



THE PRUDENTIAL ASSURANCE COMPANY LIMITED

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

YEAR ENDED 31 DECEMBER 1962

P00019927

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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.
Sir James Millard Tucker, Q.C.

General Manager :

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

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

Deputy General Managers :

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

Chief Actuary :

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

Investment Managers :

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

Assistant General Managers :

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

Deputy Actuaries :

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

Deputy Secretary :

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

Deputy Investment Managers :

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

Agency Managers :

R. P. Johnson.
F. Pearson.

Group Pensions Manager :

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

Mechanisation Manager :

G. A. Brown, T.D., F.I.A.

Chief Surveyor :

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

Life Manager—Ordinary Branch:

C. D. Clark.

Marine Underwriter :

C. E. R. Taylor.

Deputy Chief Surveyor :

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

Senior Solicitor :

P. B. Cockshutt.

Principal Medical Officer :

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

*General Manager for Australia
and New Zealand :*

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

*General Manager
for Canada :*

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

*General Manager for Southern
and East Africa :*

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



THE PRUDENTIAL ASSURANCE COMPANY LIMITED

NOTICE IS HEREBY GIVEN

that the ANNUAL GENERAL MEETING of this Company will be held at the Registered Office of the Company, No. 142, HOLBORN BARS, LONDON, E.C.1 on THURSDAY, the 16th May, 1963, at 12.15 p.m., for the following purposes:

1

To receive the Report of the Directors and Statement of Accounts for the year ended 31st December, 1962

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.

In connection with the re-election of Directors, special notice has been given to the Company pursuant to the Companies Act, 1948, that a separate resolution will be moved proposing the re-election of Sir John Serocold Paget Mellor, Bt., who retires by rotation and will be aged 69 at the date of the Meeting.

142, Holborn Bars, London, E.C.1.
23rd April, 1963.

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

PROXIES

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

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

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ANNUAL REPORT

Year ended 31st December 1962

The Directors submit their Report and Accounts for 1962.

The Balance sheet total of the Company's Assets is £1,262,419,948 as compared with £1,187,732,015 at 31st December, 1961.

The Income from all sources during 1962 was £250,620,349 as compared with £230,736,092 in 1961.

The Tables which follow summarise the operations of the Life and General branches during 1962.

BUSINESS IN FORCE 31st DECEMBER 1962

1961		1962	
UNITED KINGDOM	OVERSEAS	UNITED KINGDOM	OVERSEAS
£	£	£	£
1,319,480,352	776,697,286	1,516,845,430	843,138,387
38,548,398	18,016,875	41,137,366	18,803,358
ORDINARY BRANCH			
LIFE ASSURANCE BUSINESS			
		Sums Assured, including bonus	
		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)	
		Annual Premium Income	
IMMEDIATE ANNUITIES			
		Amount of Annuities per annum	
INDUSTRIAL BRANCH			
		Sums Assured, including bonus	
		Annual Premium Income	

GENERAL BRANCH

12,741,459	7,322,385	Premium Income	13,740,055	7,122,135
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The General branch figures do not include the premiums of £4,302,094 (£3,990,460 for 1961) written by the Company's American subsidiary, The Prudential Insurance Company of Great Britain, located in New York, the accounts of which appear on page 22.

SUMMARY OF INCOME AND OUTGO

1961		1962		1961		1962	
ORDINARY BRANCH £	INDUSTRIAL BRANCH £	ORDINARY BRANCH £	INDUSTRIAL BRANCH £	£	£	£	£
LIFE BRANCHES				GENERAL BRANCH			
INCOME				UNDERWRITING INCOME AND OUTGO			
INCOME				INCOME			
77,526,492	60,540,417	84,080,488	66,360,824*	20,131,403		20,931,495	
1,338,073	—	3,141,869	—	115,943		110,215	
35,286,819	34,071,402	39,063,322	35,058,972				
—	—	69,280	—	<u>20,247,346</u>			
<u>114,151,384</u>	<u>94,611,819</u>	<u>126,354,959</u>	<u>101,419,796</u>				TOTAL INCOME ... 21,041,710
*In 1962 there were fourteen due dates for payment of four-weekly premiums and fifty-three for weekly premiums. This accounts for some £3,670,000 of the total increase of £5,820,407 in the premium income.				10,435,384			
OUTGO				77,012			
36,281,214	53,769,266	41,014,288	53,931,957	8,401,444			
3,152,853	—	3,766,098	—	93,230			
12,949,326	18,754,023	13,762,472	19,898,849	<u>19,007,070</u>			
4,990,027	5,783,507	5,436,674	5,731,231				
<u>57,373,420</u>	<u>78,306,796</u>	<u>63,979,532</u>	<u>79,562,037</u>				TOTAL OUTGO ... 20,799,944
<u>56,777,964</u>	<u>16,305,023</u>	<u>62,375,427</u>	<u>21,857,759</u>	1,240,276			
33,386,646	—4,703,009	35,815,697	—38,674	<u>693,632</u>			
<u>23,391,318</u>	<u>21,008,032</u>	<u>26,559,730</u>	<u>21,896,433</u>	<u>546,644</u>			
1,101,888	1,904,409	1,114,974	1,931,961				EXCESS OF INCOME OVER OUTGO ... 241,766
<u>24,493,206</u>	<u>22,912,441</u>	27,674,704	23,828,394				<i>Deduct</i>
1,114,974	1,931,961	1,136,180	1,949,087				Provision for increase in liabilities to policyholders ... 146,382
<u>23,378,232</u>	<u>20,980,480</u>	<u>26,538,524</u>	<u>21,879,307</u>				GROSS UNDERWRITING SURPLUS ... 95,384
<u>£23,378,232</u>	<u>£20,980,480</u>	<u>£26,469,244</u>	<u>£21,879,307</u>				INVESTMENT INCOME
21,924,480	19,675,829	24,822,622	20,518,220				Investment income other than that allocated to long term contracts ... <u>1,221,142</u>
1,453,752	1,304,651	1,646,622	1,361,087				TOTAL GROSS SURPLUS ... 1,316,526
<u>£2,758,403†</u>		<u>£3,007,709</u>					<i>Deduct</i>
							Taxes charged to Profit and loss account ... 672,000
							NET SURPLUS FOR THE YEAR ... 644,526
							<i>Add</i>
							Surplus brought forward from previous year ... 230,036
							<u>874,562</u>
							<i>Deduct</i>
							Transfer to Branch contingency fund ... —
							Transfer to Additional reserve fund ... 100,000
							Surplus carried forward ... 231,229
							SURPLUS FOR DISTRIBUTION ... £543,333
							<i>Appropriated as follows:</i>
							To Dividend on A Shares ... <u>£143,333</u>
							To Dividend on B Shares ... <u>£400,000</u>

† Including £286,458 originally transferred to Dividend reserve fund but subsequently distributed on 8th November, 1962.

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 1958 or earlier which become claims by death or maturity of endowment between 21st March, 1963, and 31st December, 1963, inclusive, at the rate of 15s. per £100 sum assured for each 31st December prior to 1959 on which the policy was a participating policy, subject to a maximum addition of £27 per £100 sum assured.

Assurance policies of the undermentioned overseas classes

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

Australia (other than superannuation policies):						
First Series	...	...	...	...	...	2.6
Second Series	...	...	...	...	...	1.85 compound.
New Zealand:						
First Series	...	...	...	...	...	2.1
Second Series	...	...	...	...	...	1.35 compound.
Canada	...	...	...	...	...	2.0 compound.
South Africa, the Rhodesias and Nyasaland:						
First Series	...	...	...	...	...	2.75
Second Series	...	...	...	...	...	2.125 compound.
East Africa	...	...	...	...	...	2.3
Pakistan	...	...	...	...	...	1.3
Malaya and Singapore	...	...	...	...	...	2.4
Cyprus	...	...	...	...	...	2.8
Malta	...	...	...	...	...	3.1

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

INDUSTRIAL BRANCH

A reversionary bonus at the rate of 46s. per £100 sum assured.

This bonus is added as on 21st March, 1963, or on completion of payment of one year's premiums, whichever is the later.

A final bonus on policies issued in 1958 or earlier which become claims by death or maturity of endowment between 21st March, 1963, and 31st December, 1963, inclusive, at the rate of 15s. per £100 sum assured for each 31st December prior to 1959 on which the policy was a premium paying policy, subject to a maximum addition of £27 per £100 sum assured.

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DIVIDENDS

The Directors have declared the following dividends out of the profits of the year 1962:

A SHARES

A dividend of 10s. 1d. per share, of which 8s. 7d. is payable on 16th May, 1963, to the shareholders on the Register on 19th April, 1963, and 1s. 6d. is payable on 14th November, 1963, to the shareholders on the Register on 18th October, 1963.

Of the total dividend on the A shares 5·50d. is derived from the profits of the General branch and 9s. 7·50d. from the profits of the Life branches.

A special non-taxable payment of 2·66d. per share arising from compensation received in respect of the nationalisation of Indian life business is to be distributed with the dividend payable on 16th May, 1963.

B SHARES

A dividend of 2s. 0d. per share payable on 16th May, 1963, to the shareholders on the Register on 19th April, 1963.

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 sum of £286,458 withheld out of the Shareholders' share of profits of the Ordinary and Industrial branches for the year 1961 and transferred to the Dividend reserve fund (A shares) was distributed on 8th November, 1962, as a dividend of 11d. per A share free of income tax.

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

The Directors deeply regret the death on 4th March, 1963, of their colleague Sir John Donald Balfour Fergusson, G.C.B. who was appointed a Director in October 1952.

The Directors retiring by rotation are Sir John Serocold Paget Mellor, Bt., Mr. John Anthony Tristram Barstow, D.S.O., T.D., D.L., and Mr. Desmond Arthur Reid who offer themselves for re-election.

To fill the vacancy on the Board the Directors recommend the election of Sir Giles Connop McEacharn Guthrie, Bt., O.B.E., D.S.C., J.P.

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

*Holborn Bars,
9th April, 1963.*

F. W. MORGAN,
Chairman.

ORDINARY BRANCH REVENUE ACCOUNT

for the year ended 31st December 1962

LIFE ASSURANCE BUSINESS

1961		£		1961		£
525,245,078	Amount of life assurance fund at the beginning of the year	£578,829,737			Claims under policies paid and outstanding—	
	<i>Deduct</i> in respect of Egyptian business (see Note 7, page 21)	1,455,614		8,608,579	By death	9,796,888
525,245,078		577,374,123		16,849,843	By maturity	17,549,424
	<i>Deduct</i> adjustment in exchange	1,221,353		25,458,422		27,346,312
523,505,525		576,152,770		10,052,352	Surrenders	12,826,019
77,526,492	Premiums	84,080,488		770,440	Bonuses surrendered for cash	841,957
1,338,073	Consideration for immediate annuities	3,141,869		3,152,853	Annuities	3,766,098
35,286,819	Interest, dividends and net rents (less amount written off terminable securities) ...	39,063,322		3,911,668	Commission	4,089,179
4,825,027	<i>Deduct</i> Income tax (less estimated rebate in respect of 1962)	5,226,674		9,037,658	Expenses of management	9,673,293
30,461,792		33,836,648		165,000	Profits tax	210,000
	Compensation following the nationalisation of Indian business	69,280			Transfer to Profit and loss account (including £69,280 in respect of compensation following the nationalisation of Indian business)	1,715,902
				1,453,752	Amount of life assurance fund at the end of the year	636,812,295
				578,829,737		
£632,831,882		£697,281,055				£697,281,055

NEW BUSINESS DURING THE YEAR

Assurances: The number of policies issued was 177,390; sums assured were £404,865,104; the annual premium income was £7,364,430; single premiums were £291,291.

Annuities: The amount of annuities was £20,768,882 per annum; the annual premium income was £4,226,864; single premiums (including consideration for immediate annuities) were £3,705,906.

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INDUSTRIAL BRANCH REVENUE ACCOUNT

for the year ended 31st December 1962

INDUSTRIAL ASSURANCE BUSINESS

1961 £	£	1961 £	£
			Claims under policies paid and outstanding—
497,010,588	512,010,960	16,313,861	By death 16,935,951
60,540,417	66,360,824	27,176,422	By maturity 25,306,165
		<u>43,490,283</u>	42,242,116
34,071,402		10,278,983	Surrenders 11,689,841
	£35,058,972	18,754,023	Expenses of management 19,898,849
		140,000	Profits tax 160,000
5,643,507	5,571,231	1,304,651	Transfer to Profit and loss account ... 1,361,087
28,427,895	<u>29,487,741</u>		Amount of Industrial assurance fund at the end of the year 532,507,632
		<u>512,010,960</u>	
<u>£585,978,900</u>	<u>£607,859,525</u>	<u>£585,978,900</u>	<u>£607,859,525</u>

In 1962 there were fourteen due dates for payment of four-weekly premiums and fifty-three for weekly premiums. This accounts for some £3,670,000 of the total increase of £5,820,407 in the premium income.

NEW BUSINESS DURING THE YEAR

Assurances: The number of policies issued was 1,488,349; sums assured were £138,605,098; the annual premium income was £9,218,069.

GENERAL BRANCH

for the year ended

FIRE INSURANCE BUSINESS

1961 £	£	1961 £	£
Amount of fire insurance fund at the beginning of the year—		2,648,938	Claims under policies paid and outstanding 3,294,631
2,762,977	2,843,162	1,088,055	Commission 1,089,699
5,920,588	6,061,485	1,751,253	Expenses of management 1,849,243
—	417,788	42,739	Overseas taxes other than on profits ... 39,918
		77,012	Contributions to fire brigades and fire prevention 87,016
		107,879	Exchange depreciation on currency assets held against currency liabilities 103,368
		124,527	Transfer to Profit and loss account ... —
			Amount of fire insurance fund at the end of the year—
			Provision for unexpired risks, which amounts to 47.2 per cent. (48.0 per cent. for 1961) of the premium income for the current year 2,858,560
		2,843,162	
<u>£8,683,565</u>	<u>£9,322,435</u>	<u>£8,683,565</u>	<u>£9,322,435</u>

REVENUE ACCOUNTS

31st December 1962

MOTOR VEHICLE INSURANCE BUSINESS

1961 £	£	1961 £	£
Amount of motor vehicle insurance fund at the beginning of the year—		4,691,820	Claims under policies paid and outstanding 5,064,772
2,881,014	£3,154,714	846,442	Commission 884,358
26,277		1,997,423	Expenses of management 2,047,359
2,854,737	3,116,677	27,684	Overseas taxes other than on profits ... 25,530
7,886,784		23,438	Transfer to Profit and loss account ... —
—			Amount of motor vehicle insurance fund at the end of the year—
			Provision for unexpired risks, which amounts to 40 per cent. of the premium income for the current year 3,251,034
		3,154,714	
<u>£10,741,521</u>	<u>£11,273,053</u>	<u>£10,741,521</u>	<u>£11,273,053</u>

SICKNESS AND ACCIDENT INSURANCE BUSINESS

1961 £	£	1961 £	£
Amount of sickness and accident insurance fund at the beginning of the year—		692,322	Payments under policies, including medical and legal expenses in connection therewith 914,893
608,120	£689,598	267,836	Commission 319,442
525,000	475,000	493,855	Expenses of management 604,703
157,856	169,509	3,286	Overseas taxes other than on profits ... 3,831
249,588	300,534	239,035	Transfer to Profit and loss account ... 228,568
1,540,564	1,634,641		Amount of sickness and accident insurance fund at the end of the year—
16,081	12,459	689,598	Provision for unexpired accident and disability risks, which amounts to 40 per cent. of the premium income for the current year £770,695
1,524,483	1,622,182	475,000	Further provision for renewable accident and disability risks 300,000
1,723,994	1,926,737	169,509	Provision for permanent sickness risks 199,043
72,148	102,496	300,534	Total estimated liability in respect of outstanding claims 321,416
1,796,142	2,029,233	1,634,641	
10,350	11,176		
<u>£3,330,975</u>	<u>£3,662,591</u>	<u>£3,330,975</u>	<u>£3,662,591</u>

See Note 5 page 21.

MISCELLANEOUS INSURANCE BUSINESS

1961 £	£	1961 £	£
Amount of miscellaneous insurance fund at the beginning of the year—		1,881,829	Claims under policies paid and outstanding 1,941,029
1,630,259	£1,691,078	663,216	Commission 614,347
22,184		1,246,421	Expenses of management 1,281,274
1,608,075	1,666,026	19,521	Overseas taxes other than on profits ... 16,647
3,881,037		54,606	Transfer to Profit and loss account ... 148,798
67,559			Amount of miscellaneous insurance fund at the end of the year—
			Provision for unexpired risks, which amounts to 43.3 per cent. (43.6 per cent. for 1961) of the premium income for the current year 1,728,928
		1,691,078	
<u>£5,556,671</u>	<u>£5,731,023</u>	<u>£5,556,671</u>	<u>£5,731,023</u>

The amount of debentures, debenture stocks and estates for which the Company acts as trustee exceeded £361,000,000 at the end of the year.

GENERAL BRANCH REVENUE ACCOUNTS

CONTINUED

SINKING FUND INSURANCE BUSINESS

1961				1961			
£			£	£			£
2,062,515	Amount of sinking fund insurance fund at the beginning of the year		1,992,958	153,850	Claims under policies paid and outstanding		256,550
27,602	Premiums		24,936	3,312	Surrenders		2,744
105,593	Interest and dividends		99,039	—	Commission		—
				552	Expenses of management		484
				45,038	Transfer to Profit and loss account ...		44,598
				1,992,958	Amount of sinking fund insurance fund at the end of the year		1,812,557
£2,195,710			£2,116,933	£2,195,710			£2,116,933

MARINE, AVIATION AND TRANSIT INSURANCE BUSINESS

Total 1961 £	Current Year.	Last Preceding Year.	Previous Years.	Total.	Total 1961 £	Current Year.	Last Preceding Year.	Previous Years.	Total.
	£	£	£	£		£	£	£	£
1,146,234	—	353,571	859,496	1,213,067	363,313	114,412	169,200	82,424	412,656
						16,660	23,365	6,595	
					20,836	23,940	— 283	22	23,679
551,691	528,122	— 326	15,205	623,260	10,610	12,656	390	8	13,054
	37,940	33,782	8,537		14,945	—	70	12,015	12,085
					15,154	5,953	— 257	— 443	5,253
					60,000	—	—	120,000	120,000
					1,213,067	392,441	194,541	662,618	1,249,600
£1,697,925				£1,836,327	£1,697,925				£1,836,327

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PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1962.

ORDINARY AND INDUSTRIAL BRANCHES

1961		1961	
£	£	£	£
	Transfers from Revenue accounts—		Transfer to Appropriation account ...
1,453,752	Ordinary branch	1,715,902	3,076,989
1,304,651	Industrial branch	1,361,087	
<u>£2,758,403</u>		<u>£3,076,989</u>	<u>£3,076,989</u>

GENERAL BRANCH

1961		1961	
£	£	£	£
	Transfers from Revenue accounts—		Transfers to Revenue accounts—
124,527	Fire	—	Fire
*239,035	Sickness and accident	228,568	Motor vehicle
23,438	Motor vehicle	—	Taxation—
54,606	Miscellaneous	148,798	Overseas taxes not charged to other
45,038	Sinking fund	44,598	accounts
60,000	Marine	120,000	Profits tax
	Interest and dividends not carried to other		Income tax
*1,185,444	accounts	1,221,142	Transfer to Appropriation account ...
<u>£1,732,088</u>		<u>£1,763,106</u>	<u>£1,763,106</u>

*See Note 5 page 21.

APPROPRIATION ACCOUNT

for the year ended 31st December 1962

Ordinary and Industrial Branches 1961.	General Branch 1961.	Ordinary and Industrial Branches.	General Branch.	Ordinary and Industrial Branches 1961.	General Branch 1961.	Ordinary and Industrial Branches.	General Branch.
£	£	£	£	£	£	£	£
—	220,837	—	230,036	—	300,000	—	—
2,758,403	858,088	3,076,989	644,526	—	50,000	—	100,000
				2,758,403*	132,222	3,007,709	143,333
				—	366,667	—	400,000
				—	—	69,280	—
				—	230,036	—	231,229
<u>£2,758,403</u>	<u>1,078,925</u>	<u>£3,076,989</u>	<u>874,562</u>	<u>£2,758,403</u>	<u>1,078,925</u>	<u>£3,076,989</u>	<u>874,562</u>

*Including £286,458 transferred to Dividend reserve fund (A shares) but distributed to A shareholders on 8th November, 1962.

CONTINGENCY FUNDS AND DIVIDEND RESERVE FUND

Accounts for the year ended 31st December 1962

Balance Sheets 31st December 1962

COMMON CONTINGENCY FUND

1961 £	£	1961 £	£
Amount of Common contingency fund at the beginning of the year	3,977,010	Taxation—	
Interest and dividends	210,346	Profits tax	30,906
		Income tax	81,011
		Amount of Common contingency fund at the end of the year	4,075,439
<u>£4,081,060</u>	<u>£4,187,356</u>	<u>£4,081,060</u>	<u>£4,187,356</u>

SPECIAL CONTINGENCY FUND

1961 £	£	1961 £	£
Amount of Special contingency fund at the beginning of the year	6,530,709	Taxation—	
Interest and dividends	337,991	Profits tax	50,329
		Income tax	130,627
		Amount of Special contingency fund at the end of the year	6,687,744
<u>£6,699,204</u>	<u>£6,868,700</u>	<u>£6,699,204</u>	<u>£6,868,700</u>

DIVIDEND RESERVE FUND (A SHARES)

1961 £	£	1961 £	£
Amount of Dividend reserve fund at the beginning of the year	985,018	Taxation—	
Interest and dividends	34,405	Profits tax	5,739
Transfer from Appropriation account	—	Income tax	13,332
		Dividend to Shareholders	286,458
		Amount of Dividend reserve fund at the end of the year	713,894
<u>£999,431</u>	<u>£1,019,423</u>	<u>£999,431</u>	<u>£1,019,423</u>

COMMON CONTINGENCY FUND

LIABILITIES.		ASSETS.	
1961 £	£	1961 £	£
Common contingency fund	4,075,439	Investments—	
Current liabilities and provisions—		British Government securities	2,303,150
Profits tax	24,472	British Government guaranteed securities	1,231,038
		Municipal and county securities, United Kingdom	347,986
		Public Board securities, United Kingdom	31,500
		Other Commonwealth Government securities... ..	26,029
		Debentures and debenture stocks home and foreign	120,606
		Current assets—	
		Estimated tax recoverable	17,342
		Balances at Bankers—	
		On deposit in the United Kingdom	20,000
		On current account in the United Kingdom	2,260
<u>£3,977,010</u>	<u>£4,099,911</u>	<u>£3,977,010</u>	<u>£4,099,911</u>

SPECIAL CONTINGENCY FUND

LIABILITIES.		ASSETS.	
1961 £	£	1961 £	£
Special contingency fund	6,687,744	Loans—	
Current liabilities and provisions—		On parochial and other public rates	15,012
Profits tax	45,937	Investments—	
		British Government securities	3,453,989
		British Government guaranteed securities	2,451,588
		Municipal and county securities, United Kingdom... ..	228,478
		Other Commonwealth Government securities... ..	231,711
		Debentures and debenture stocks home and foreign	286,093
		Current assets—	
		Estimated tax recoverable	16,385
		Balances at Bankers—	
		On deposit in the United Kingdom	50,000
		On current account in the United Kingdom	425
<u>£6,530,709</u>	<u>£6,733,681</u>	<u>£6,530,709</u>	<u>£6,733,681</u>

DIVIDEND RESERVE FUND (A SHARES)

LIABILITIES.		ASSETS.	
1961 £	£	1961 £	£
Dividend reserve fund	713,894	Investments—	
Current liabilities and provisions—		British Government securities	677,312
Profits tax	6,791	British Government guaranteed securities	46,329
Income tax	3,823	Current assets—	
		Balance at Bankers—	
		On current account in the United Kingdom	867
<u>£990,631</u>	<u>£724,508</u>	<u>£990,631</u>	<u>£724,508</u>

BALANCE SHEET

31st DECEMBER 1962

LIABILITIES.				ASSETS.			
Ordinary Branch 1961.	Industrial Branch 1961.	General Branch 1961.	Total 1961.	Ordinary Branch.	Industrial Branch.	General Branch.	Total.
£	£	£	£	£	£	£	£
Authorised and Issued Capital— 6,250,000 A shares of 4s. each, fully paid ... 1,250,000 4,000,000 B shares of 5s. each, fully paid ... 1,000,000				Mortgages— On property within the United Kingdom ... 53,618,784 On property out of the United Kingdom ... 24,115,850			
14,000,000	21,500,000	1,000,000	36,500,000	Loans— On parochial and other public rates ... 4,658,096 On stocks and shares ... 1,500,000 On Company's policies within their surrender values ... 19,444,273 Without specific security ... 997,565			
Branch contingency funds ... 14,000,000				Investments— British Government securities ... 79,495,485 British Government guaranteed securities ... 25,505,081 Securities guaranteed under Trade Facilities and other Acts ... 339,693 Municipal and county securities, United Kingdom ... 1,812,521 Public Board securities, United Kingdom ... 411,498 Other Commonwealth Government securities ... 28,279,575 Other Commonwealth provincial securities ... 12,669,822 Other Commonwealth municipal securities ... 5,748,202 Other Commonwealth Public Board securities ... 724,304 Foreign Government securities ... 3,245,688 Foreign provincial securities ... 2 Foreign municipal securities ... 3,692,385 Foreign Public Board securities ... 2,514,847			
Appropriation account—balance carried forward ... 231,229				Debentures and debenture stocks and gold and sterling bonds—home and foreign ... 94,840,160 Preference and guaranteed stocks and shares ... 26,779,464 Ordinary stocks and shares ... 149,658,985 Subsidiaries not dealt with in group accounts— Debentures ... 287,198 Ordinary shares ... 92,650 Rent charges ... 40,000 Freehold ground rents and feu duties ... 8,404,289 Leasehold ground rents ... 110,211 Freehold and leasehold property (including office premises)— In the United Kingdom ... 86,012,163 Out of the United Kingdom ... 8,976,677 Reversions ... 2 Subsidiary dealt with in accounts annexed— Ordinary shares ... 1,071,428			
578,829,737				636,812,295			
Life assurance fund, Ordinary branch ... 636,812,295				Current assets— Deposits at interest at home and abroad ... 1,621,423 Agents' balances ... 488,436 Commission paid in advance ... 1,944,985 Outstanding premiums ... 2,437,498 Outstanding interest, dividends, rents and fees ... 1,766,408 Interest, dividends, rents and fees accrued ... 3,519,513 Amounts due on reinsurance account ... 1,065,602 Amounts due from subsidiaries ... 6,640 Sundry brokers for investments sold ... 110,591 Estimated income tax recoverable ... 3,090,000 Other debtors ... 111,296 Balances at Bankers and Cash in hand— On deposit— In the United Kingdom ... 500,000 Out of the United Kingdom ... 871,246 In hand and on current account— In the United Kingdom ... 598,357 Out of the United Kingdom ... 1,163,436			
Industrial assurance fund ... 532,507,632				Common contingency fund ... 4,099,911 Special contingency fund ... 6,733,681 Dividend reserve fund (A shares) ... 724,508 (per separate Balance sheets)			
General branch insurance funds— Fire ... 2,858,560 Sickness and accident ... 1,591,154 Motor vehicle ... 3,251,034 Miscellaneous ... 1,728,928 Sinking fund ... 1,812,557 Marine ... 1,249,600 Additional reserve ... 4,050,000				Total ... 1,250,861,848			
Current liabilities and provisions— Claims admitted or intimated, but not paid, less amounts recoverable under reinsurances— Life ... 4,306,726 Fire ... 1,295,513 Motor vehicle ... 3,819,597 Miscellaneous ... 1,595,945 Annuities due and unpaid ... 7,745 Outstanding commission and expenses ... 1,312,506 Premiums received in advance ... 403,589 Amounts due on reinsurance account— Fire ... 548,268 Sickness and accident ... 10,908 Motor vehicle ... 19,698 Miscellaneous ... 65,872 Marine ... 96,384 Amounts due to subsidiaries ... 2,800 Other creditors ... 121,543 Sundry brokers for investments purchased ... 1,617,133 Overseas taxes ... 886,856 Profits tax ... 93,915 United Kingdom income tax including reserve for future liability on profits earned to date ... 426,577 Non-taxable payment to A Shareholders ... 69,280 Dividends declared ... 1,646,622				Total ... 1,176,233,665			
3,907,217	1,769,341	1,208,031	5,676,558	Total ... 1,262,419,948			
The certificates and notes on pages 20 and 21 form an integral part of this Balance sheet.				Total ... 1,262,419,948			
1,069,963	46,526	776,130	1,892,619	Total ... 1,262,419,948			
380,755	814,168	113,581	1,308,504	Total ... 1,262,419,948			
Common contingency fund ... 4,099,911				Total ... 1,262,419,948			
Special contingency fund ... 6,733,681				Total ... 1,262,419,948			
Dividend reserve fund (A shares) ... 724,508				Total ... 1,262,419,948			
(per separate Balance sheets)				Total ... 1,262,419,948			
155,926	779,698	562,307	935,624	Total ... 1,262,419,948			
618,994	374,012	103,758	1,096,764	Total ... 1,262,419,948			
4,110,600	2,367,186	110,925	6,588,711	Total ... 1,262,419,948			
957,172	14,395	117,153	1,088,720	Total ... 1,262,419,948			
168,389	147,347	159,333	475,069	Total ... 1,262,419,948			
Ordinary Branch 1961.				Ordinary Branch.			
Industrial Branch 1961.				Industrial Branch.			
General Branch 1961.				General Branch.			
Total 1961.				Total.			
£605,507,293	£42,242,797	£28,483,575	£1,176,233,665	£661,600,012	£560,816,783	£28,445,053	£1,250,861,848
£1,187,732,015				£1,187,732,015			

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, 1962, 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.*

W. F. GARDNER, *Director.*

9th April, 1963.

NOTES TO THE ACCOUNTS

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

1961 £		1962 £
74,540,000	Capital commitments for settlement after 31st December	138,880,000
200,000	Contingent capital commitments	40,000
2,690,000	Uncalled capital on investments held	2,780,000
340,000	Reserve liability on shares, etc.	210,000

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:

1961 £		1962 £
35,000	Australia	36,000
17,000	Burma	15,000
34,518,000	Canada	38,431,500
10,500	Ireland	12,000
4,500	Israel	6,000
48,000	New Zealand	40,500
2,970,500	Pakistan	P00019942

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 £54,076 (1961, £56,790). In addition sums totalling £7,119 (1961, £5,437) 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. The corresponding figures for 1961 shown in the Sickness and accident revenue account and General branch Profit and loss account have been adjusted to reflect a change of practice as regards certain business in Canada where the policy conditions provide a right of renewal. In the past such business has been included in the Sickness and accident revenue account as renewable accident and disability business but is now being included in the permanent sickness business as from 1st January, 1962.

6. Life and casualty revenue account transactions in overseas currencies have been brought in at the rates of exchange ruling on 31st December, 1962, 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, 1962, 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.

7. The position in regard to the assets and liabilities of the business of the Company in Egypt which was sequestrated by the Egyptian Government on 1st November, 1956, has now been clarified and the assets and liabilities in respect of business taken over by the Al Goumhouria Insurance Company have been expunged from the Company's books.

As provided in the Agreement signed on 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.

8. In 1958 the Company received compensation amounting to £55,870 from the Life Insurance Corporation of India in respect of its nationalised Indian business; pending clarification of the taxation position this sum had been carried to the Ordinary branch investment reserve account. After payment of expenses and bringing into account a refund of Indian tax the amount of compensation in the Company's hands is £69,280. This sum is being distributed to A shareholders as a special non-taxable payment of 2-66d. per share.

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

10. With the approval of the Board of Trade (a) the group accounts do not deal with Prudential Nominees Limited or 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. The aggregate losses of two of these subsidiaries amount to £44,582 of which £18,969 relates to 1962; of these amounts the Company has reimbursed £44,373 of which £18,500 relates to 1962. In respect of the third subsidiary acquired in July, 1962, there was a profit after acquisition of £15,305 which has not yet been dealt with in the Company's accounts.

11. General branch business in the United States of America is transacted by the Company's subsidiary, The Prudential Insurance Company of Great Britain located in New York. The accounts of this subsidiary for the year 1962 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 1962 is included with General branch interest and dividends.

ACCOUNTS OF AMERICAN SUBSIDIARY COMPANY

THE PRUDENTIAL INSURANCE COMPANY OF GREAT BRITAIN

located in New York

REVENUE ACCOUNT for the year ended 31st December 1962

1961		1961		1961		
£	£	£	£	£	£	
	Amount of insurance fund at the beginning of the year—			2,240,087	Claims under policies paid and outstanding	2,201,517
2,579,702	Provision for unexpired risks	2,723,451		1,552,837	Commission	1,634,619
3,990,460	Premiums	4,302,094		65,716	Expenses of management	73,429
11,929	Transfer from Profit and loss account	109,137			Amount of insurance fund at the end of the year—	
				2,723,451	Provision for unexpired risks	3,225,117
<u>£6,582,091</u>		<u>£7,134,682</u>		<u>£6,582,091</u>		<u>£7,134,682</u>

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

PROFIT AND LOSS ACCOUNT for the year ended 31st December 1962

1961		1961		1961		
£	£	£	£	£	£	
	Balance (earned surplus) brought forward from previous year	1,431,684		19,392	Taxes	—
1,352,130	Interest and dividends	215,725		21,048	Investment expenses	21,553
199,057	Profit on sale of securities	61,774		10,614	Loss on sale of securities	—
—	Refund of taxes	32,056		2,949	Amounts written off securities	3,545
—				53,571	Dividend to Shareholders	53,571
				11,929	Transfer to Revenue account	109,137
				1,431,684	Balance (earned surplus) as per Balance sheet	1,553,433
<u>£1,551,187</u>		<u>£1,741,239</u>		<u>£1,551,187</u>		<u>£1,741,239</u>

BALANCE SHEET 31st December 1962

1961		1961		1961	
£	£	£	£	£	£
	LIABILITIES.		ASSETS.		
	Authorised and Issued capital—		Investments (at or under cost)—		
535,714	15,000 shares of \$100 each, fully paid	535,714	United States Government securities ...	2,437,519	
535,714	Capital reserve (surplus paid in)	535,714	Debentures and bonds	3,370,093	
	Profit and loss account balance (earned surplus)	1,553,433	Preference stocks and shares	383,869	
1,431,684	Insurance fund	3,225,117	Ordinary stocks and shares	766,327	
2,723,451	Current liabilities—		Current assets—		
	Outstanding claims	1,374,323	Interest and dividends accrued	47,168	
1,322,296	Outstanding commission and expenses ...	33,764	Amounts due on reinsurance account ...	105,418	
58,352	Amounts due on reinsurance account ...	45,379	Taxes recoverable	27,562	
1,887	Taxation	—	Balances at Bankers and Cash in hand...	165,488	
22,304					
<u>£6,631,402</u>	<u>£7,303,444</u>		<u>£6,631,402</u>		<u>£7,303,444</u>

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

P00019944

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. In our opinion proper books of account have been kept by the Company and proper returns adequate for the purposes of our audit have been received from the branches which have not been visited by us.

We have examined the balance sheet and revenue and profit and loss accounts of the Company which are in agreement with the books and returns and in our opinion give the information required by the Companies Act, 1948, as modified for assurance companies in regard to reserves and provisions and aggregate market value of quoted investments. On this basis, in our opinion, the balance sheet and the profit and loss account, as supplemented by the revenue accounts, give a true and fair view of the state of the Company's affairs at 31st December, 1962, 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, 1962, 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.

9th April, 1963.

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, 1962, of the life assurances and annuities and other insurance contracts of the Company.

ORDINARY BRANCH

The number of contracts in force was **1,936,508**, producing an annual premium income of **£82,108,224**. Sums assured with bonuses amounted to **£2,359,983,817**; deferred and contingent annuities with bonuses amounted to **£94,238,784** per annum including amounts of annuity to be purchased by future recurrent single premiums. Annuities in course of payment amounted to **£4,169,214** per annum.

The interest earned in 1962 represents a gross rate of **£6 12s. 6d.** per cent. on the Ordinary branch life assurance fund.

Assurances issued in the United Kingdom and in overseas territories other than Australia and New Zealand have been valued by the A1924/29 Ultimate table 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 and New Zealand:	
Other than Second Series policies	3¼%
Second Series policies	3%
South Africa, the Rhodesias and Nyasaland:	
Other than Second Series policies	3½%
Second Series policies	3¼%
East Africa	3¼%
Other overseas territories	3%

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

Deferred annuities have been valued for the period of deferment by the A1949/52 Ultimate table of mortality with a rating down of one year in the age. Deferred annuities for the period after deferment and immediate annuities have been valued by the *a*(55) Ultimate tables of mortality with 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, Channel Islands and Isle of Man	Other territories
With profits:		
Individual business:		
During deferment	} 3¼%	{ 3%
After deferment ... ..			} 2¾%
Group business	2½%	3%
Without profits individual and group:		
Pension annuity business	4%	—
General annuity business:		
During deferment	} 3¼%	} 3¼%
After deferment ... ..			} 4%
Immediate annuities	5%	3½%
Annuities certain	3½%	P00019946

ORDINARY BRANCH (CONTINUED)

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

As stated in a note to the Accounts, the liability in respect of the business in Egypt taken over by the Al Goumhouria Insurance Company has been expunged.

The equivalents in sterling of liabilities in other currencies have been calculated at the rates of exchange ruling on 31st December, 1962.

The foregoing bases of valuation incorporate two changes for annuities issued in the United Kingdom, the Channel Islands and the Isle of Man: first, the rate of interest used to value immediate annuities has been increased from 4 per cent. to 5 per cent. and second, the addition of 3 per cent. to the values of both deferred and immediate annuities to meet the expenses of paying annuities and to provide for the increasing longevity of annuitants has been raised to 3½ per cent.

An additional reserve of **£15,350,000** 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, 1962 (including £69,280 compensation following the nationalisation of Indian business)	£638,528,197
Net liability under assurance policies	£404,762,148
Net liability under annuity contracts	190,741,345
Additional reserve	15,350,000
Total net liability	610,853,493
Surplus, including £1,114,974 brought forward from last year... ..	£27,674,704

I recommend that **£24,822,622** be allocated to participating policies. I am of the opinion that, on participating assurances issued in the United Kingdom, part of the surplus would again be more equitably distributed by way of final bonuses varying with the duration of the policies, rather than as a normal reversionary bonus, and that the final bonus should be maintained on the same basis as last year. I therefore recommend that the amount allocated to participating policies be used to provide:—

(A) For assurance policies issued in the United Kingdom, the Channel Islands and the Isle of Man a final bonus on policies issued in 1958 or earlier which become claims by death or maturity between the date of declaration and 31st December, 1963, at the rate of **·75** per cent. of the sum assured for each 31st December prior to 1959 on which the policy was a participating policy, subject to a maximum addition of **27** per cent. of the sum assured.

(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 | 3·1 simple. |
| Other | 2·6 simple. |
| Second Series: Superannuation | 2·15 compound. |
| Other | 1·85 compound. |

VALUATION REPORT (CONTINUED)

ORDINARY BRANCH (CONTINUED)

(b) New Zealand:											
First Series	...	...	...	...	...	...	...	...	...	2.1	simple.
Second Series	...	...	...	...	...	...	...	...	...	1.35	compound.
(c) Canada	...	...	...	...	...	...	...	...	...	2.0	compound.
(d) South Africa:											
First Series	...	...	...	...	...	...	...	...	...	2.75	simple.
Second Series: Retirement Fund	...	...	...	...	...	...	...	...	...	2.375	compound.
Other	...	...	...	...	...	...	...	...	...	2.125	compound
(e) The Rhodesias and Nyasaland:											
First Series	...	...	...	...	...	...	...	...	...	2.75	simple.
Second Series	...	...	...	...	...	...	...	...	...	2.125	compound.
(f) East Africa	...	...	...	...	...	...	...	...	...	2.3	simple.
(g) Pakistan	...	...	...	...	...	...	...	...	...	1.3	simple.
(h) Malaya and Singapore	...	...	...	...	...	...	...	...	...	2.4	simple.
(i) Cyprus	...	...	...	...	...	...	...	...	...	2.8	simple.
(j) Malta	...	...	...	...	...	...	...	...	...	3.1	simple.
(k) Ceylon (a closed class)	...	...	...	...	...	...	...	...	...	1.5	simple.
(l) Sudan and Palestine (closed classes)	...	...	...	...	...	...	...	...	...	2.0	simple.
(m) Burma (a closed class)	...	...	...	...	...	...	...	...	...	1.0	simple.
(n) India (a closed class comprising a few policies on the Burma and United Kingdom registers)	...	...	...	...	...	...	...	...	...	1.4	simple.
(C) For individual retirement annuity policies, bonuses at the following rates:—											
(1) Reversionary bonuses on annuities not yet commenced, per cent. of the annuity being purchased, for policies issued in:—											
(a) United Kingdom	...	...	...	...	...	...	...	...	...	2.5	simple.
(b) Canada	...	...	...	...	...	...	...	...	...	1.4	compound.
(2) Final bonuses on annuities, per cent. of the annuity, for policies issued in:—											
(a) United Kingdom, on annuities commencing between the date of declaration and 31st December, 1963, inclusive	...	...	...	...	...	...	...	...	...	12.0	compound.
(b) Canada, on annuities commencing between 1st July, 1963, and 30th June, 1964, inclusive	...	...	...	...	...	...	...	...	...	14.0	compound.
(D) For group pension business, bonuses at the following rates:—											
(1) Bonuses on pensions not yet commenced, per cent. of the pension secured, for policies issued in:—											
(a) United Kingdom											
Pension annuity business	...	...	...	...	...	...	...	...	...	3.1	compound.
General annuity business	...	...	...	...	...	...	...	...	...	2.3	compound.
(b) Channel Islands and Isle of Man	...	...	...	...	...	...	...	...	...	2.3	compound.
(c) Canada	...	...	...	...	...	...	...	...	...	1.7	compound.
(d) South Africa, the Rhodesias, Nyasaland and East Africa	...	...	...	...	...	...	...	...	...	2.375	compound.
(2) Final bonuses on pensions commencing between 15th March, 1963, and 14th March, 1964, inclusive, per cent. of the pension, for policies issued in:—											
(a) United Kingdom, the Channel Islands and the Isle of Man	...	...	...	...	...	...	...	...	...	25.0	compound
(b) Canada	...	...	...	...	...	...	...	...	...	10.0	P00019948
(c) South Africa, the Rhodesias, Nyasaland and East Africa...	...	...	...	...	...	...	...	...	...	15.0	compound.

INDUSTRIAL BRANCH

The number of policies in force, including 5,878,777 free or paid-up policies, was 28,241,836, producing an annual premium income of £64,632,230. The maximum sums assured with bonuses amounted to £1,358,083,106.

The interest earned in 1962 represents a gross rate of £6 18s. 2d. 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.

An additional reserve of £21,000,000 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, 1962 ...	£533,868,719
Net liability under Industrial assurance policies... ..	£489,040,325
Additional reserve	21,000,000
Total net liability	510,040,325
Surplus, including £1,931,961 brought forward from last year	£23,828,394

I recommend that £20,518,220 be allocated to participating policies. As in the case of the Ordinary branch, I am of the opinion that the final bonus should be maintained on the same basis as last year. I therefore recommend that the amount allocated to participating policies be used to provide:—

- (A) A final bonus on policies issued in 1958 or earlier which become claims by death or maturity between the date of declaration and 31st December, 1963, at the rate of .75 per cent. of the sum assured for each 31st December prior to 1959 on which the policy was a premium paying policy, subject to a maximum addition of 27 per cent. of the sum assured.
- (B) A reversionary bonus at the rate of 2.3 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.

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 is required in addition to the 40 per cent. of the premium income for the current year. Bearing in mind that permanent sickness benefits attached to Canadian life policies have now been valued as stated above this further provision should in my opinion be reduced to £300,000.

VALUATION REPORT (CONTINUED)

GENERAL BRANCH (CONTINUED)

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 **£1,249,600** 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 **£2,832,797** at the end of fixed terms of years, and produce an annual premium income of **£22,751**.

The equivalents in sterling of provisions in other currencies have been calculated at the rates of exchange ruling on 31st December, 1962.

The result of the valuation is as follows:—

Insurance fund, subject to transfers out of surplus, on 31st December, 1962	... ..	£17,316,395
Provision for fire, sickness and accident, motor vehicle and miscellaneous insurances	... .. £9,429,676	
Provision for marine and aviation insurance	... .. 1,249,600	
Provision for sinking fund insurance	... .. 1,812,557	
Additional reserve fund	... .. 3,950,000	
		16,441,833
Surplus, including £230,036 brought forward from last year	... ..	£874,562

I recommend that **£100,000** be transferred to the General branch Additional reserve fund.

I am, Gentlemen,
Your obedient Servant,

F. M. REDINGTON,

Chief Actuary.

21st March, 1963.

THE PRUDENTIAL ASSURANCE COMPANY LIMITED

HOLBORN BARS, LONDON E.C.1

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