



THE PRUDENTIAL ASSURANCE COMPANY LIMITED

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

YEAR ENDING 31 DECEMBER 1959

P00003372

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THE PRUDENTIAL ASSURANCE COMPANY LIMITED

Directors :

Sir Frank William Morgan, M.C., Chairman.
Edward Joseph William Borrajo, M.B.E., A.I.A., Deputy Chairman.
Sir John Serocold Paget Mellor, Bt., Deputy Chairman.
John Anthony Tristram Barstow, D.S.O., T.D.
Sir John Donald Balfour Fergusson, G.C.B.
The Rt. Hon. Sir Percy James Grigg, K.C.B., K.C.S.I.
Hubert Samuel Lane, M.C.
Maurice Petherick.
Charles William Allan Ray.
Desmond Arthur Reid.
The Rt. Hon. Lord Spens, K.B.E.
Sir James Millard Tucker, Q.C.

General Manager :

W. F. Gardner, C.B.E., F.I.A.

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

Deputy General Managers :

R. H. Owen, F.I.A.
R. S. Thorp.
K. A. Usherwood, M.A., F.I.A.

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 Secretary :

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

Assistant General Managers :

G. J. Gould, A.C.I.I.
F. J. H. Hill, J.P., A.C.I.I.
A. J. Males, F.I.A.
R. E. Montgomery, A.C.I.I.
H. Proctor.

Assistant 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.

Agency Managers :

R. P. Johnson. F. Pearson.

Group Pensions Manager :

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

Solicitor :

P. B. Cockshutt.

Chief Controller :

W. G. Haslam, D.F.C.

Chief Surveyor :

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

Marine Underwriter :

C. E. R. Taylor.

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 :*

I. M. Macnab.



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, 12th May, 1960, at 2 o'clock in the afternoon, for the following purposes :

1

To receive the Report of the Directors and Statement of Accounts for the year ending 31st December, 1959

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 such Meeting.

142, Holborn Bars, London, E.C.1.
19th April, 1960.

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 concerned is drawn to the following Extract from the Articles of Association :—

A holder of less than 200 B Shares shall not in respect of those shares, be entitled to receive notice of or to attend or vote at any meeting 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.



ANNUAL REPORT

Year ending 31st December 1959

The Directors have the pleasure of submitting their Report and Accounts for 1959.

The Balance sheet total of the Company's Assets is £1,034,762,782 as compared with £964,951,301 at 31st December, 1958.

The Income from all sources during 1959 was £197,151,460 as compared with £182,792,821 in 1958.

The Tables which follow summarise the operations of the Life and General Branches during 1959.

BUSINESS IN FORCE 31st DECEMBER 1959

1958						1959	
UNITED KINGDOM	OVERSEAS	ORDINARY BRANCH				UNITED KINGDOM	OVERSEAS
		LIFE ASSURANCE BUSINESS					
£986,919,107	£585,598,655	Sums Assured, including bonus ...	...	...	...	£1,095,353,153	£653,620,790
£31,815,139	£15,333,722	Annual Premium Income ...	...	...	...	£33,789,481	£16,492,764
		DEFERRED AND CONTINGENT ANNUITIES					
		Amount of Annuities per annum, including bonus (and including amounts to be purchased by future recurrent single premiums) ...				...	...
£52,018,082	£8,984,812	...	...	...	...	£59,091,459	£10,050,973
£13,086,177	£2,288,173	Annual Premium Income ...	...	...	...	£14,660,345	£2,493,973
		IMMEDIATE ANNUITIES					
£1,967,405	£257,555	Amount of Annuities per annum ...	...	...	...	£2,295,314	£280,477

INDUSTRIAL BRANCH

£1,174,805,651	—	Sums Assured, including bonus ...	...	...	...	£1,215,451,677	—
£55,453,589	—	Annual Premium Income ...	...	...	...	£57,804,199	—

GENERAL BRANCH

£9,676,953	£6,738,411	Annual Premium Income	£10,567,219	£6,833,509
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The General Branch figures do not include the premiums of £2,983,787 (£2,329,157 for 1958) 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

1958		LIFE BRANCHES							1959	
ORDINARY BRANCH £	INDUSTRIAL BRANCH £								ORDINARY BRANCH £	INDUSTRIAL BRANCH £
		INCOME								
61,536,192	53,709,413	Premiums	...	...	...	...	...	66,178,654	56,026,839
422,280	—	Consideration for immediate annuities	...	...	...	...	...	828,393	—
23,291,250	26,001,879	Investment income	...	...	...	...	...	26,829,106	28,359,082
<u>85,249,722</u>	<u>79,711,292</u>	TOTAL INCOME	...	...	...	...	...	<u>93,836,153</u>	<u>84,385,921</u>
		OUTGO								
30,176,330	40,216,200	Claims and Surrenders...	...	...	...	...	...	29,584,731	40,971,283
2,127,259	—	Annuities	...	...	...	...	...	2,441,301	—
10,207,079	16,981,625	Expenses including Commission	...	...	...	...	...	10,772,505	17,332,7-
3,243,199	3,507,927	Taxation	...	...	...	...	...	4,146,096	4,346,137
<u>45,753,867</u>	<u>60,705,752</u>	TOTAL OUTGO	...	...	...	...	...	<u>46,944,633</u>	<u>62,650,165</u>
39,495,855	19,005,540	EXCESS OF INCOME OVER OUTGO	...	...	...	...	...	46,891,520	21,735,756
		Deduct								
23,620,794	2,960,606	Provision for increase in liabilities to policyholders	...	...	...	...	...	29,005,546	4,922,367
550,000	750,000	Transfer to Investment reserve account	...	...	...	...	...	300,000	450,000
<u>15,325,061</u>	<u>15,294,934</u>	SURPLUS FOR THE YEAR	...	...	...	...	...	<u>17,585,974</u>	<u>16,363,389</u>
		Add								
932,601	1,551,785	Surplus brought forward from previous year	...	...	...	...	...	972,427	1,761,633
<u>16,257,662</u>	<u>16,846,719</u>							<u>18,558,401</u>	<u>18,125,022</u>	
		Deduct								
750,000	1,000,000	Transfer to Branch contingency funds	...	...	...	...	...	—	—
972,427	1,761,633	Surplus carried forward	...	...	...	...	...	1,033,235	1,860,524
<u>£14,535,235</u>	<u>£14,085,086</u>	SURPLUS FOR DISTRIBUTION	...	...	...	...	...	<u>£17,525,166</u>	<u>£16,264,498</u>
		ALLOCATION								
13,540,315	13,120,978	To Policyholders' bonuses 93·51 % (93·16 % in 1958) in each branch...	...	...	...	...	...	16,388,448	15,209,549
994,920	964,108	To Profit and loss account for Shareholders 6·49 % (6·84 %) in each branch	...	...	...	...	...	1,136,718	1,054,949
		Appropriated as follows :—								
£1,959,028		To Dividend on A Shares	...	...	...	...	...	£2,191,667	

NCOME AND OUTGO

1958		1959
	GENERAL BRANCH	
£	UNDERWRITING INCOME AND OUTGO	£
	INCOME	
16,473,981	Premiums and fees	17,461,628
95,696	Investment income allocated to long term contracts	99,041
<u>16,569,677</u>	TOTAL INCOME	<u>17,560,669</u>
	OUTGO	
8,541,966	Claims	8,889,827
) 63,220	Contributions to fire brigades and fire prevention	70,158
6,805,326	Expenses including Commission	7,063,443
<u>15,410,512</u>	TOTAL OUTGO	<u>16,023,428</u>
1,159,165	EXCESS OF INCOME OVER OUTGO	1,537,241
	<i>Deduct</i>	
824,868	Provision for increase in liabilities to policyholders	448,650
<u>334,297</u>	GROSS UNDERWRITING SURPLUS	<u>1,088,591</u>
	INVESTMENT INCOME	
820,295	Investment income other than that allocated to long term contracts... ..	909,591
<u>1,154,592</u>	TOTAL GROSS SURPLUS	<u>1,998,182</u>
	<i>Deduct</i>	
650,000	Taxation	1,052,000
) 15,000	Transfer to Investment reserve account	10,000
<u>489,592</u>	NET SURPLUS FOR THE YEAR	<u>936,182</u>
	<i>Add</i>	
195,942	Surplus brought forward from previous year	196,645
685,534		1,132,827
	<i>Deduct</i>	
200,000	Transfer to Additional reserve fund... ..	500,000
196,645	Surplus carried forward	232,827
<u>£288,889</u>	SURPLUS FOR DISTRIBUTION	<u>£400,000</u>
	Appropriated as follows :	
£72,222	To Dividend on A Shares	£100,000
<u>£216,667</u>	To Dividend on B Shares	£300,000

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

A reversionary bonus at the rate of 52s. per £100 sum assured.

A final bonus on policies issued in the United Kingdom in 1958 or earlier which become claims by death or maturity of endowment between 17th March, 1960, and 31st December, 1960, inclusive, at the rate of 14s. 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 £25 per £100 sum assured.

Assurance policies of the undermentioned overseas classes

Reversionary bonuses at the following rates per £100 sum assured :

Australia...	...	...	...	...	...	...	42s.
New Zealand :							
First Series	...	...	...	...	...	...	32s.
Second Series	...	...	...	...	...	...	20s. compound.
Canada ...	...	...	...	...	...	...	36s. compound.
South Africa, the Rhodesias and Nyasaland						...	48s.
East Africa	...	...	...	...	...	...	38s.
Ceylon ...	...	...	...	...	...	...	30s.
Malaya and Singapore		...	...	...	...	...	36s.
Cyprus and Malta	...	...	...	...	...	...	52s.
Pakistan ...	...	...	...	...	...	...	20s.

Bonuses for assurance policies of other overseas classes, retirement annuity policies and for group pension business have also been declared at the rates set out on pages 25 and 26 in the Valuation Report of the Actuary.

INDUSTRIAL BRANCH

A reversionary bonus at the rate of 36s. per £100 sum assured.

This bonus is added as on 1st January, 1960, except for policies issued in 1959, where it is added on completion of payment of one year's premiums.

A final bonus on policies issued in 1958 or earlier, which become claims by death or maturity of endowment between 17th March, 1960, and 31st December, 1960, inclusive, at the rate of 12s. 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 £21 per £100 sum assured.

DIVIDENDS

The Directors have declared the following dividends :

A SHARES

A dividend of 7s. 4d. per share, of which 5s. 10d. is payable on 12th May, 1960, to the shareholders on the Register on 15th April, 1960, and 1s. 6d. is payable on 10th November, 1960, to the shareholders on the Register on 14th October, 1960.

Of the total dividend on the A Shares 3·84d. is derived from the profits of the General Branch and 7s. 0·16d. from the profits of the Life branches.

B SHARES

A dividend of 1s. 6d. per share payable on 12th May, 1960, to the shareholders on the Register on 15th April, 1960.

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 24-27.

On 21st May, 1959, the Directors appointed Sir John Mellor to be a Deputy Chairman. On 30th September, Colonel Reid, who was appointed a Director in 1926, tendered his resignation which was accepted with great regret.

The Directors retiring by rotation are Mr. E. J. W. Borrajo, Sir John Mellor and Mr. J. A. T. Barstow. Mr. Borrajo, who entered the service of the Company in 1897, joined the Board in 1942 and was appointed Deputy Chairman in 1950, is not offering himself for re-election. His services to the Company have been invaluable. Sir John Mellor and Mr. Barstow offer themselves for re-election and Mr. Desmond Reid, who was appointed a Director as from 1st January, 1960, retires in accordance with the Articles of Association and offers himself for election.

To fill the vacancy on the Board the Directors recommend the election of Mr. R. S. Thorp, who has been a Deputy General Manager of the Company since December, 1945, and is retiring on 12th May, 1960.

The election of the following will therefore be proposed at the Meeting :—

Sir John Serocold Paget Mellor, Bt.

John Anthony Tristram Barstow, D.S.O., T.D.

Desmond Arthur Reid.

Rupert Stanley Thorp.

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

Holborn Bars,
1st April, 1960.

F. W. MORGAN,
Chairman.

ORDINARY BRANCH REVENUE ACCOUNT

for the year ending 31st December 1959

LIFE ASSURANCE BUSINESS

1958 £		£	1958 £		£
391,657,892	Amount of life assurance fund at the beginning of the year	£429,503,887		Claims under policies paid and outstanding—	
645,060	Add adjustment in exchange	412,885	6,275,650	By death	7,035,489
392,302,952		429,916,772	16,065,349	By maturity	14,66
61,536,192	Premiums	66,178,654	22,340,999		21,699,174
422,280	Consideration for immediate annuities	828,393	7,379,432	Surrenders	7,287,726
23,291,250	Interest, dividends and net rents (less amount written off terminable securities) ...	26,829,106	455,899	Bonuses surrendered for cash	597,831
3,123,199	Deduct Income tax (less estimated rebate in respect of 1959)	4,046,096	2,127,259	Annuities	2,441,301
20,168,051		22,783,010	3,556,071	Commission	3,454,089
			6,651,008	Expenses of management	7,318,416
			120,000	Profits tax	100,000
			550,000	Transfer to Investment reserve account ...	300,000
			750,000	Transfer to Branch contingency fund ...	—
			994,920	Transfer to Profit and loss account ...	1,136,718
			429,503,887	Amount of life assurance fund at the end of the year	475,371,574
£474,429,475		£519,706,829	£474,429,475		£519,706,829

NEW BUSINESS DURING THE YEAR

- Assurances : The number of policies issued was 167,697; sums assured were £280,859,697; the annual premium income was £6,342,827; single premiums were £151,413.
- Annuities : The amount of annuities was £14,200,856 per annum ; the annual premium income was £3,086,213; single premiums (including consideration for immediate annuities) were £1,174,406.

INDUSTRIAL BRANCH REVENUE ACCOUNT

for the year ending 31st December 1959

INDUSTRIAL ASSURANCE BUSINESS

[illegible]

NEW BUSINESS DURING THE YEAR

Assurances : The number of policies issued was 1,494,583; sums assured were £110,131,566; the annual premium income was £7,485,972.

REVENUE ACCOUNTS

31st December 1959

MOTOR VEHICLE INSURANCE BUSINESS

1958 £		£	1958 £		£
	Amount of motor vehicle insurance fund at the beginning of the year—		3,710,466	Claims under policies paid and outstanding	3,716,810
1,998,798	Provision for unexpired risks	£2,449,092	702,011	Commission	714,050
3,653	Add adjustment in exchange	5,720	1,486,840	Expenses of management	1,577,778
2,002,451		2,454,812	—	Transfer to Profit and loss account ...	351,778
6,122,729	Premiums	6,509,340		Amount of motor vehicle insurance fund at the end of the year—	
223,229	Transfer from Profit and loss account ...	—	2,449,092	Provision for unexpired risks, which amounts to 40 per cent. of the premium income for the current year	2,603,736
<u>£8,348,409</u>		<u>£8,964,152</u>	<u>£8,348,409</u>		<u>£8,964,152</u>

MISCELLANEOUS INSURANCE BUSINESS

1958 £		£	1958 £		£
	Amount of miscellaneous insurance fund at the beginning of the year—		1,615,354	Claims under policies paid and outstanding	1,559,214
1,377,758	Provision for unexpired risks	£1,465,093	550,957	Commission	592,634
9,101	Add adjustment in exchange	4,970	1,001,453	Expenses of management	1,026,980
1,386,859		1,470,063	137,813	Transfer to Profit and loss account ...	319,952
3,325,194	Premiums	3,522,691		Amount of miscellaneous insurance fund at the end of the year—	
58,617	Trustee and executor fees	60,900	1,465,093	Provision for unexpired risks, which amounts to 44.1 per cent. (44.1 per cent. for 1958) of the premium income for the current year	1,554,874
<u>£4,770,670</u>		<u>£5,053,654</u>	<u>£4,770,670</u>		<u>£5,053,654</u>

The amount of debentures, debenture stocks and estates for which the Company acts as trustee exceeded £325,000,000 at the end of the year.

SINKING FUND INSURANCE BUSINESS

1958		£	1958		£
	Amount of sinking fund insurance fund at				
2,171,409	the beginning of the year	2,242,077	5,450	Claims under policies paid and outstanding	70,825
34,594	Premiums	33,596	18,083	Surrenders	101,831
94,641	Interest and dividends	97,892	163	Commission	—
			692	Expenses of management	879
			34,179	Transfer to Profit and loss account ...	38,370
				Amount of sinking fund insurance fund at	
			2,242,077	the end of the year	2,161,660
<u>£2,300,644</u>		<u>£2,373,565</u>	<u>£2,300,644</u>		<u>£2,373,565</u>

MARINE, AVIATION
AND TRANSIT INSURANCE BUSINESS

Total 1958 £		Current Year.	Last Preced- ing Year.	Previous Years.	Total.	Total 1958 £		Current Year.	Last Preced- ing Year.	Previous Years.	Total.
		£	£	£	£			£	£	£	£
1,022,899	Amount of marine, aviation and transit insurance fund at the beginning of the year	—	263,735	708,443	972,178	332,322	Claims paid (less sal- vages, refunds and re- insurance recoveries) —risks other than aviation hull risks ...	98,778	92,228	84,479	275,485
	Premiums (less broker- age, discount, com- mission, returns and reinsurances) — risks other than aviation hull risks	432,901	—12,630	—60	420,211	17,648	Expenses of manage- ment	18,992	—2,283	—105	16,604
388,454						11,054	Agency expenses ...	11,016	488	1	11,505
						22,861	Agents' and other profit commissions... ..	49	141	11,477	11,667
						5,290	Loss on exchange ...	5,206	17	33	5,256
						50,000	Transfer to Profit and loss account ...	—	—	40,000	40,000
						972,178	Amount of marine, aviation and transit insurance fund at the end of the year ...	298,860	160,514	572,498	1,031,872
		£1,392,389				£1,411,353		£1,392,389			

PROFIT AND LOSS ACCOUNT

for the year ending 31st December 1959

ORDINARY AND INDUSTRIAL BRANCHES

1958 £		£	1958 £		£
	Transfers from Revenue accounts—		1,959,028	Transfer to Appropriation account	2,191,667
994,920	Ordinary branch	1,136,718			
964,108	Industrial branch	1,054,949			
<u>£1,959,028</u>		<u>£2,191,667</u>	<u>£1,959,028</u>		<u>£2,191,667</u>

GENERAL BRANCH

1958 £		£	1958 £		£
	Transfers from Revenue accounts—			Transfer to Revenue account—	
163,479	Fire	124,885	223,229	Motor vehicle	—
172,055	Sickness and accident	213,606		Taxation—	
—	Motor vehicle	351,778	147,000	Overseas taxes	130,000
137,813	Miscellaneous	319,952	67,000	Profits tax	177,000
34,179	Sinking fund	38,370	436,000	Income tax	745,000
50,000	Marine	40,000	15,000	Transfer to Investment reserve account	10,000
820,295	Interest and dividends not carried to other accounts	909,591	489,592	Transfer to Appropriation account	936,182
<u>£1,377,821</u>		<u>£1,998,182</u>	<u>£1,377,821</u>		<u>£1,998,182</u>

APPROPRIATION ACCOUNT

for the year ending 31st December 1959

O. y and Industrial Branches 1958.	General Branch 1958.		Ordinary and Industrial Branches.	General Branch.	Ordinary and Industrial Branches 1958.	General Branch 1958.		Ordinary and Industrial Branches.	General Branch.
£	£		£	£	£	£		£	£
—	195,942	Balance brought forward from previous year ...	—	196,645	—	200,000	Transfer to Additional reserve fund ...	—	500,000
1,959,028	489,592	Transfers from Profit and loss account ...	2,191,667	936,182			Provision for dividends (free of income tax) in respect of 1959 to holders of—		
					1,959,028	72,222	A shares ...	2,191,667	100,000
					—	216,667	B shares ...	—	300,000
					—	196,645	Balance carried to Balance sheet ...	—	232,827
<u>£1,959,028</u>	<u>685,534</u>		<u>£2,191,667</u>	<u>1,132,827</u>	<u>£1,959,028</u>	<u>685,534</u>		<u>£2,191,667</u>	<u>1,132,827</u>

CONTINGENCY FUNDS AND

Accounts for the year ending 31st December 1959

COMMON CONTINGENCY FUND

1958 £		£	1958 £		£
	Amount of Common contingency fund at			Taxation—	
3,647,738	the beginning of the year	3,724,682	12,939	Profits tax	16,632
156,318	Interest and dividends	165,663	66,435	Income tax	66,941
			3,724,682	Amount of Common contingency fund at	
				the end of the year	3,806,772
<u>£3,804,056</u>		<u>£3,890,345</u>	<u>£3,804,056</u>		<u>£3,890,345</u>

SPECIAL CONTINGENCY FUND

1958 £		£	1958 £		£
	Amount of Special contingency fund at the			Taxation—	
5,988,149	beginning of the year	6,116,690	21,452	Profits tax	26,777
260,858	Interest and dividends	267,551	110,865	Income tax	108,138
			6,116,690	Amount of Special contingency fund at the	
				end of the year	6,249,326
<u>£6,249,007</u>		<u>£6,384,241</u>	<u>£6,249,007</u>		<u>£6,384,241</u>

DIVIDEND RESERVE FUND (A SHARES)

1958 £		£	1958 £		£
	Amount of Dividend reserve fund at the			Taxation—	
647,884	beginning of the year	660,028	2,034	Profits tax	2,548
24,659	Interest and dividends	25,912	10,481	Income tax	10,270
			660,028	Amount of Dividend reserve fund at the end	
				of the year	673,122
<u>£672,543</u>		<u>£685,940</u>	<u>£672,543</u>		<u>£685,940</u>

DIVIDEND RESERVE FUND

Balance Sheets 31st December 1959

COMMON CONTINGENCY FUND

LIABILITIES.				ASSETS.			
1958			£	1958			£
£				£			
3,724,682	Common contingency fund	...	3,806,772		Investments—		
	Current liabilities and provisions—			2,651,282	British Government securities	...	2,648,592
13,923	Profits tax	...	17,128	749,851	British Government guaranteed securities	...	883,326
—	Income tax	...	6,574	249,782	Municipal and county securities, United Kingdom	...	154,473
				32,000	Public Board securities, United Kingdom	...	32,000
				8,600	Other Commonwealth Government securities...	...	37,929
				36,000	Debentures and debenture stocks home and foreign	...	48,794
					Current assets—		
				5,767	Estimated tax recoverable	...	—
					Balances at Bankers—		
				—	On deposit in the United Kingdom	...	19,000
				5,323	On current account in the United Kingdom	...	6,360
<u>£3,738,605</u>			<u>£3,830,474</u>	<u>£3,738,605</u>			<u>£3,830,474</u>

SPECIAL CONTINGENCY FUND

LIABILITIES.				ASSETS.			
1958			£	1958			£
£				£			
6,116,690	Special contingency fund	...	6,249,326		Loans—		
	Current liabilities and provisions—			14,512	On parochial and other public rates	...	14,512
12,120	Profits tax	...	23,486		Investments—		
				3,949,870	British Government securities	...	3,540,799
				1,403,463	British Government guaranteed securities	...	2,026,476
				362,833	Municipal and county securities, United Kingdom	...	191,642
				284,504	Other Commonwealth Government securities	...	341,570
				33,000	Debentures and debenture stocks home and foreign	...	58,323
					Current assets—		
				57,957	Estimated tax recoverable	...	56,393
					Balances at Bankers—		
				—	On deposit in the United Kingdom	...	37,000
				22,671	On current account in the United Kingdom	...	6,097
<u>£6,128,810</u>			<u>£6,272,812</u>	<u>£6,128,810</u>			<u>£6,272,812</u>

DIVIDEND RESERVE FUND (A SHARES)

LIABILITIES.				ASSETS.			
1958			£	1958			£
£				£			
660,028	Dividend reserve fund	...	673,122		Investments—		
	Current liabilities and provisions—			451,082	British Government securities	...	673,471
2,077	Profits tax	...	2,924	183,062	British Government guaranteed securities	...	—
321	Income tax	...	1,580	17,221	Municipal and county securities, United Kingdom	...	—
					Current assets—		
				8,000	Balances at Bankers—		
					On deposit in the United Kingdom	...	—
				3,061	On current account in the United Kingdom	...	4,155
<u>£62,426</u>			<u>£677,626</u>	<u>£662,426</u>			<u>£677,626</u>

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MBER 1959

Ordinary Branch 1958.	Industrial Branch 1958.	General Branch 1958.	Total 1958.	ASSETS.	Ordinary Branch.	Industrial Branch.	General Branch.	Total.
£	£	£	£		£	£	£	£
24,536,881	12,876,100	1,865	37,414,846	Mortgages—				
15,567,903	86,088	1,466	15,655,457	On property within the United Kingdom ...	28,761,521	16,255,403	223	45,017,147
				On property out of the United Kingdom ...	17,071,389	15,087	2,759	17,089,235
3,894,440	5,676,213	283,800	9,854,453	Loans—				
8,801	—	—	8,801	On parochial and other public rates ...	2,752,157	5,434,955	284,100	8,471,212
2,101,275	925,000	175,000	3,201,275	On life interests ...	8,376	—	—	8,376
				On stocks and shares ...	375,060	100,000	112,518	587,578
13,958,991	—	4,000	13,962,991	On Company's policies within their surrender				
288,278	109,476	109,476	507,230	values ...	14,756,955	—	4,000	14,760,955
21,799	102,256	—	124,055	Without specific security ...	331,816	96,214	171,213	599,243
				To subsidiaries ...	15,532	77,661	—	93,193
59,416,309	109,322,545	3,531,723	172,270,577	Investments—				
27,937,531	56,094,655	1,110,379	85,142,565	British Government securities ...	61,920,459	103,629,592	3,481,723	169,031,774
				British Government guaranteed securities ...	24,639,595	57,487,082	1,110,379	83,237,056
199,426	240,554	—	439,980	Securities guaranteed under Trade Facilities and				
				other Acts ...	203,426	241,554	—	444,980
¥1,267	2,080,784	310,768	4,732,819	Municipal and county securities, United King-				
25,923	2,080,180	27,373	2,833,476	dom ...	2,170,352	2,063,695	263,281	4,497,328
21,667,576	4,465,910	1,279,177	27,412,663	Public Board securities, United Kingdom ...	481,498	1,836,733	28,472	2,346,703
5,219,487	—	860,481	6,079,968	Other Commonwealth Government securities ...	23,269,220	4,840,674	1,368,678	29,478,572
7,369,879	27,037	614,587	8,011,503	Other Commonwealth provincial securities ...	5,823,098	—	913,934	6,737,032
2,708,028	8,112	—	2,716,140	Other Commonwealth municipal securities ...	7,792,529	7,616	765,137	8,565,282
1,998,546	1,355,768	327,755	3,682,069	Other Commonwealth Public Board securities ...	2,914,685	—	—	2,914,685
2	3	—	5	Foreign Government securities ...	997,754	134,162	308,032	1,439,948
7,282	5	16,400	23,687	Foreign provincial securities ...	2	3	—	5
				Foreign municipal securities ...	3,535	5	16,400	19,940
68,827,073	76,795,819	5,120,156	150,743,048	Debentures and debenture stocks and gold and				
26,229,905	28,862,301	1,586,791	56,678,997	sterling bonds—home and foreign ...	75,968,367	78,096,072	5,110,756	159,175,195
92,852,220	112,777,627	2,601,349	208,231,196	Preference and guaranteed stocks and shares ...	27,887,564	29,293,421	1,557,754	58,738,739
				Ordinary stocks and shares ...	112,950,698	130,115,451	3,906,757	246,972,906
2	101	—	103	Subsidiaries not dealt with in group accounts—				
56,928	47,644	—	104,572	Ordinary shares ...	2	101	465	568
1,816,943	8,315,360	—	10,132,303	Rent charges ...	40,000	47,644	—	87,644
	171,521	—	171,521	Freehold ground rents and feu duties ...	5,856,744	8,207,191	—	14,063,935
				Leasehold ground rents ...	—	169,265	—	169,265
34,613,449	25,552,484	—	60,165,933	Property—				
17,030,213	15,664,314	—	32,694,527	In the United Kingdom—Freehold ...	36,853,147	27,580,904	—	64,434,051
2,948,470	—	—	2,948,470	—Leasehold ...	22,517,320	17,987,449	—	40,504,769
884	—	—	884	Out of the United Kingdom ...	4,943,307	—	—	4,943,307
				Reversions ...	884	—	—	884
				Fixed assets—				
		1,069,108	1,069,108	Subsidiary dealt with in accounts annexed—				
				Ordinary shares ...	—	—	1,069,108	1,069,108
	6,767,868	—	6,767,868	Office premises (at cost, less amounts written				
	929,185	—	929,185	off)—				
1,700,785	—	22,424	1,723,209	In the United Kingdom—Freehold ...	—	7,141,345	—	7,141,345
				—Leasehold ...	—	1,092,100	—	1,092,100
				Out of the United Kingdom ...	2,660,152	—	22,361	2,682,513
716,758	—	151,912	868,670	Current assets—				
610,787	—	480,905	480,905	Deposits at interest at home and abroad ...	842,808	—	193,278	1,036,086
1,801,005	—	1,947,511	3,748,516	Agents' balances ...	—	—	594,333	594,333
975,649	541,208	8,041	1,524,898	Commission paid in advance ...	1,820,761	—	—	1,820,761
2,487,677	2,463,344	166,820	5,117,841	Outstanding premiums ...	1,695,757	—	1,893,862	3,589,619
	—	1,140,518	1,140,518	Outstanding interest, dividends, rents and fees	1,091,624	476,413	11,851	1,579,888
		3,603	3,603	Interest, dividends, rents and fees accrued ...	2,703,839	2,669,105	132,138	5,505,082
205,428	128,571	—	333,999	Amounts due on reinsurance account ...	—	—	1,063,472	1,063,472
3,673,000	4,825,000	—	8,498,000	Amounts due from subsidiaries ...	—	—	4,100	4,100
219,024	203,381	231,955	654,360	Sundry brokers for investments sold ...	205,825	247,006	—	452,831
				Estimated income tax recoverable ...	2,708,000	3,875,000	—	6,583,000
				Other debtors ...	196,994	228,381	170,797	596,172
				Balances at Bankers and Cash in hand—				
800,000	—	200,000	1,000,000	On deposit—				
589,393	—	50,299	639,692	In the United Kingdom ...	—	—	—	—
				Out of the United Kingdom ...	726,560	—	52,000	778,560
68,695	129,474	31,629	229,798	In hand and on current account—				
1,451,432	109,837	573,120	2,134,389	In the United Kingdom ...	480,618	836,096	529,260	1,845,974
				Out of the United Kingdom ...	1,412,618	155,986	546,815	2,115,419
£450,645,344	479,735,725	24,040,391	954,421,460		£497,852,548	500,439,366	25,689,956	1,023,981,870
			3,738,605	Common contingency fund ...				3,830,474
			6,128,810	Special contingency fund... ...				6,272,812
			662,426	Dividend reserve fund (A shares)				677,626
				(per separate Balance sheets)				
			£964,951,301					£1,034,762,782

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, *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 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, 1959, 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.

W. F. GARDNER, *General Manager.*

F. W. MORGAN, *Chairman.*

F. M. REDINGTON, *Actuary.*

E. J. W. BORRAJO, *Director.*

L. BROWN, *Secretary.*

JOHN S. P. MELLOR, *Director.*

1st April, 1960.

NOTES TO THE ACCOUNTS

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

1958. £		1959. £
40,360,000	Capital commitments for settlement after 31st December	43,710,000
1,055,000	Contingent capital commitments	470,000
2,650,000	Uncalled capital on investments held	2,580,000
345,000	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:

1958. £		1959. £
34,500	Australia	35,500
19,000	Burma	19,000
26,777,500	Canada	30,493,000
1,373,500	Egypt (see Note 6)	1,328,500
13,000	Ireland	13,000
3,000	Israel	4,500
45,500	New Zealand	47,500
2,074,500	Pakistan	2,378,500

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 sec. 3 of The Prudential Assurance Company Act, 1875.

4. The aggregate amount of the Directors' remuneration for the year was £54,948. (1958, £53,992.)

5. Life and casualty revenue account transactions in overseas currencies have been brought in at the rates of exchange ruling on 31st December, 1959, 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 assets are maintained so far as practicable to the extent of the corresponding liabilities and together with reserve and contingency funds are available towards meeting any increase in liabilities by reason of any future variations in rates of exchange. Liabilities and assets in overseas currencies have been converted into sterling at the rates ruling on 31st December, 1959, 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. 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.

7. 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 United Kingdom taxes thereon. The investment reserve accounts, after bringing in transfers to or from the revenue accounts, have been applied to reduce the Balance sheet values of the assets in the appropriate branches.

8. With the approval of the Board of Trade (a) the group accounts do not deal with Prudential Nominees Limited and certain overseas 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. An agency company was formed during 1959 to assist the Company in obtaining General branch business in Italy. The accounts of this subsidiary have not been dealt with in the group accounts as the amounts involved are insignificant; the operations up to 31st December, 1959, resulted in a loss of £5,402, which has been reimbursed by the Company.

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 1959 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 a fixed 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 1959 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 ending 31st December 1959

1958		£	1958		£
	Amount of insurance fund at the beginning of the year—			Claims under policies paid and outstanding	1,431,391
2,114,490	Provision for unexpired risks	2,196,119	1,217,754	Commission	1,228,696
2,329,157	Premiums	2,983,787	958,094	Expenses of management	64,537
			52,147	Transfer to Profit and loss account	19,304
			19,533	Amount of insurance fund at the end of the year—	
				Provision for unexpired risks	2,435,978
<u>£4,443,647</u>		<u>£5,179,906</u>	<u>2,196,119</u>		<u>£5,179,906</u>
			<u>£4,443,647</u>		

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

PROFIT AND LOSS ACCOUNT

for the year ending 31st December 1959

1958		£	1958		£
	Balance (earned surplus) brought forward from previous year	1,199,194	26,652	Taxes	41,430
1,115,887	Interest and dividends	162,577	12,669	Investment expenses	16,114
152,026	Transfer from Revenue account	19,304	5,335	Loss on sale of securities	2,003
19,533			3,417	Amounts written off securities	3,462
			40,179	Dividend to Shareholders	40,179
				Balance (earned surplus) as per Balance sheet	1,277,887
			<u>1,199,194</u>		<u>£1,381,075</u>
<u>£1,287,446</u>		<u>£1,381,075</u>	<u>£1,287,446</u>		

BALANCE SHEET

31st December 1959

LIABILITIES.			ASSETS.		
1958		£	1958		£
	Authorised and Issued capital—			Investments (at or under cost)—	
535,714	15,000 shares of \$100 each, fully paid	535,714	2,027,755	United States Government securities ...	2,168,640
535,714	Capital reserve (surplus paid in)	535,714	1,615,383	Debentures and bonds	1,949,454
	Profit and loss account balance (earned surplus)	1,277,887	410,944	Preference stocks and shares	425,250
1,199,194	Insurance fund	2,435,978	635,197	Ordinary stocks and shares	580,942
2,196,119	Current liabilities—			Current assets—	
	Outstanding claims	788,172	21,194	Interest and dividends accrued	26,396
583,289	Outstanding commission and expenses ...	59,885	234,282	Amounts due on reinsurance account ...	271,347
55,880	Amounts due on reinsurance account ...	19,388	206,857	Balances at Bankers and Cash in hand ...	271,670
17,841	Taxation	40,961			
27,861					
<u>£5,151,612</u>		<u>£5,693,699</u>	<u>£5,151,612</u>		<u>£5,693,699</u>

All items have been converted at the rate of \$2.80 to the £. The Prudential Assurance Company Limited holds over 99 per cent. of the shares in this Company, and has the option in certain events to acquire the remaining shares.

**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, other than the Egyptian branch, not 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, 1959, 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, 1959, 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.

1st April, 1960.

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, 1959, of the life assurances and annuities and other insurance contracts of the Company.

ORDINARY BRANCH

The number of contracts in force was **1,748,854** producing an annual premium income of **£67,436,563**. Sums assured with bonuses amounted to **£1,748,973,943**; deferred and contingent annuities with bonuses amounted to **£69,142,432** per annum including amounts of annuity to be purchased by future recurrent single premiums, and annuities in course of payment amounted to **£2,575,791** per annum.

The interest earned in 1959 represents a gross rate of **£6 1s. 7d.** per cent. on the Ordinary Branch life assurance fund.

Assurances 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. The net rate of interest assumed was $2\frac{1}{4}$ per cent. for assurances issued in the United Kingdom, $3\frac{1}{4}$ per cent. for assurances issued in South Africa, the Rhodesias, Nyasaland and East Africa and 3 per cent. for assurances issued in other overseas territories.

For assurances issued in the United Kingdom net premiums have been valued, calculated on the valuation bases. For assurances issued overseas 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 and an additional reserve of loading has been made in respect of assurances issued in the United Kingdom.

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	Overseas
With profits :										
Individual Business :										
During deferment									3¼%	{ 3% 2¼%
After deferment										
Group Business									2½%	3%
Without Profits individual and group :										
Pension Annuity Business									4%	—
General Annuity Business :										
During deferment									3¼% 4%}	3½%
After deferment										
Immediate Annuities									4%	3½%
Annuities Certain									3½%	3½%

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.

The equivalents in sterling of liabilities in other currencies have been calculated at the rates of exchange ruling on 31st December, 1959.

VALUATION REPORT (CONTINUED)

ORDINARY BRANCH (CONTINUED)

A sum of **£3,500,000** is held in respect of revivals, options and general contingencies for which provision is not otherwise made.

The result of the valuation is as follows :—

Life assurance fund (subject to transfers out of surplus) on 31st December, 1959	£476,508,292
Net liability under assurance policies	£326,192,250
Net liability under annuity contracts	128,257,641
Provision for revivals, options and general contingencies	3,500,000
Total net liability	£457,949,891
Surplus, including £972,427 brought forward from last year	£18,558,401

I recommend that **£16,388,448** 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, that the rates of final bonus should be increased and that the years to which they apply should be extended to include the years 1954—1958. I therefore recommend that the amount allocated to participating policies be used to provide :—

(A) For assurance policies issued in the United Kingdom 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, 1960, at the rate of **14s.** 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 **£25** per £100 sum assured.

(B) For assurance policies reversionary bonuses per £100 sum assured at the following rates :—

(1) Policies of classes issued in the United Kingdom	52s.
(2) Policies of the undermentioned overseas classes	
(a) Australia... ..	42s.
(b) New Zealand :	
First Series	32s.
Second Series	20s. compound.
(c) Canada	36s. compound.
(d) South Africa, the Rhodesias and Nyasaland	48s.
(e) East Africa	38s.
(f) Ceylon	30s.
(g) Malaya and Singapore	36s.
(h) Cyprus and Malta	52s.
(i) Pakistan	20s.
(j) Sudan and Palestine (closed classes)	30s.
(k) Burma (a closed class)	20s.
(l) India (a closed class comprising a few policies on the Burma and United Kingdom registers)	28s.

VALUATION REPORT (CONTINUED)

ORDINARY BRANCH (CONTINUED)

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

(1) Reversionary bonuses on annuities not yet commenced per £100 annuity being purchased, for policies issued in :—	
(a) United Kingdom	40s.
(b) Canada	24s. compound.
(2) Final bonuses on annuities (as increased by any existing bonus annuities) per £100 annuity for policies issued in :—	
(a) United Kingdom, on annuities commencing between the date of declaration and 31st December, 1960, inclusive	£12
(b) Canada, on annuities commencing between 1st July, 1960 and 30th June, 1961, inclusive	£12

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

(1) Compound bonuses on pensions not yet commenced per £100 pension secured for policies issued in :—	
(a) United Kingdom :	
(i) Pension annuity business	52s.
(ii) General annuity business	42s.
(b) Canada	26s.
(c) South Africa, the Rhodesias, Nyasaland and East Africa	40s.
(2) Final bonuses on pensions (as increased by any existing bonus pensions) commencing between 15th March, 1960 and 14th March, 1961, inclusive, per £100 pension for policies issued in :	
(a) United Kingdom	£20
(b) Canada	£7
(c) South Africa, the Rhodesias, Nyasaland and East Africa	£12 10s.

INDUSTRIAL BRANCH

The number of policies in force, including 5,759,131 free or paid-up policies, was 29,180,130 producing an annual premium income of £57,804,199. The maximum sums assured with bonuses amounted to £1,215,451,677.

The interest earned in 1959 represents a gross rate of £6 5s. 11d. 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 and an additional reserve of loading has been made.

A sum of £2,000,000 is held in respect of revivals, options and general contingencies for which provision is not otherwise made.

The result of the valuation is as follows :—

Industrial assurance fund (subject to transfers out of surplus) on 31st December, 1959 ...	£473,671,348
Net liability under Industrial assurance policies... ..	£453,546,326
Provision for revivals, options and general contingencies	2,000,000
Total net liability	£455,546,326
Surplus including £1,761,633 brought forward from last year	£18,125,022

VALUATION REPORT (CONTINUED)

INDUSTRIAL BRANCH (CONTINUED)

I recommend that **£15,209,549** be allocated to participating policies. As in the case of the Ordinary Branch, I am of the opinion that the rates of final bonus should be increased and that the years to which they apply should be extended to include the years 1954-1958. 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, 1960, at the rate of **12s.** 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 **£21** per £100 sum assured.
- (B) A reversionary bonus at the rate of **36s.** per £100 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, as to sickness rates, by the Manchester Unity (Whole Society) Experience, 1893-97, and as to mortality by the table published by the Insurance Commissioners (Cd. 6292) with interest at 3 per cent. In view of the uncertainty of sickness rates, I have considered it necessary to increase by 60 per cent. the reserve brought out on these bases.

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 is attached an additional benefit 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 **£644,000** is required in addition to the 40 per cent. of the premium income for the current year.

The marine fund of **£1,031,872** 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 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 **£3,689,597** at the end of fixed terms of years, and produce an annual premium income of **£32,916**.

) The equivalents in sterling of provisions in other currencies have been calculated at the rates of exchange ruling on 31st December, 1959.

The result of the valuation is as follows :

Insurance fund (subject to transfers out of surplus) on 31st December, 1959	...	...	£16,020,292
Provision for fire, sickness and accident, motor vehicle and miscellaneous insurances	...	...	£8,293,933
Provision for marine insurance	...	...	1,031,872
Provision for sinking fund insurance	...	...	2,161,660
Additional reserve fund	...	...	3,400,000
			£14,887,465
Surplus including £196,645 brought forward from last year	...	...	£1,132,827

I recommend that **£500,000** be transferred to the Additional reserve fund.

I am, Gentlemen,

Your obedient Servant,

F. M. REDINGTON,

Actuary.

17th March, 1960.

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THE PRUDENTIAL ASSURANCE COMPANY LIMITED

HOLBORN BARS, LONDON E.C.1

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