

BRITISH PRUDENTIAL ASSURANCE COMPANY.

ANNUAL REPORT.

The Annual Income of the Company which, at the commencement of the year 1863, amounted to £56,481. 18s. 10d., was, at the close, £70,466. 1s. 8d. after writing off all policies which had lapsed or become claims, thus showing a remarkable net increase of £14,000, and affording a practical evidence of the high estimation in which the office is held by its connections and the public.

The Directors believe that so large a net increase is almost without parallel in the history of Life Assurance Institutions, and the fact is of greater significance when it is borne in mind that the business transacted has again been obtained from purely British sources, and is independent of any transfer from other offices.

The claims paid during the year amount to £24,102. 8s. 7d., the greater proportion having been discharged within a few hours after notification at the Head Office.

The total claims paid, now amount to £148,329. 4s. 4d.

The Directors have the painful duty of notifying the decease of Mr. Warne, who has performed the duties of Auditor since the year 1849, and they cannot allow this opportunity to pass without expressing their deep regret at his loss, and recording their high sense of the value of his services to the Company.

They have elected Mr. J. Allanson, one of the oldest Shareholders, to supply the vacancy thus created, until the Annual Meeting.

Both Auditors retire from office, and being eligible offer themselves for re-election.

The Directors retiring are Messrs. P. Sers and R. T. Pugh, who being eligible also offer themselves for re-election.

The usual interest on the Shares, at 5 per cent., will be payable on and after the 19th day of May 1861.

Mr. Gladstone, in explaining the Annuities Bill, on the 7th March, 1864, alluded to the balance-sheet published by this Company for 1861, drawing certain unfavourable inferences respecting the position of the Company at that date, but which statement the Right Honorable Gentleman has since considerably modified. On the 17th March (vide *Times* March 18th,) he remarks:—"He quoted several other societies, the British Prudential among others, but did not take upon himself to say that they were insolvent societies. He simply pointed out facts that appeared in the balance-sheets of those societies, and only went to the point of saying that they were not societies which carried such an evidently sufficient guarantee to the public as entitled them to say to the Government, 'Do not enter into this field; it is occupied enough already.'" And on the 11th April (vide *Times* of April 12th,) he offers still further explanations of his meaning.

The Directors might have remained satisfied with these explanations, but they considered it their duty to place the balance-sheet in question, together with such data as the limited period of time allowed, before Mr. T. B. Sprague, M.A. (formerly Fellow and Mathematical Lecturer of

St. John's College, Cambridge, Senior Wrangler in 1853, an Actuary of eminence and high attainments, from whose Report the following is extracted:—

“The difference made by Mr. Gladstone is caused by an apparently trifling cause. It will be found to arise entirely from the proportion of the value of the premiums payable, which is deducted for future bonuses and expenses.” And after explaining this he proceeds with various calculations, adding at the end, “We thus see what very large differences in the balance are produced by a small difference in the proportion of the value of the premiums deducted. How, then, are we to determine what is the proper proportion to deduct? To this question I reply confidently, and without fear of contradiction, that the proper proportion is not to be arrived at by any rough rule, such as that adopted by the Chancellor of the Exchequer, who has taken off exactly one-third of the value of the premiums. The proper proportion can only be ascertained by laborious calculations, when the particulars of all the policies are given. It is therefore impossible for me, or for any Actuary to determine, from the imperfect data furnished me, what is the correct proportion to deduct. It is, however, not difficult to make an approximate estimate, so as to be in a position to speak confidently as to the solvency of the Society, when an explanation is given of the exact processes by which the figures set out in the balance-sheet are arrived at.”

Such explanation was supplied in the case submitted to Mr. Sprague, and after examining it, he says:—“I am, therefore, of opinion that the Chancellor of the Exchequer was erroneously advised, in reference to the balance-sheet of the British Prudential Company, and that there is no ground whatever for his statement that there was a balance of £30,000 against the Company on the 31st December, 1861.”

In addition to the balance-sheet and data above alluded to, the Directors submitted to Mr. Sprague the following questions:—

1st. Whether, at the 31st December, 1861, there was anything to cause alarm to the Policyholders of the Company.

2ndly. Whether there was any apprehension of the Shareholders being required to pay a call.

3rdly. Whether the Company was in a position to meet its existing liabilities or not.

To which questions Mr. Sprague replied as follows:—“I have no hesitation in saying that the British Prudential Company was perfectly solvent on the 31st December 1861, and that there was no cause for alarm on the part either of the Shareholders or of the Policyholders. Even if it should appear upon further examination that the valuation, as at 31st December, 1861, was such that the whole of the loading of the premiums was not reserved, still this would only effect the future profits of the Company, and not its solvency; and, in my opinion, the amount of the available assets, at that date, was sufficient to enable the Company to meet all its engagements honourably.”

The Directors have also submitted the case to Mr. S. L. Laundry, an actuary of considerable experience, and author of a Table of “Quarter Squares.” Mr. Laundry conducted the valuation for

this Company in the year 1858, and having had, at that time, complete Schedules of all the policies then in force, possessed a knowledge of the peculiar character of the business transacted by the Company, and therefore had better means of forming an opinion of the case than any Actuary who had not received special information of the nature of the risks.

In dealing with the balance-sheet of 1861, Mr. Laundy reconstructs it upon different principles to those adopted by the Company's actuary, and reserving the entire heading of the future premiums remarks, "From the foregoing approximated balance-sheet will be seen that the results agree nearly with those stated in my observations in the previous paragraph, which were arrived at independently, by means of the explanations above alluded to, and it further appears, from the same balance-sheet, that, with assets stated at £38,785, the Company was not only perfectly solvent, but had a surplus at the date of valuation."

The same questions, submitted to Mr. Sprague, were also propounded to Mr. Laundy, who replied as follows:—

"I am therefore of opinion, based on the data placed before me—

1st. "That at that date there was nothing in the condition of the Company to cause alarm to its Policyholders.

2ndly. "Nor to produce any apprehension on the part of the Shareholders of being required to pay a call.

3rdly. "That, at the end of 1861, the Company possessed assets sufficient in amount fully and honourably to meet all its existing engagements under its policies."

The Directors consider it superfluous to add one word of comment on reports so plain and conclusive, but they think it may be interesting to their connections to be informed of the effect which the Chancellor of the Exchequer's statement has made on the progress of the Company, and they therefore subjoin a statement of the business transacted in the first 16 weeks of the years 1863 and 1864, distinguishing the amount completed since the 7th of March (the date of the statement in question):—

	New Ann. Prem.		New Ann. Prem.
10 weeks ending 9th March, 1863	£3,715 4 2	10 weeks ending 7th March, 1864	£6,158 11 4
6 weeks ending 29th April, 1863	£2,202 11 6	6 weeks ending 1st April, 1864	1,280 19 2
	<u>£5,917 15 8</u>		<u>£10,439 10 6</u>

The new business in 16 weeks of 1863 being at the rate of £19,233 per annum, while that for the corresponding period of 1864 was at the rate of £33,928 per annum.

These figures prove most conclusively that those who are best acquainted with the working of the office, and the principles upon which it is conducted, have continued their exertions with unabated vigour and successful results, and the Directors most heartily thank the superintendents and agents, together with the numerous friends who have not only, during the past year, contributed to the present position of the Company, but who have, notwithstanding any favourable criticism, evinced their good feeling and unaltered confidence in its progress.

April, 1864.

JAMES GILMAN, Secy.

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35, LUDGATE HILL, LONDON, E.C.

We have examined the foregoing Account, find it to be correct, and hereby confirm the same,

Examined by three Directors,

HENRY HARBEN, SECRETARY

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