £16,910 relates to 1963; these amounts have been reimbursed by the Company. In respect of the third subsidiary acquired in July, 1962, there was a profit after acquisition of £42,825 of which £27,533 relates to 1963. A dividend of £15,292 relating to 1962 has been received in 1963 and included in the Company's accounts, and the balance of profit undistributed, viz., £27,533 carried forward in the accounts of the subsidiary.

9. 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 1963 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 1963 is included with General branch interest and dividends.



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

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We have obtained all the information and explanations which we considered necessary for our audit. 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 as at 31st December, 1963, 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 as at 31st December, 1963, 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.

3rd April, 1964.

# 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, 1963, of the life assurances and annuities and other insurance contracts of the Company.

## ORDINARY BRANCH

The number of contracts in force was **2,008,387**, producing an annual premium income of **£88,149,446**. Sums assured with bonuses amounted to **£2,658,579,680**; deferred and contingent annuities with bonuses amounted to **£103,265,557** per annum including amounts of annuity to be purchased by future recurrent single premiums. Annuities in course of payment amounted to **£5,029,578** per annum.

The interest earned in 1963 represents a gross rate of **£6 12s. 10d.** per cent. on the Ordinary branch life assurance fund.

The methods of valuation used for assurances were:—

Business issued in the United Kingdom, the Channel Islands and the Isle of Man	...	The net premium method valuing net premiums calculated on the valuation basis
Business issued in other territories except with-profits business issued in New Zealand	...	The modified net premium method valuing net premiums calculated on the valuation basis with an addition to allow for part of the initial expenses
With-profits business issued in New Zealand	...	The bonus reserve method

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 of mortality 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:	
Other than Second Series policies	3¼%
Second Series policies	3%
New Zealand:	
With-profits policies	4½%
Without-profits policies	3¼%
South Africa, the Rhodesias and Nyasaland:	
Other than Second Series policies	3½%
Second Series policies	3¼%
East Africa	3¼%
Other territories	3%

For assurances other than with-profits business issued in New Zealand 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. For with-profits business issued in New Zealand the provision for future expenses amounted to 15 per cent. of the value of the future office premiums and provision was made for future bonuses at the rate of 1.9 per cent. simple for First Series policies and 1.15 per cent. compound for Second Series policies with appropriate allowance for taxation and shareholders' 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 additions to the values of the annuities of 3½ per cent. for those issued in the United Kingdom, the Channel Islands and the Isle of Man and of 3 per cent. for those issued in other territories as provision for future expenses of paying annuities and for the increasing longevity of annuitants.

The rates of interest assumed were:—

Deferred annuities:—	United Kingdom, the Channel Islands and the Isle of Man	Other territories
With-profits:		
Individual business	3¾%	3%
Group pension business	2¾%	3%
Pension-Unit Schemes	4½%	—

## ORDINARY BRANCH (CONTINUED)

Deferred annuities (continued):—		United Kingdom, the Channel Islands and the Isle of Man	Other territories
Without-profits individual and group:			
Pension annuity business ... ..		4%	—
General annuity business:			
During deferment ... ..		3½%	3½%
After deferment ... ..		4%	
Immediate annuities ... ..		5%	3½%
Annuities certain ... ..		3½%	3½%

For individual deferred annuities and Pension-Unit Scheme policies 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.

The equivalents in sterling of liabilities in other currencies have been calculated at the rates of exchange ruling on 31st December, 1963.

The foregoing bases of valuation incorporate two major changes. First, for with-profits assurances issued in New Zealand a change has been made from valuations by the modified net premium method at 3½ per cent. for the First Series and at 3 per cent. for the Second Series to a valuation by the bonus reserve method at 4½ per cent. Second, for with-profits group deferred annuities issued in the United Kingdom, the Channel Islands and the Isle of Man the rate of interest has been increased from 2½ per cent. to 2¾ per cent. After provision for tax, the amount released by these changes is some **£2,500,000**.

The Additional reserve now stands at **£17,350,000**. This reserve is held in respect of revivals, options and general contingencies for which provision is not otherwise made and as a stabilising fund to facilitate the declaration of equitable bonuses on the various classes of policies.

**The result of the valuation is as follows:—**

Life assurance fund, subject to transfers out of surplus, on 31st December, 1963 ... ..	<b>£705,884,961</b>
Net liability under assurance policies ... ..	<b>£442,270,388</b>
Net liability under annuity contracts ... ..	<b>214,838,926</b>
Additional reserve ... ..	<b>17,350,000</b>
Total net liability ... ..	<b>674,459,314</b>
Surplus, including <b>£1,136,180</b> brought forward from last year ... ..	<b>£31,425,647</b>

I recommend that **£28,345,959** be allocated to participating policies.

I am of the opinion that, on participating assurances issued in the United Kingdom, the Channel Islands and the Isle of Man, 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, that the rates should be increased and that the years to which they apply should be extended to include the years 1959 to 1962 inclusive. 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 1962 or earlier which become claims by death or maturity between the date of declaration and 31st March, 1965, inclusive, at the following rates per cent. of the sum assured:—

Year of Issue	Rate per cent.						
1962	0.5	1952	9.0	1942	17.8	1932	25.8
1961	1.0	1951	10.0	1941	18.6	1931	26.6
1960	1.5	1950	11.0	1940	19.4	1930	27.4
1959	2.0	1949	12.0	1939	20.2	1929	28.2
1958	3.0	1948	13.0	1938	21.0	1928	29.0
1957	4.0	1947	13.8	1937	21.8	1927	29.8
1956	5.0	1946	14.6	1936	22.6	1926	30.6
1955	6.0	1945	15.4	1935	23.4	1925	31.4
1954	7.0	1944	16.2	1934	24.2	1924	32.2
1953	8.0	1943	17.0	1933	25.0	1923	33.0
						or earlier	

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	...	...	...	...	...	...	...	...	...	3.1	simple.
(2) Policies of the undermentioned overseas classes:—											
(a) Australia:											
First Series: Superannuation	...	...	...	...	...	...	...	...	...	3.15	simple.
Other	...	...	...	...	...	...	...	...	...	2.65	simple.
Second Series: Superannuation	...	...	...	...	...	...	...	...	...	2.2	compound.
Other	...	...	...	...	...	...	...	...	...	1.9	compound.
(b) New Zealand:											
First Series	...	...	...	...	...	...	...	...	...	2.1	simple.
Second Series	...	...	...	...	...	...	...	...	...	1.35	compound.
(c) Canada	...	...	...	...	...	...	...	...	...	2.05	compound.
(d) South Africa, the Rhodesias and Nyasaland:											
First Series	...	...	...	...	...	...	...	...	...	2.75	simple.
Second Series: Retirement Fund	...	...	...	...	...	...	...	...	...	2.375	compound.
Other	...	...	...	...	...	...	...	...	...	2.125	compound.
(e) East Africa	...	...	...	...	...	...	...	...	...	2.3	simple.
(f) Pakistan	...	...	...	...	...	...	...	...	...	1.4	simple.
(g) Malaya and Singapore	...	...	...	...	...	...	...	...	...	2.5	simple.
(h) Cyprus	...	...	...	...	...	...	...	...	...	2.8	simple.
(i) Malta	...	...	...	...	...	...	...	...	...	3.1	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 reversionary bonuses on annuities not yet commenced, at the following rates per cent. of the annuity being purchased, for policies issued in:—

(a) United Kingdom	...	...	...	...	...	...	...	...	...	2.625	simple.
(b) Canada	...	...	...	...	...	...	...	...	...	1.5	compound.

(D) For group pension business bonuses on pensions not yet commenced, at the following rates per cent. of the pension secured, for policies issued in:—

(a) United Kingdom:											
Pension annuity business	...	...	...	...	...	...	...	...	...	3.25	compound.
General annuity business	...	...	...	...	...	...	...	...	...	2.5	compound.
(b) Channel Islands and the Isle of Man	...	...	...	...	...	...	...	...	...	2.5	compound.
(c) Canada	...	...	...	...	...	...	...	...	...	1.8	compound.
(d) South Africa, the Rhodesias, Nyasaland and East Africa	...	...	...	...	...	...	...	...	...	2.375	compound.

(E) For Pension-Unit Scheme policies issued in the United Kingdom, the Channel Islands and the Isle of Man, a reversionary bonus on pensions not yet commenced, at the following rate per cent. of the pension being purchased

... .. .75 simple.  
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## ORDINARY BRANCH (CONTINUED)

I also recommend that final bonuses on retirement at the following rates, per cent. of the annuity or pension, be granted in anticipation out of surplus of the year 1964:—

- (A) For individual retirement annuity policies issued in:—
- |  |      |           |
|--|------|-----------|
| (a) United Kingdom, on annuities commencing between the date of declaration and 14th March, 1965, inclusive ... .. | 14.0 | compound. |
| (b) Canada, on annuities commencing between 1st July, 1964 and 30th June, 1965, inclusive ... ..                   | 15.0 | compound. |
- (B) For group pension policies (on pensions commencing between 15th March, 1964 and 14th March, 1965, inclusive) issued in:—
- |  |      |           |
|--|------|-----------|
| (a) United Kingdom, the Channel Islands and the Isle of Man ... .. | 25.0 | compound. |
| (b) Canada ... ..  | 11.0 | compound. |
| (c) South Africa, the Rhodesias, Nyasaland and East Africa ... ..  | 15.0 | compound. |

## INDUSTRIAL BRANCH

The number of policies in force, including 5,866,102 free or paid-up policies, was 27,784,612, producing an annual premium income of £66,892,373. The maximum sums assured with bonuses amounted to £1,404,857,793.

The interest earned in 1963 represents a gross rate of £7 1s. 4d. 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.

The Additional reserve now stands at £20,500,000. This reserve is held in respect of revivals, options and general contingencies for which provision is not otherwise made and as a stabilising fund to facilitate the declaration of equitable bonuses.

The result of the valuation is as follows:—

Industrial assurance fund, subject to transfers out of surplus on 31st December, 1963 ...	£559,343,469
Net liability under Industrial assurance policies... ..	£510,856,701
Additional reserve ... ..	20,500,000
Total net liability ... ..	531,356,701
Surplus, including £1,949,087 brought forward from last year ... ..	£27,986,768

I recommend that £24,463,946 be allocated to participating policies. As in the case of the Ordinary branch, I am of the opinion that 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, that the rates should be increased and that the years to which they apply should be extended to include the years 1959 to 1962. I, therefore, recommend that the amount allocated to participating policies be used to provide:—

- (A) A final bonus on policies issued in 1962 or earlier which become claims by death or maturity between the date of declaration and 31st March, 1965, inclusive, at the same rates as those for the Ordinary branch as shown on page 29.
- (B) A reversionary bonus at the rate of 2.4 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.

Permanent sickness contracts with the right of renewal issued in the United Kingdom 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 of mortality with interest at 3 per cent. Permanent sickness contracts with the right of renewal issued in Canada, some of which are attached to life policies, have been valued by a net premium method, assuming the Canadian 1952 Inter-Company (period 2 benefit 5) sickness experience increased by 25 per cent. for waiver of premium only benefits and by 75 per cent. for monthly income benefits combined with waiver of premium benefits and the Commissioners 1941 Standard Ordinary table of mortality with interest at 2½ per cent.

VALUATION REPORT (CONTINUED)

GENERAL BRANCH (CONTINUED)

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. Because these and certain other insurances carry the right of renewal, a further provision of £208,000 is, in my opinion, required in addition to the 40 per cent. of the premium income for the current year.

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

The marine and aviation fund of £1,234,077 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 £2,686,977 at the end of fixed terms of years, and produce an annual premium income of £20,118.

The equivalents in sterling of provisions in other currencies have been calculated at the rates of exchange ruling on 31st December, 1963.

The result of the valuation is as follows:—

Insurance fund, subject to transfers out of surplus, on 31st December, 1963	... ..	£17,755,737
Provision for fire, sickness and accident, motor vehicle and miscellaneous insurances	... ..	£10,025,303
Provision for marine and aviation insurance	... ..	1,234,077
Provision for sinking fund insurance	... ..	1,771,937
Additional reserve fund	... ..	4,050,000
		17,081,317
Surplus, including £231,229 brought forward from last year	... ..	£674,420

The main purpose of the Additional reserve fund is to make provision for claims due to exceptional conditions. In view of the abnormally heavy claims arising from the bad weather in the early part of 1963 it would, in my opinion, be appropriate to transfer £100,000 from this fund to the Appropriation account.

I am, Gentlemen,

Your obedient Servant,

F. M. REDINGTON,

*Chief Actuary.*

19th March, 1964.

**THE PRUDENTIAL ASSURANCE COMPANY LIMITED**

**HOLBORN BARS, LONDON E.C.1**

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