



**THE PRUDENTIAL ASSURANCE COMPANY LIMITED**

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

**YEAR ENDED 31 DECEMBER 1965**

P00020176

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## THE PRUDENTIAL ASSURANCE COMPANY LIMITED

### President:

*Sir Frank William Morgan, M.C.*

### Directors:

*Sir John Serocold Paget Mellor, Bt., Chairman*  
*Walter Frank Gardner, C.B.E., F.I.A., Deputy Chairman*  
*Maurice Petherick, Deputy Chairman*  
*John Anthony Tristram Barstow, D.S.O., T.D., D.L.*  
*Leslie Brown, F.I.A.*  
*The Rt. Hon. Lord Caccia, G.C.M.G., G.C.V.O.*  
*The Rt. Hon. Lord Coleraine, P.C.*  
*Sir John Nicholson Hogg, T.D.*  
*Reginald Edgar Montgomery*  
*Charles William Allan Ray*  
*Desmond Arthur Reid*

### General Manager:

*K. A. Usherwood, C.B.E., M.A., F.I.A.*

### Joint Secretaries and Investment Managers:

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

### Deputy Investment Managers:

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

### Assistant Secretaries:

*R. J. Males, A.A.C.C.A.*  
*W. R. Marshall*

### Chief Surveyor:

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

### Deputy Chief Surveyor:

*E. E. Chapman, M.B.E., F.R.I.C.S.*

### Senior Medical Officer:

*E. H. Hudson, M.A., M.B., B.Ch.,  
F.R.C.P.*

### General Manager for Australia and New Zealand:

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

### Deputy General Managers:

*W. G. Haslam, D.F.C.*  
*R. H. Owen, F.I.A.*

### Assistant General Managers:

*C. D. Clark*  
*G. W. Eley, F.C.I.I.*  
*A. J. Males, F.I.A.*  
*H. H. New, F.C.I.I.*  
*F. Pearson*

### Agency Managers:

*R. Armstrong*  
*E. W. Cunnah*

### Chief Controller:

*J. L. Maxted, LL.M.*

### Manager—Industrial Branch

#### Administration:

*D. S. Craigen, B.A.*

#### Senior Solicitor:

*P. B. Cockshutt*

### General Manager for Canada:

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

### Chief Actuary:

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

### Deputy Actuaries:

*A. S. Clarke, F.I.A.*  
*J. Edey, F.I.A.*  
*R. S. Skerman, F.I.A.*  
*S. S. Townsend, F.I.A.*

### Group Pensions Manager:

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

### Deputy Group Pensions Manager:

*F. A. Lewis, F.I.A.*

### Data Processing Manager:

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

### Marine Underwriter:

*C. E. R. Taylor*

### General Manager

*for Southern Africa*  
*G. E. Rumball, F.I.A.*



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**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 19th May, 1966, 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, 1965

2

To re-elect Directors

3

To fix the remuneration of the Auditors

4

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

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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 72 at the date of the Meeting.

By order of the Board of Directors,

142, Holborn Bars, London, E.C.1.  
26th April, 1966.

H. G. CLARKE,  
A. F. MURRAY,  
Joint Secretaries.

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**PROXIES**

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

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

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# CHAIRMAN'S STATEMENT

Before reviewing the progress of the Company during 1965 I must first refer to the death in January of this year of Sir George Barstow who was a Director of the Company from 1928 to 1953. He had a distinguished career in the Treasury before beginning his long association with the Company. He became Chairman of the Board in 1941 and we in the Prudential are conscious of the debt we owe to one who brought such outstanding qualities to that office in the twelve years which followed. He is remembered with affection by all who knew him.

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It is gratifying, in this my first year as Chairman, to report another satisfactory year of progress in all branches of the Company's business. Record new business was written in both Life branches, and the General Branch again showed a marked expansion in premium income. The combined premium income of the three branches exceeded £200 millions for the first time.

The influence of the Prudential in contributing to individual and national well-being is illustrated by two results of the year's operations. As in 1964, payments to policyholders in the Life branches exceeded £100 millions and there was again an increase of over £100 millions in the Life funds, which represent the savings with which we are entrusted. A great deal of this saving would not have taken place by any other means and we can take pride in the valuable contribution of Prudential policies to total personal savings.

## INDUSTRIAL BRANCH

The new prospectus which we introduced in May last year has had an excellent reception from the public and staff. It incorporated a number of new features, the most significant of which was the granting of rates of benefit which become progressively more favourable as the amount of premium increases. In the period which followed its introduction there was an appreciable increase in the amount of new premium income.

Two particular consequences of the change of prospectus are to be welcomed. There has been a marked increase in the average monthly premium for new policies: well over half the total of the new premiums is now derived from policies in which the monthly premium is 20s. or more. This is evidence that home service assurance is meeting the needs of those who require substantial life assurance protection and for whom the practice of long term thrift is made more convenient by regular premium collection at the home. The other consequence is a significant lengthening of the term of new policies, the effect of which is to provide a larger amount of life cover in return for a given premium.

An important feature of the new prospectus was the introduction of policies which include family income provision. More than 5,000 of these policies were issued last year and in one case, where death occurred as a result of accident shortly after the policy was issued, the total benefits to be received over a period of 25 years, in return for one premium paid of £2, will amount to over £3,500. An example like this confirms that there is a need for the family income benefit policy in the Industrial Branch as there is in the Ordinary Branch.

## ORDINARY BRANCH

There was a further increase in the new business in this Branch, both in the United Kingdom and Overseas. In the United Kingdom the total new premium income exceeded £18 millions. Our Overseas business continues to expand: the new premium income was £5 millions and the new sums assured exceeded £200 millions. Our largest branches overseas are in Australia and New Zealand, in Canada and in Southern Africa, and each of them achieved a new record.

The two main functions of life assurance are protection and saving. In the United Kingdom last year some 26,000 of the policies issued in this Branch secured family income benefits which amounted to over £228 millions in initial sums assured. This illustrates how we are meeting the need for family protection. It is not uncommon for the benefits under these policies to provide an income of over £1,000 *per annum* in the event of the husband's death.

The majority of our policyholders, however, survive to enjoy the fruits of their saving and an important aspect of life assurance is the provision of facilities whereby an individual, or a firm, can accumulate a retirement fund. For the individual, an endowment assurance, on a with-profits basis, is a most attractive way of accumulating a capital sum for this purpose. When retirement comes, the purchase of an immediate annuity with the whole or part of the proceeds can provide an income for life, only part of which is subject to income tax. Our rates for immediate annuities are highly competitive and this is reflected in new purchase money of over £5 millions in 1965, a 50 per cent. P00020180 previous year.

The employer for his part can provide retirement benefits for his employees by means of a pension scheme. In this field we cater not only for the great corporation with thousands of employees but right down the scale to the employer with only one employee. Our Pension-Unit scheme is specifically designed to provide, for a small number of employees, pension facilities which in the past were only open to the larger groups. With our widespread organisation we are able to provide local service for this scheme in any part of the United Kingdom, thus relieving the employer of much administrative work. The experience already gained confirms our view that our Pension-Unit scheme fulfils a basic need, and we look forward to considerable expansion of this Prudential service.

As in the United Kingdom, a large proportion of our new business overseas consists of whole life assurances and endowment assurances maturing at retirement age, to which family income and other temporary assurance benefits are frequently added in order to increase protection at the younger ages when it is most needed. The Overseas branches also write a substantial amount of business under staff retirement benefit schemes designed appropriately for each territory.

### THE FUTURE OF PENSION BUSINESS

The past year has resolved few, if any, of the uncertainties and problems facing those concerned with occupational pension schemes. Nevertheless, in spite of the uncertainties, our new group pension business at home showed an increase over the previous year of over 25 per cent., whether measured in terms of premium income or the amount of deferred annuities.

A major review of Social Services in Britain is in train. The outcome is still unknown, but as an interim measure a scheme for wage-related sickness and unemployment benefits has been introduced. This scheme, however desirable it may be in itself, has indirect, and indeed irrelevant, consequences on the pension arrangements of those who are contracted out of the main wage-related pension benefits. This results in considerable extra work and complication with no real pension benefit to the employees, and is all the more undesirable because it leads to further uncertainty and away from the settled solution of pension problems which is so urgently required.

We firmly believe that, given goodwill, the State and the private sector can work usefully together for the common purpose of making provision for old age. But for this to happen there must be understanding of the respective roles, and principles must be established so that uncertainties and frequent changes of approach shall not inhibit progress. The extent of pension provision on properly funded bases under occupational schemes in Britain far outstrips that achieved in most Western countries. This provision is a major national asset, the value of which is the greater when the country's economy is under so much strain in other directions. We believe that politicians of all parties realise that it would be disastrous to the economy for the State to institute pensions on a pay-as-you-go system in substitution for those at present being funded under occupational schemes. The private sector is already doing so much that the residual problem of providing reasonable pensions for all is becoming one of manageable proportions. If the residual problem is tackled by the private sector and the State with mutual respect, then it should be possible for all to have reasonable pensions in the not too distant future. For this to be achieved it is in our view essential that, when the State makes any arrangements to increase the future benefits of those who have inadequate private provision, those who do have such provision should be able to secure exception from the arrangements—that is to say, they should be able to forgo the additional benefits in return for an appropriate reduction in their contributions.

### BONUS DECLARATIONS

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

The rates of reversionary bonus for the main classes of Ordinary Branch assurances are unchanged but there has been an increase of 2s. per cent. in the rate for Industrial Branch assurances. There have also been increases in the Ordinary Branch in some of the rates for group pensions business and individual retirement annuity policies.

Once again we have made in both Life branches an extension of the final bonuses on participating assurance policies issued in the United Kingdom which become claims by death or maturity in the next twelve months. The rates of such bonuses have been increased and the range of policies entitled to participate has been further extended.

Prior to 1963 we met the cost of final bonuses entirely from the year's income, but for the past three years we have augmented the distributable surplus by contributions from the improved margins in the value of our investments. To effect this, sums have been transferred from the Investment reserve accounts in each Life branch. In 1965 the amounts so transferred were £3,600,000 in the Industrial Branch and £2,000,000 in the Ordinary Branch. Although there can be no guarantee, we expect to be able to maintain final bonuses at the new level on claims arising in the future on participating policies issued in the United Kingdom before 1965.

CHAIRMAN'S STATEMENT (CONTINUED)

The following table illustrates the value of bonus additions to Prudential policies. It shows for specimen years of issue the normal reversionary bonus additions and also the final bonus for an Ordinary Branch participating endowment assurance policy with an original sum assured of £1,000 which becomes a claim this year.

Year of Issue	Reversionary bonuses	Final bonus	Total sum assured and bonuses
	£	£	£
1926	777	376	2,153
1936	561	296	1,857
1946	426	209	1,635
1951	367	150	1,517
1956	275	81	1,356

It will be apparent from these examples that the final bonus is a very significant factor in the benefits to policyholders.

### GENERAL BRANCH

The combined premium income at home and overseas, excluding that of our American subsidiary, exceeded £29 millions, an increase of over £3 millions.

The overall underwriting results show a profit of £271,000 compared with a profit of £347,000 in 1964 and a loss of £438,000 in 1963. The margin of profit of less than one per cent. of the premium income remains a very slender one on which to operate.

I am pleased to report an underwriting profit in the Fire account for the first time since 1961. At home, a satisfactory profit was recorded in spite of the continuing high rate of national fire wastage: recent adjustments in premium rates have helped to maintain a profitable account. There is, however, no real sign of abatement in the annual cost of fire damage and the situation needs to be closely watched and every encouragement given to safety precautions. A large proportion of our fire policies include cover against storm, flood and tempest, so that extreme weather damage tends to cause severe fluctuations in the Fire account. Although in 1965 there were certain areas where our claim service was called into prompt action, fortunately the damage was not widespread or prolonged.

Our fire business overseas again showed an underwriting loss, but, although the experience has remained unprofitable in Canada, there is overall an improving trend.

In our Sickness and Accident account we have again made a good underwriting profit, both at home and overseas.

At home our motor business showed a small underwriting loss and the position of this large account continues to give cause for anxiety. There is no doubt that because of the rising number of road accidents and the high level of repair costs and awards for personal injury the whole subject of premium rates is one that must be kept under regular review. It is clear that increased road safety measures and greater care on the road, coupled with the introduction of more safety features into the design of motor vehicles, are the main means of reducing the alarming yearly cost to the nation of loss of life, injury and damage to property.

Overseas motor insurance, while showing a greatly improved experience, still causes problems. Not least is the custom which persists in many territories of basing premium rates on statistics which make insufficient allowance for the further deterioration in the experience between the period to which the statistics relate and that in which the new rates are applied. We continue our endeavours to remove such handicaps to sound underwriting.

Our subsidiary company in the United States, which transacts only reinsurance business was, in common with other insurers, involved in major weather disasters during the year and suffered an underwriting loss which exceeded its investment earnings. In the expectation that this is an exceptional result, the subsidiary has maintained its dividend for 1965 at 10 per cent. from its ample reserves.

The amount which has been released from the Marine and Aviation account to the General Branch Profit and Loss account, has been reduced this year to £30,000, which is broadly the amount required for taxation.

Investment income in the General Branch other than that allocated to long term contracts increased from £1,362,000 to £1,652,000 and this, with the underwriting surplus of £271,000, produced a net surplus of £1,028,000 after taxation. This compares with £824,000 in the preceding year. The substantial increase in investment income is due to a much higher yield on the fund and to a large increase in the fund itself. Welcome as the increase is, the achievement of sound underwriting results remains an essential requirement for the transaction of General Branch insurance.

## R H O D E S I A

The embargo on remittances to Rhodesia which formed part of the economic sanctions which followed the Unilateral Declaration of Independence affected insurance in common with other financial transactions. The consequences of these sanctions on our business have not yet been important. We are prevented from paying claims in Rhodesia under contracts issued in the United Kingdom, but the number of claims which has arisen under such policies since U.D.I. has been very small. We would also be prohibited from making remittances to our Branch in Rhodesia. The Branch is, however, free to continue its usual operations as regards policies issued locally and, as it has been our policy to hold local investments related to our liabilities to local policyholders, we are confident that we shall be able to meet all normal claims from the funds held locally. Nevertheless we felt serious concern as to the potential effect of the embargo on remittances because of the possibility that it would lead to loss of confidence overseas in the ability of British insurers to meet their claims wherever they might arise and whatever the circumstances might be. We therefore welcomed the statement by the Chancellor of the Exchequer in the House of Commons on the 8th February when he said that the present situation as between the United Kingdom and Rhodesia could not arise between the United Kingdom and an independent sovereign state, that this situation is temporary and that the embargo will be lifted as soon as constitutional government is restored.

## D I V I D E N D S

On the A shares a final dividend has been declared of 6.55d. net of income tax making with the interim dividend paid in November, 1965 a total dividend of 10.3d. for the year, an increase of .8d. over that for 1964. The total allocations from the surpluses for the year transferred to the Shareholders' Account (A shares) amount to 10.81d. per share and after providing for the dividend for the year the balance of £210,536 has been retained in the Account.

On the B shares a final dividend has been declared of 3.1d. net of income tax making with the interim dividend paid in November, 1965 a total dividend of 5.5d. for the year, an increase of .3d. over that for 1964. The amount transferred to the Shareholders' Account (General Branch) is less than for 1964 but as explained in last year's Statement, a larger than normal sum was transferred in that year in order to enable the Directors to pay an initial interim dividend.

As was stated at the time of the bonus and dividend announcement in March, the effect of the Finance Act 1965 on the taxation of the Life branches has not yet been fully established, and, furthermore, the 1965 results are only partially affected by the new tax position. In these circumstances the Directors have maintained the same pattern of division of surplus between policyholders and shareholders as last year. It is probable that when the position has been fully agreed with the Inland Revenue there will be some increase in the total tax of these branches including Schedule F tax. If circumstances warrant, the Directors will consider exercising the discretion which they have under the Articles of Association to make some adjustment to the proportions in which future surpluses are divided.

The effect of the Finance Act 1965 on the General Branch is the same as for other trading companies and renders it accountable for Corporation Tax on gross surplus and for Income Tax under Schedule F in respect of dividends paid. We have estimated that because of the transitional arrangements there will be no liability for Schedule F tax in respect of 1965. In future years the liability for tax will depend on a number of factors, including the amount of the profits, the dividends we declare and the franked investment income. Had the future basis of taxation applied in full to the 1965 accounts, the tax liability in this Branch for that year would have been no more onerous than under the former basis.

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

The two main influences on the investment scene in 1965 were the sterling crisis and the Finance Act which introduced both a Corporation Tax and a major extension of the Capital Gains Tax. Both these factors have caused a great deal of uncertainty and have made the formulation of investment policy extremely difficult. Although the pressures on sterling were relieved in the latter months of the year, the deflationary measures taken with a view to improving the position have been nullified by the continuing increase in personal consumption. The complexities of the 1965 Finance Act are considerable and it will be some time before investors are able to assess with any confidence their effect on the long term investment outlook. On the other hand, some of the effects of the new tax structure were recognised very quickly. The tax changes encourage companies to retain profits in the business rather than pay dividends, and thus tend to reduce the role which the capital market plays in reallocating savings into the most efficient channels. A second effect that rapidly became clear to industrial companies is that financing by borrowed money has become relatively more attractive than financing by equity issues. In 1964 companies in the United Kingdom raised £221 millions by way of ordinary shares, whereas only £77 millions was raised in this form in 1965. Interest rates have, in general, remained at a high level and this, together with the large demand from industry for borrowed money, has led to fixed interest investments being available on attractive terms throughout the year.



CHAIRMAN'S STATEMENT (CONTINUED)

These factors were reflected in our United Kingdom investments made during the year when we invested over £60 millions in debentures, mortgages and other fixed interest securities, compared with £14 millions in ordinary shares, and of the latter figure less than £½ million was in respect of rights issues. Our total investments made in 1965, at home and overseas, including the re-investment of the proceeds of sales and redemptions, amounted to £139 millions, of which £30 millions was in respect of our overseas branches. The major items which contributed to this total were £10 millions in British Government securities, £11 millions in Government securities of overseas territories, £39 millions in debentures, £16 millions in ordinary shares, £31 millions in property and £25 millions in mortgages, including house purchase loans.

At a time when the outlook for ordinary shares is uncertain, investment in first-class property has considerable attraction for life funds and our investment of £31 millions in 1965 brings the total in this field to over £250 millions. Although the restrictive credit situation and Government controls on building have much reduced the opportunities for carrying out, or financing, new property developments, since the 1965 Finance Act more owners have offered existing properties for sale. This later position has made it possible for us to select many acceptable propositions giving a good spread of location and at yields that compare favourably with other forms of investment.

Neither the new Rent Act, nor the White Paper proposals on leasehold enfranchisement, should they be enacted, are likely to have much effect on us as our investment in residential property, and particularly in leasehold residential property, is small. The proposals for a Land Commission, though still uncertain, may have some effect both on existing properties and on future propositions, but we nevertheless expect investment in property to continue to be attractive to us in the future.

In the General Branch, in which it was evident that the 1965 Finance Act had added to the relative advantages of franked investment income, we directed a large part of our new investment into good class preference shares.

During last year we received the benefit of further substantial increases in ordinary share dividends, although these tended to lessen as the year wore on. The effect of these, together with increases in rents obtained from property investments where the leases came up for revision during the year, has enabled us to show a further advance in the overall yields on our funds during the year. The yield for 1965 on the Ordinary Branch fund, which includes the funds of our overseas branches, was £7 2s. 8d. per cent., an increase of 5s. 1d. per cent. and that on the Industrial Branch fund was £7 17s. 6d. per cent., an increase of 9s. 6d. per cent.

**S T A F F**

During an eventful year in which important changes took place, the quality of the service given by the staff to our policyholders and to the Company was maintained at its traditionally high level. The enthusiasm and enterprise of the "Man from the Prudential" is a vital element in the Company's excellent progress and I am happy to take this opportunity of thanking all grades of the staff wherever they are serving, at home or overseas, in the offices or the field, for their contribution in upholding the world-wide prestige of the Company.

JOHN S. P. MELLOR,  
*Chairman.*

14th April, 1966.

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# ANNUAL REPORT

*Year ended 31st December 1965*

The Directors submit their Report and Accounts for 1965.

The Balance sheet total of the Company's Assets is £1,590,950,985 as compared with £1,473,088,907 at 31st December, 1964.

The Income from all sources during 1965 was £316,191,355 as compared with £287,437,959 in 1964.

The Tables which follow summarise the operations of the Life and General branches during 1965.

## BUSINESS IN FORCE 31st DECEMBER 1965

1964						1965	
UNITED KINGDOM	OVERSEAS	ORDINARY BRANCH				UNITED KINGDOM	OVERSEAS
£	£					£	£
2,033,177,976	1,054,490,323	LIFE ASSURANCE BUSINESS				2,390,921,657	1,182,205,118
48,053,127	22,381,976	Sums Assured, including bonus ... ..				51,633,364	24,463,285
		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) ... ..					
103,299,911	15,423,597	Annual Premium Income ... ..				114,074,706	17,534,555
22,467,657	3,352,226					23,941,234	3,666,664
		IMMEDIATE ANNUITIES					
5,489,838	470,996	Amount of Annuities per annum ... ..				6,713,155	543,382
		INDUSTRIAL BRANCH					
1,461,649,557	—	Sums Assured, including bonus ... ..				1,568,547,686	—
69,679,465	—	Annual Premium Income ... ..				73,059,568	—

## GENERAL BRANCH

17,301,743	8,386,697	Premium Income ... ..	19,286,028	9,764,645
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The General branch figures do not include the premiums of £3,802,537 (£3,263,943 for 1964) written by the Company's American subsidiary, The Prudential Insurance Company of Great Britain, located in New York, the accounts of which appear on page 26.

## SUMMARY OF INCOME AND OUTGO

1964		LIFE BRANCHES	1965	
ORDINARY BRANCH £	INDUSTRIAL BRANCH £		ORDINARY BRANCH £	INDUSTRIAL BRANCH £
<b>INCOME</b>				
97,307,102	67,761,236	Premiums ... ..	105,371,440	70,745,434
3,700,267	—	Consideration for immediate annuities ... ..	5,700,057	—
49,620,785	41,192,216	Investment income ... ..	56,864,139	45,979,366
<u>150,628,154</u>	<u>108,953,452</u>	<b>TOTAL INCOME ...</b>	<u>167,935,636</u>	<u>116,724,800</u>
<b>OUTGO</b>				
43,967,681	50,924,173	Claims and Surrenders ... ..	51,607,720	59,130,832
5,410,219	—	Annuities ... ..	6,540,725	—
16,318,008	20,154,939	Expenses including Commission ... ..	18,631,688	21,727,572
7,989,642	8,611,687	Taxation ... ..	7,991,598	9,246,251
<u>73,685,550</u>	<u>79,690,799</u>	<b>TOTAL OUTGO ...</b>	<u>84,771,731</u>	<u>90,104,655</u>
<b>EXCESS OF INCOME OVER OUTGO ... ..</b>				
76,942,604	29,262,653	83,163,905	26,620,145	
<i>Add</i>				
1,250,000	2,900,000	Transfer from Investment reserve account ... ..	2,000,000	3,600,000
78,192,604	32,162,653	85,163,905	30,220,145	
<i>Deduct</i>				
44,067,702	4,445,909	Provision for increase in liabilities to policyholders ... ..	46,282,729	—1,009,163
<u>34,124,902</u>	<u>27,716,744</u>	<b>SURPLUS FOR THE YEAR ... ..</b>	<u>38,881,176</u>	<u>31,229,308</u>
<i>Add</i>				
1,185,768	1,900,305	Surplus brought forward from previous year ... ..	1,107,612	1,932,332
35,310,670	29,617,049	39,988,788	33,161,640	
<i>Deduct</i>				
1,107,612	1,932,332	Surplus carried forward ... ..	1,123,645	1,922,982
<u>£34,203,058</u>	<u>£27,684,717</u>	<b>SURPLUS FOR DISTRIBUTION ... ..</b>	<u>£38,865,143</u>	<u>£31,238,658</u>
Appropriated as follows:				
32,075,628	25,962,727	To Policyholders' bonuses 93.8% (93.8% in 1964) in each branch ... ..	36,459,391	29,304,985
2,127,430	1,721,990	To Profit and loss account for Shareholders (6.2% in 1964) in each branch ... ..	2,405,752	1,933,673
<u>£3,849,420</u>			<u>£4,339,425</u>	

1964	GENERAL BRANCH	1965
£		£
<b>UNDERWRITING INCOME AND OUTGO</b>		
<b>INCOME</b>		
25,765,577	Premiums and fees ... ..	29,133,814
109,114	Investment income allocated to long term contracts ... ..	116,159
<u>25,874,691</u>	<b>TOTAL INCOME ...</b>	<u>29,249,973</u>
<b>OUTGO</b>		
13,873,499	Claims ... ..	16,079,451
89,362	Contributions to fire brigades and fire prevention ... ..	105,132
10,250,488	Expenses including Commission ... ..	11,287,719
88,031	Overseas taxes charged to revenue accounts ... ..	102,752
<u>24,301,380</u>	<b>TOTAL OUTGO ...</b>	<u>27,575,054</u>
<u>1,573,311</u>	<b>EXCESS OF INCOME OVER OUTGO... ..</b>	<u>1,674,919</u>
<i>Deduct</i>		
1,226,668	Provision for increase in liabilities to policyholders ... ..	1,404,097
<u>346,643</u>	<b>GROSS UNDERWRITING SURPLUS ... ..</b>	<u>270,822</u>
<b>INVESTMENT INCOME</b>		
1,361,831	Investment income other than that allocated to long term contracts ... ..	1,652,170
<u>1,708,474</u>	<b>GROSS SURPLUS ... ..</b>	<u>1,922,992</u>
<i>Deduct</i>		
884,000	Taxes charged to Profit and loss account ... ..	895,000
<u>824,474</u>	<b>NET SURPLUS FOR THE YEAR ... ..</b>	<u>1,027,992</u>
<i>Add</i>		
—	Surplus brought forward from previous year ... ..	14,474
824,474	1,042,466	
<i>Deduct</i>		
—	Transfer to Additional reserve fund ... ..	400,000
14,474	Surplus carried forward ... ..	17,466
<u>810,000</u>	<b>SURPLUS TRANSFERRED TO SHAREHOLDERS' ACCOUNT (GENERAL BRANCH) ... ..</b>	<u>625,000</u>
<i>Add</i>		
231,087	Surplus brought forward from previous year in Shareholders' account (General branch) ... ..	453,310
1,041,087	1,078,310	
<i>Deduct</i>		
453,310	Surplus carried forward in Shareholders' account (General branch) ... ..	457,199
<u>£587,777</u>	<b>SURPLUS FOR DISTRIBUTION ... ..</b>	<u>£621,111</u>
Appropriated as follows:		
£154,444	To Shareholders' account (A shares) ... ..	£162,778
£433,333	To Dividend on B shares ... ..	£458,333

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 26). This business is not included in the above figures, but the dividend received from t P00020186 1 in the investment income.

## BONUS DECLARATIONS

The Directors have declared the following bonuses on participating policies:

### ORDINARY BRANCH

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

A reversionary bonus at the rate of 62s. per £100 sum assured.

A final bonus on policies issued in 1964 or earlier which become claims by death or maturity of endowment between 1st April, 1966, and 31st March, 1967, inclusive, at rates varying from 4s. per £100 sum assured for policies issued in 1964 to £40 per £100 sum assured for policies issued in 1923 and earlier. The rates are set out in full on page 30 in the Valuation Report of the Chief Actuary.

Assurance policies of the undermentioned overseas classes

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

Australia (other than superannuation policies):

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

New Zealand:

First Series	...	...	...	...	...	...	2.2
Second Series	...	...	...	...	...	...	1.4 compound.

Canada	...	...	...	...	...	...	2.1 compound.
--------	-----	-----	-----	-----	-----	-----	---------------

South Africa, Rhodesia and Zambia:

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

Kenya, Tanganyika and Uganda	...	...	...	...	...	...	2.3
------------------------------	-----	-----	-----	-----	-----	-----	-----

Pakistan	...	...	...	...	...	...	1.7
----------	-----	-----	-----	-----	-----	-----	-----

Malaya and Singapore	...	...	...	...	...	...	2.7
----------------------	-----	-----	-----	-----	-----	-----	-----

Cyprus	...	...	...	...	...	...	2.8
--------	-----	-----	-----	-----	-----	-----	-----

Malta	...	...	...	...	...	...	3.1
-------	-----	-----	-----	-----	-----	-----	-----

Bonuses for assurance policies of other overseas classes, retirement annuity policies, group pension business and Pension-Unit Scheme policies have also been declared at the rates set out on pages 30 and 31 in the Valuation Report of the Chief Actuary.

### INDUSTRIAL BRANCH

A reversionary bonus at the rate of 50s. per £100 sum assured.

This bonus is added as on 24th March, 1966, or on completion of payment of one year's premiums, whichever is the later.

A final bonus on policies issued in 1964 or earlier which become claims by death or maturity of endowment between 1st April, 1966, and 31st March, 1967, inclusive, at rates varying from 4s. per £100 sum assured for policies issued in 1964 to £40 per £100 sum assured for policies issued in 1923 and earlier. The rates are the same as those for the Ordinary branch and are set out in full on page 30 in the Valuation Report of the Chief Actuary.

# DIVIDENDS

The Directors have declared, in respect of the year 1965, the following dividends net of income tax.

## A SHARES

A final dividend of 6·55d. per share payable on 19th May, 1966, to shareholders on the Register on 22nd April, 1966.

The final dividend of 6·55d. together with the interim dividend of 3·75d. per share paid in November, 1965, represents a total dividend of 10·3d. for the year of which 3·9d. per share is derived from the profits of the General branch, the balance being derived from the profits of the Life branches.

## B SHARES

A final dividend of 3·1d. per share payable on 19th May, 1966, to shareholders on the Register on 22nd April, 1966.

The final dividend of 3·1d. together with the interim dividend of 2·4d. per share paid in November, 1965, represents a total dividend of 5·5d. for the year. The dividend on the B shares is wholly derived from the profits of the General branch.

The market values of Prudential shares at 6th April, 1965, relevant to the calculation of long term capital gains tax were:

A shares of 1s. 0d.

ex capitalisation (old shares as sub-divided)	...	...	29s. 3½d.
new shares	...	...	29s. 2½d.
B shares of 1s. 0d....	...	...	18s. 6½d.

The valuation of the contracts in all branches has been made by Mr. F. M. Redington, M.A., F.I.A., upon the bases stated in his report, which appears in full on pages (28-32).

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.

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

*Holborn Bars,*  
14th April, 1966.

JOHN S. P. MELLOR,  
*Chairman.*

## LIFE ASSURANCE REVENUE ACCOUNTS

for the year ended 31st December 1965

### ORDINARY BRANCH

1964 £	£	1964 £	£
703,991,041	780,464,989		
+408,774	294,014	12,214,190	13,821,161
704,399,815	780,170,975	18,521,741	20,882,373
97,307,102	105,371,440	30,735,931	34,703,534
3,700,267	5,700,057	12,199,443	15,707,481
49,620,785	56,864,139	1,032,307	1,196,705
1,250,000	2,000,000	5,410,219	6,540,725
		5,171,093	5,981,063
		11,146,915	12,650,625
			Taxation—(see note 7, page 25)
		1,049,499	£1,049,310
		—	1,529,000
		295,000	165,000
		6,645,143	5,248,288
		7,989,642	7,991,598
		2,127,430	2,405,752
		780,464,989	862,929,128
£856,277,969	£950,106,611	£856,277,969	£950,106,611

### INDUSTRIAL BRANCH

1964 £	£	1964 £	£
557,720,952	588,161,615		
67,761,236	70,745,434	17,554,766	19,154,206
41,192,216	45,979,366	19,802,232	21,674,738
2,900,000	3,600,000	37,356,998	40,828,944
		13,567,175	18,301,888
		20,154,939	21,727,572
			Taxation—(see note 7, page 25)
		143,100	£170,699
		—	167,000
		215,000	310,000
		8,253,587	8,598,552
		8,611,687	9,246,251
		1,721,990	1,933,673
		588,161,615	616,448,087
£669,574,404	£708,486,415	£669,574,404	£708,486,415

#### NEW BUSINESS DURING THE YEAR

Assurances: The number of policies issued was 220,582; the sums assured were £738,073,267; the annual premium income was £10,487,151; single premiums were £383,489.

Annuities: The amount of annuities was £27,889,995 per annum; the annual premium income was £5,085,293; single premiums (including consideration for immediate annuities) were £7,195,446.

#### NEW BUSINESS DURING THE YEAR

Assurances: The number of policies issued was 1,268,338; the sums assured were £192,086,894; the annual premium income was £10,560,991.

## GENERAL BRANCH.

for the year ended

### FIRE INSURANCE BUSINESS

1964 £	£	1964 £	£
Amount of fire insurance fund at the beginning of the year—		3,295,741	Claims under policies paid and outstanding 3,662,791
2,835,287	3,134,324	1,154,126	Commission ... .. 1,250,721
6,938,998	7,659,005	2,052,139	Expenses of management ... .. 2,222,204
21,475	—	34,954	Overseas taxes other than on profits ... 34,737
		89,362	Contributions to fire brigades and fire prevention ... .. 105,132
		35,114	Exchange depreciation on currency assets held against currency liabilities ... .. 24,529
		—	Transfer to Profit and loss account ... 95,485
			Amount of fire insurance fund at the end of the year—
			Provision for unexpired risks, which amounts to 44.4 per cent. (45.2 per cent. for 1964) of the premium income for the current year ... .. 3,397,730
		3,134,324	
<u>£9,795,760</u>	<u>£10,793,329</u>	<u>£9,795,760</u>	<u>£10,793,329</u>

## REVENUE ACCOUNTS

31st December 1965

### MOTOR VEHICLE INSURANCE BUSINESS

1964 £	£	1964 £	£
Amount of motor vehicle insurance fund at the beginning of the year—		6,495,069	Claims under policies paid and outstanding 7,731,644
3,603,478	£4,260,387	1,163,517	Commission ... .. 1,317,581
6,489	5,754	2,483,931	Expenses of management ... .. 2,706,307
3,596,989	4,254,633	30,689	Overseas taxes other than on profits ... 40,890
10,650,968	12,259,389		Amount of motor vehicle insurance fund at the end of the year—
185,636	186,156		Provision for unexpired risks, which amounts to 40 per cent. of the premium income for the current year ... .. 4,903,756
<u>£14,433,593</u>	<u>£16,700,178</u>	<u>£14,433,593</u>	<u>£16,700,178</u>

### SICKNESS AND ACCIDENT INSURANCE BUSINESS

1964 £	£	1964 £	£
Amount of sickness and accident insurance fund at the beginning of the year—		1,085,503	Payments under policies, including medical and legal expenses in connection therewith ... .. 1,276,711
893,540	£1,007,361	415,456	Commission ... .. 466,643
208,000	185,000	700,693	Expenses of management ... .. 795,468
214,935	251,328	5,098	Overseas taxes other than on profits ... 6,413
402,748	454,636	288,937	Transfer to Profit and loss account ... 236,017
1,719,223	1,898,325		Amount of sickness and accident insurance fund at the end of the year—
+1,477	2,503	1,007,361	Provision for unexpired accident, disability and temporary sickness risks, which amounts to 40 per cent. of the premium income for the current year £1,140,324
1,720,700	1,895,822	185,000	Further provision for renewable accident and disability risks ... .. 212,000
2,518,402	2,850,812	251,328	Provision for permanent sickness risks ... .. 299,032
138,764	166,916	454,636	Total estimated liability in respect of outstanding claims ... .. 500,330
2,657,166	3,017,728	1,898,325	
16,146	19,388		
<u>£4,394,012</u>	<u>£4,932,938</u>	<u>£4,394,012</u>	<u>£4,932,938</u>

### MISCELLANEOUS INSURANCE BUSINESS

1964 £	£	1964 £	£
Amount of miscellaneous insurance fund at the beginning of the year—		2,349,652	Claims under policies paid and outstanding 2,763,160
1,867,315	£2,052,412	760,928	Commission ... .. 877,516
+1,784	3,134	1,456,834	Expenses of management ... .. 1,584,349
1,869,099	2,049,278	17,290	Overseas taxes other than on profits ... 20,712
4,787,385	5,506,038	96,505	Transfer to Profit and loss account ... 44,954
77,137	83,141		Amount of miscellaneous insurance fund at the end of the year—
<u>£6,733,621</u>	<u>£7,638,457</u>	2,052,412	Provision for unexpired risks, which amounts to 42.6 per cent. (42.9 per cent. for 1964) of the premium income for the current year ... .. 2,347,766
		<u>£6,733,621</u>	<u>£7,638,457</u>

The amount of debenture and loan stocks for which the Company acts as trustee exceeded £564,000,000 at the end of the year.

GENERAL BRANCH REVENUE ACCOUNTS — CONTINUED

SINKING FUND INSURANCE BUSINESS

<i>1964</i>							
£		£		£		£	
<i>1,771,937</i>	Amount of sinking fund insurance fund at the beginning of the year ... ..	<i>1,688,291</i>		<i>151,200</i>	Claims under policies paid and outstanding	<i>120,000</i>	
<i>18,263</i>	Premiums ... ..	<i>14,124</i>		—	Surrenders ... ..	<i>11,520</i>	
<i>92,968</i>	Interest, dividends and net rents ... ..	<i>96,771</i>		—	Commission ... ..	—	
				<i>365</i>	Expenses of management ... ..	<i>282</i>	
				<i>43,312</i>	Transfer to Profit and loss account ... ..	<i>50,522</i>	
				<i>1,688,291</i>	Amount of sinking fund insurance fund at the end of the year ... ..	<i>1,616,862</i>	
<u><i>£1,883,168</i></u>		<u><i>£1,799,186</i></u>		<u><i>£1,883,168</i></u>		<u><i>£1,799,186</i></u>	

MARINE, AVIATION AND TRANSIT INSURANCE BUSINESS

<i>Total 1964</i> £	Current Year.	Last Preceding Year.	Previous Years.	Total.	<i>Total 1964</i> £	Current Year.	Last Preceding Year.	Previous Years.	Total.
	£	£	£	£		£	£	£	£
<i>1,234,077</i>	—	<i>375,738</i>	<i>789,676</i>	<i>1,165,414</i>					
					<i>496,334</i>				
<i>635,660</i>	<i>566,100</i>	<i>-6,282</i>	<i>6,361</i>	<i>594,389</i>					
	<i>14,660</i>	<i>11,090</i>	<i>2,460</i>						
					<i>33,194</i>	<i>32,767</i>	<i>-203</i>	<i>16</i>	<i>32,580</i>
					<i>15,244</i>	<i>18,903</i>	<i>1,310</i>	—	<i>20,213</i>
					<i>14,061</i>	—	<i>350</i>	<i>13,505</i>	<i>13,855</i>
					<i>20,490</i>	<i>4,290</i>	<i>543</i>	<i>2,202</i>	<i>7,035</i>
					<i>125,000</i>	—	—	<i>30,000</i>	<i>30,000</i>
					<i>1,165,414</i>	<i>349,153</i>	<i>142,768</i>	<i>650,574</i>	<i>1,142,495</i>
<u><i>£1,869,737</i></u>			<u><i>£1,759,803</i></u>	<u><i>£1,869,737</i></u>				<u><i>£1,759,803</i></u>	

P00020191



# LIFE ASSURANCE PROFIT AND LOSS ACCOUNTS

*for the year ended 31st December 1965*

## PROFIT AND LOSS ACCOUNT

1964		£	1964		£
	Transfers from Revenue accounts—		3,849,420	Transfer to Shareholders' account (A shares)	4,339,425
2,127,430	Ordinary branch ... ..	2,405,752			
1,721,990	Industrial branch ... ..	1,933,673			
<u>£3,849,420</u>		<u>£4,339,425</u>	<u>£3,849,420</u>		<u>£4,339,425</u>

## SHAREHOLDERS' ACCOUNT (A SHARES)

1964		£	1964		£
796,929	Amount of Shareholders' account (A shares) at the beginning of the year ... ..	879,614	5,279	Taxation—(see note 7, page 25)	
35,767	Interest ... ..	113,678	13,867	Profits tax ... ..	17,051
20,533	Profit on investments realised ... ..	—		Income tax ... ..	46,892
3,849,420	Transfer from Profit and loss account ... ..	4,339,425	1,562,500	Interim dividend (net of income tax) to holders of A shares in respect of 1965 ... ..	1,562,500
154,444	Transfer from Shareholders' account (General branch) ... ..	162,778	2,395,833	Provision for final dividend (net of income tax) to holders of A shares in respect of 1965... ..	2,729,167
			879,614	Balance carried to Shareholders' account (A shares) Balance sheet ... ..	1,139,885
<u>£4,857,093</u>		<u>£5,495,495</u>	<u>£4,857,093</u>		<u>£5,495,495</u>

## SHAREHOLDERS' ACCOUNT (A SHARES) BALANCE SHEET

*31st December 1965*

LIABILITIES			ASSETS		
1964		£	1964		£
879,614	Shareholders' account (A shares) ... ..	1,139,885		Current assets—	
	Current liabilities and provisions—		3,298,533	Deposit with Life and General branches	3,899,517
9,270	Profits tax ... ..	17,051			
11,149	Income tax ... ..	11,020			
2,667	Other creditors ... ..	2,394			
2,395,833	Final dividend declared ... ..	2,729,167			
<u>£3,298,533</u>		<u>£3,899,517</u>	<u>£3,298,533</u>		<u>£3,899,517</u>

# GENERAL BRANCH PROFIT AND LOSS ACCOUNTS

*for the year ended 31st December 1965*

## PROFIT AND LOSS ACCOUNT

1964 £	£		1964 £	£
Transfers from Revenue accounts—			Transfers to Revenue accounts—	
—	95,485		21,475	—
288,937	236,017		185,636	186,156
96,505	44,954		Taxation—(see note 7, page 25)	
43,312	50,522		56,000	Overseas taxes not charged
125,000	30,000		—	to other accounts ... £131,000
1,361,831	1,652,170		153,000	Corporation tax ... 236,000
			675,000	Profits tax ... 20,000
			884,000	Income tax ... 508,000
			824,474	895,000
				Balance being net profit for the year carried
				down ... 1,027,992
£1,915,585	£2,109,148		£1,915,585	£2,109,148
—	14,474		—	400,000
824,474	1,027,992		810,000	625,000
			14,474	Balance carried to General branch Balance
£824,474	£1,042,466		£824,474	17,466
				£1,042,466

## SHAREHOLDERS' ACCOUNT (GENERAL BRANCH)

1964 £	£		1964 £	£
231,087	453,310		—	200,000
810,000	625,000		433,333	258,333
			154,444	162,778
			453,310	P00020193
£1,041,087	£1,078,310		£1,041,087	

# CONTINGENCY FUNDS

*Accounts for the year ended 31st December 1965*

Common 1964	Special 1964		Common	Special	Common 1964	Special 1964		Common	Special
£	£		£	£	£	£		£	£
4,177,415	6,850,209	Amount of contingency fund at the beginning of the year ... ..	4,283,168	7,014,898	—	—	Taxation—(see note 7, page 25)		
228,355	355,709	Interest and dividends ...	141,059	374,039	34,133	53,157	Corporation tax ... ..	122	1,940
—	—	Transfer from Investment reserve account ... ..	280,670	—	88,469	137,863	Profits tax... ..	17,204	54,001
—	—	(see note 8, page 25)					Income tax ... ..	54,542	148,935
		Balance of Common contingency fund transferred to Special contingency fund	—	861,664	—	—	Expenses in respect of issue of new A shares ... ..	21,365	—
					—	—	Transfer to Industrial branch in respect of issue of new A shares ... ..	3,750,000	—
					—	—	Balance of Common contingency fund transferred to Special contingency fund	861,664	—
					4,283,168	7,014,898	Amount of contingency fund at the end of the year ...	—	8,045,725
<u>£4,405,770</u>	<u>£7,205,918</u>		<u>£4,704,897</u>	<u>£8,250,601</u>	<u>£4,405,770</u>	<u>£7,205,918</u>		<u>£4,704,897</u>	<u>£8,250,601</u>

## SPECIAL CONTINGENCY FUND BALANCE SHEET

*31st December 1965*

Common and Special 1964	LIABILITIES	Common and Special 1964	ASSETS
£		£	
11,298,066	Contingency fund ... ..	8,045,725	Loans—
83,076	Provision for Profits tax ... ..	71,183	On parochial and other public rates ...
			175,000
			Investments—
		8,801,129	British Government securities ... ..
		751,720	British Government guaranteed securities
		872,770	Municipal and county securities—United
		31,500	Kingdom ... ..
		447,615	Public Board securities—United Kingdom
		402,777	Other Commonwealth Government
			securities ... ..
			Debentures and debenture stocks, home
			and foreign ... ..
			501,671
			Current assets—
		—	Outstanding interest ... ..
		9,678	Estimated income tax recoverable ...
		—	Estimated corporation tax recoverable ...
			14,139
			Balance at Bankers—
		63,953	On current account in the United
			Kingdom ... ..
		<u>£11,381,142</u>	<u>£8,116,908</u>
<u>£11,381,142</u>		<u>£8,116,908</u>	

(See note 4, page 25)

# BALANCE SHEET

31st DECEMBER 1965

Ordinary Branch 1964.	Industrial Branch 1964.	General Branch 1964.	Total 1964.	LIABILITIES.	Ordinary Branch.	Industrial Branch.	General Branch.	Total.
£	£	£	£		£	£	£	£
				<b>Authorised and Issued Capital—</b>				
	1,250,000		1,250,000	100,000,000 A shares of 1s. each, fully paid		5,000,000		5,000,000
		1,000,000	1,000,000	20,000,000 B shares of 1s. each, fully paid (see note 4, page 25)			1,000,000	1,000,000
		453,310	453,310	<b>Balance of Shareholders' account (General branch) ...</b>			457,199	457,199
		14,474	14,474	<b>Profit and loss account—balance carried forward</b>			17,466	17,466
14,000,000	21,500,000	1,000,000	36,500,000	<b>Branch contingency funds ...</b>	14,000,000	21,500,000	1,000,000	36,500,000
				<b>Life assurance funds—</b>				
780,464,989			780,464,989	Ordinary branch ...	862,929,128			862,929,128
	588,161,615		588,161,615	Industrial branch ...		616,448,087		616,448,087
				<b>General branch insurance funds—</b>				
		3,134,324	18,149,153	Fire ...			3,397,730	19,910,295
		1,898,325		Sickness and accident ...			2,151,686	
		4,260,387		Motor vehicle ...			4,903,756	
		2,052,412		Miscellaneous ...			2,347,766	
		1,688,291		Sinking fund ...			1,616,862	
		1,165,414		Marine ...			1,142,495	
		3,950,000		Additional reserve ...			4,350,000	
					<b>Current liabilities and provisions—</b>			
				Claims admitted or intimated, but not paid, less amounts recoverable under reinsurances—				
5,802,864	1,476,889		7,279,753	Life ...	6,356,132	1,456,248		7,812,380
		1,370,389	7,822,296	Fire ...			1,676,865	9,282,547
		4,656,483		Motor vehicle ...			5,561,604	
		1,795,424		Miscellaneous ...			2,044,078	
				Annuitants due and unpaid ...		6,676		
6,324		978,375	3,022,420	Outstanding commission and expenses	1,592,359	659,091	1,032,765	3,284,215
1,553,813	490,232	978,375	3,022,420	Premiums received in advance	702,405		159,760	862,165
613,494		156,823	770,317	Amounts due on reinsurance account—				
		528,583	785,757	Fire ...			703,914	814,365
		6,197		Sickness and accident ...			9,318	
		15,409		Motor vehicle ...			17,471	
		159,223		Miscellaneous ...			21,507	
		76,345		Marine ...			62,155	
		164,920	310,384	Amounts due to subsidiaries ...	164,920	125,000	55,500	345,420
1,013,688	645,854	169,962	1,829,504	Other creditors ...	1,164,077	602,757	247,604	2,014,438
7,568,959			7,568,959	Loans from overseas bankers ...	7,136,485			7,136,485
		708,712	1,053,924	Sundry brokers for investments purchased ...	381,407	40,792	70,200	492,399
296,768	268,924	143,020	708,712	Overseas taxes ...	883,418	18,919	213,079	1,115,416
909,952	13,288	130,684	1,053,924	Corporation tax ...	2,048,000	316,000	108,931	2,472,931
				Profits tax ...	210,924	323,259	57,719	591,902
		127,206	625,916	Income tax ...			182,713	182,713
		198,092	198,092	Amount due to Shareholders' account (A shares) ...	2,114,057	1,699,349	86,111	3,899,517
1,743,147	1,410,942	144,444	3,298,533	Dividend declared—B shares ...			258,333	258,333
		433,333	433,333					
				<b>The certificates and notes on pages 24 and 25 together with the Shareholders' account (A shares) Balance sheet on page 19, form an integral part of these accounts.</b>				
£814,422,452	615,557,920	31,727,393	1,461,707,765		£899,689,988	648,189,502	34,954,587	1,582,834,077
			11,381,142	Special contingency fund (per separate Balance sheet) ...				8,116,908
			£1,473,088,907					£1,590,950,985

Ordinary Branch 1964.	Industrial Branch 1964.	General Branch 1964.	Total 1964.	ASSETS.	Ordinary Branch.	Industrial Branch.	General Branch.	Total.
£	£	£	£		£	£	£	£
				<b>Mortgages—</b>				
68,420,088	27,809,888	17,977	96,247,953	On property within the United Kingdom ...	76,457,134	29,448,810	59,754	105,965,698
31,825,469	1	152,399	31,977,869	On property out of the United Kingdom ...	37,693,529	1	163,980	37,857,510
				<b>Loans—</b>				
				On parochial and other public rates ...	4,233,500	4,210,833		8,444,333
	3,569,539		5,824,146	On stocks and shares ...	500,000			500,000
				On Company's policies within their surrender values ...	24,671,593		14,500	24,686,093
21,834,103		7,500	21,841,603	Without specific security ...	852,448	553,151	267,398	1,672,997
1,208,659	290,700	214,466	1,713,825					
				<b>Investments—</b>				
115,377,843	164,124,327	5,562,438	285,064,608	British Government securities ...	121,556,142	169,122,392	5,233,479	295,912,013
2,663,800	8,333,701	10,804	11,008,305	British Government guaranteed securities ...	2,580,798	8,652,660	657,117	11,890,575
				Securities guaranteed under Trade Facilities and other acts ...	625,493	947,612		1,573,105
				Municipal and county securities, United King- dom ...	2,081,446	2,544,959	418,705	5,045,110
2,234,684	2,727,038	416,519	5,378,241	Public Board securities, United Kingdom ...	649,733	1,624,141	196,636	2,470,510
558,717	1,590,767	196,636	2,346,120	Other Commonwealth Government securities ...	38,443,911	3,806,578	1,436,250	43,686,739
35,004,907	3,982,498	1,676,390	40,663,795	Other Commonwealth provincial securities ...	16,181,453		1,562,819	17,744,272
15,086,705		1,402,059	16,488,764	Other Commonwealth municipal securities ...	5,529,514	7,615	864,949	6,402,078
6,395,761	7,615	871,671	7,275,047	Other Commonwealth Public Board securities ...	724,304			724,304
724,304			724,304	Foreign Government securities ...	3,656,794	111,124	522,982	4,290,900
3,640,935	111,551	451,381	4,203,867	Foreign provincial securities ...	2	3		5
		3	5	Foreign municipal securities ...	4,017,605		5	4,233,962
4,061,768		140,871	4,202,644	Foreign Public Board securities ...	2,960,574			2,960,574
2,958,439			2,958,439	Debentures and debenture stocks and gold and sterling bonds—home and foreign ...	166,254,440	115,942,691	3,510,575	285,707,706
				Preference and guaranteed stocks and shares ...	27,158,418	27,108,899	4,624,276	58,891,593
141,213,233	105,389,338	4,395,188	250,997,759	Ordinary stocks and shares ...	186,607,420	163,920,594	6,770,348	357,298,362
27,326,839	27,529,433	2,071,256	56,927,528	Subsidiaries not dealt with in group accounts—				
178,725,003	160,964,365	6,345,185	346,034,553	Debentures ...	324,029			324,029
				Ordinary shares ...	212,977	125,000	47,260	385,237
				Rent charges ...	40,000			40,000
289,475			289,475	Freehold ground rents and feu duties ...	10,998,509	6,882,346		17,880,855
228,266		62,543	415,809	Leasehold ground rents ...		81,000		81,000
40,000			40,000	Freehold and leasehold property (including office premises)—				
10,461,479	7,148,310		17,609,789	In the United Kingdom ...	121,951,380	99,483,263		221,434,643
1,109,014	81,000		1,190,014	Out of the United Kingdom ...	16,574,027		29,437	16,603,464
				Subsidiary dealt with in accounts annexed—				
				Ordinary shares ...			1,071,428	1,071,428
				<b>Current assets—</b>				
				Deposits at interest at home and abroad ...	1,528,450	212,500	810,194	2,551,144
				Agents' balances ...			687,384	687,384
				Commission paid in advance ...	3,126,547			3,126,547
				Outstanding premiums ...	2,673,013	922,932	3,232,774	6,828,719
				Outstanding interest, dividends, rents and fees ...	3,527,287	1,482,878	29,522	5,039,687
				Interest, dividends, rents and fees accrued ...	4,477,394	3,118,085	163,665	7,759,144
				Amounts due on reinsurance account ...			1,070,505	1,070,505
				Amounts due from subsidiaries ...			10,515	10,515
				Sundry brokers for investments sold ...	184,276	275,647		459,923
				Estimated income tax recoverable ...	5,478,000	4,321,000		9,799,000
				Other debtors ...	171,985	185,797	210,851	568,633
				Balances at Bankers and Cash in hand—				
				On deposit—				
				In the United Kingdom ...				

## 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, 1965, 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.*

JOHN S. P. MELLOR, *Chairman.*

F. M. REDINGTON, *Chief Actuary.*

MAURICE PETHERICK, *Director.*

H. G. CLARKE, )  
A. F. MURRAY, ) *Joint Secretaries.*

L. BROWN, *Director.*

14th April, 1966.

## NOTES TO THE ACCOUNTS

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

1964 £		1965 £
113,550,000	Capital commitments for settlement after 31st December ... ..	111,390,000
65,000	Contingent capital commitments ... ..	200,000
2,750,000	Uncalled capital on investments held ... ..	2,730,000
10,000	Reserve liability on shares, etc. ... ..	15,000

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:

1964 £		1965 £
37,500	Australia ... ..	37,000
15,000	Burma ... ..	15,000
47,023,000	Canada ... ..	50,134,500
11,000	Ireland ... ..	10,500
4,500	Israel ... ..	4,500
34,000	Malaysia ... ..	35,000
49,500	New Zealand ... ..	49,500
4,237,500	Pakistan ... ..	4,62 P00020196

NOTES TO THE ACCOUNTS (CONTINUED)

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

4. The capital of the Company was reorganised in accordance with the Resolutions passed at the Extraordinary General Meeting held on the 10th March, 1965, the 6,250,000 A shares of 4s. each being subdivided into 25,000,000 A shares of 1s. each and the 4,000,000 B shares of 5s. each being subdivided into 20,000,000 B shares of 1s. each. In addition the capital was increased to £6,000,000 by the creation of 75,000,000 new A shares of 1s. each which were fully paid up by the appropriation of £3,750,000 from the Common Contingency Fund. The new A shares were issued to existing A shareholders on a three for one basis and the balance of the Common Contingency Fund, after meeting the expenses of the reorganisation, was transferred to the Special Contingency Fund. The 1964 Common and Special Contingency Funds figures have been combined for purposes of comparison in the Special Contingency Fund Balance sheet.

5. The aggregate amount of the Directors' remuneration for the year was £62,670 (1964, £54,794). In addition sums totalling £7,277 (1964, £7,230) were paid by the Company to Directors and past Directors under arrangements for augmenting pensions payable to ex-employees from the staff pension funds.

6. Life and casualty revenue account transactions in overseas currencies have been brought in at the rates of exchange ruling on 31st December, 1965, 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, 1965, 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. Provision has been made in the accounts for taxation on all profits and income earned to the date of the Balance sheet, for which purpose corporation tax has been charged at 40 per cent. and income tax at 8s. 3d. in the £, less appropriate reliefs. An amount of £450,000 in respect of an estimated income tax liability under Schedule F by reason of the final dividend to A shareholders for 1965 has been included in the amount of income tax charged in the Ordinary branch revenue account. It has been estimated that no liability under Schedule F will arise by reason of the final dividends to A and B shareholders insofar as they are derived from the Industrial and General branches. The close company provisions of the Finance Act, 1965 do not apply to the Company.

8. Profits and losses on realisation of assets together with adjustments to ledger values and exchange differences, other than exchange differences on fire, marine, aviation and transit insurance business, less any relative taxes, have been carried to Investment reserve accounts the balances of which, after transfers to revenue accounts, have been applied to reduce the values of the assets in the respective Balance sheets.

9. With the approval of the Board of Trade (a) the group accounts do not include the accounts of two subsidiaries whose businesses are so different from that of the Company that they cannot reasonably be treated together as a single undertaking, and (b) the particulars of such subsidiaries otherwise required to be given in accordance with paragraphs 15 (4) and (6) of the Eighth Schedule to the Companies Act, 1948, are omitted. The accounts of four other subsidiaries have not been included in the group accounts as the amounts involved are insignificant. Based on the rates of exchange ruling on the 31st December, 1965, the particulars to be given for these four subsidiaries are:

Net aggregate amount of profits—	For 1965 £	For previous years £
not included in the Company's accounts ... ..	8,704	22,778
included in the Company's accounts ... ..	4,379	—1,267

10. 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 1965 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 1965 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 1965*

1964	£	£	1964	£	£
			2,364,127		2,863,792
Amount of insurance fund at the beginning of the year—			1,196,250		1,337,478
2,534,720 Provision for unexpired risks ... ..		2,279,928	67,741		80,104
3,263,943 Premiums ... ..		3,802,537			
109,383 Transfer from Profit and loss account ...		457,958			
			2,279,928		2,259,049
<u>£5,908,046</u>		<u>£6,540,423</u>	<u>£5,908,046</u>		<u>£6,540,423</u>

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

### PROFIT AND LOSS ACCOUNT

*for the year ended 31st December 1965*

1964	£	£	1964	£	£
Balance (earned surplus) brought forward from previous year ... ..		1,641,117	158		2,876
1,561,891 Interest and dividends ... ..		239,286	15,715		14,009
225,302 Profit on sale of securities ... ..		72,841	2,348		1,736
35,099					
			53,571		53,571
			109,383		457,958
			1,641,117		1,423,094
<u>£1,822,292</u>		<u>£1,953,244</u>	<u>£1,822,292</u>		<u>£1,953,244</u>

### BALANCE SHEET

*31st December 1965*

LIABILITIES			ASSETS		
1964	£	£	1964	£	£
535,714		535,714	1,759,797		2,266,793
535,714		535,714	3,239,536		2,660,671
1,641,117		1,423,094	354,190		362,550
2,279,928		2,259,049	857,628		1,111,803
			44,011		45,749
1,718,142		2,008,163	322,814		127,687
25,710		30,411	2,476		—
8,928		17,857	164,801		240,227
—		5,478			
<u>£6,745,253</u>		<u>£6,815,480</u>	<u>£6,745,253</u>		<u>£6,815,480</u>

All items have been converted at the rate of \$2.80 to the £. This Company is a wholly owned subsidiary of The Prudential Limited. P00020198

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

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

We have examined the balance sheet and revenue and profit and loss accounts of the Company which are in agreement with the books and returns and in our opinion give the information required by the Companies Act, 1948, as modified for assurance companies in regard to reserves and provisions and aggregate market value of quoted investments. On this basis, in our opinion, the balance sheet and the profit and loss account, as supplemented by the revenue accounts, give a true and fair view of the state of the Company's affairs as at 31st December, 1965, and of the profit, ascertained in the manner indicated in the accounts, for the year ended on that date.

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

We have also examined the group accounts comprising the accounts of the Company, as audited by us, and the annexed accounts of its subsidiary compiled from audited accounts received from New York. In our opinion the group accounts comply with the Companies Act, 1948, and, on the basis mentioned above, give a true and fair view of the state of affairs as at 31st December, 1965, 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,*  
128, Queen Victoria Street, London, E.C.4.

14th April, 1966.



# 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, 1965, of the life assurances and annuities and other insurance contracts of the Company.

## ORDINARY BRANCH

The number of contracts in force was **2,191,312**, producing an annual premium income of **£103,704,547**. Sums assured with bonuses amounted to **£3,573,126,775**; deferred and contingent annuities with bonuses amounted to **£131,609,261** per annum including amounts of annuity to be purchased by future recurrent single premiums. Annuities in course of payment amounted to **£7,256,537** per annum.

The interest earned in 1965 represents a gross rate of **£7 2s. 8d.** per cent on the Ordinary branch fund.

The methods of valuation used for assurances were:—

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

Assurances have been valued by the A1924/29 Ultimate table of mortality with the following exceptions:—

Assurances issued in Australia and New Zealand Without-profits assurances issued after 31st December, 1960, in Canada	}	A1949/52 Ultimate table of mortality
Assurances issued at non-European rates of premium ...	...	A1924/29 Ultimate table of mortality with a rating up of 3 years

The net rates of interest assumed for assurances were:—

Business issued in :—	Rate of Interest
United Kingdom, the Channel Islands and the Isle of Man ... ..	2½%
Australia:	
Other than Second Series policies ... ..	3¼%
Second Series policies ... ..	3%
New Zealand:	
With-profits policies ... ..	4½%
Without-profits policies ... ..	3¼%
Canada:	
Other than without-profits policies issued after 31st December, 1960 ... ..	3%
Without-profits policies issued after 31st December, 1960 ... ..	3½%
South Africa, Rhodesia and Zambia:	
Other than Second Series policies ... ..	3½%
Second Series policies ... ..	3¼%
Kenya, Tanganyika and Uganda ... ..	3¼%
Other territories ... ..	3%

For assurances other than with-profits business issued in New Zealand the whole of the difference between the value of the future office premiums and the value of the future net or modified net premiums has been reserved for future expenses and profits. For with-profits business issued in New Zealand the provision for future expenses amounted to 15 per cent. of the value of the future office premiums and provision was made for future bonuses at the P00020200 cent simple for First Series policies and 1.1 per cent compound for Second Series policies with appropriate taxation.

## VALUATION REPORT (CONTINUED)

## ORDINARY BRANCH (CONTINUED)

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:—

	United Kingdom the Channel Islands and the Isle of Man	Other territories
Deferred annuities:—		
With-profits:		
Individual business ... ..	3½%	3%
Group pension business ... ..	2½%	3%
Pension-Unit Schemes ... ..	4½%	—
Without-profits individual and group:		
Pension annuity business ... ..	4½%	—
General annuity business:		
During deferment ... ..	3½%	
After deferment ... ..	4%	3½%
Immediate annuities ... ..	5%	3½%
Annuities certain ... ..	3½%	3½%

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

The foregoing bases of valuation incorporate the following major changes. For without-profits deferred annuities, pension annuity business, the rate of interest has been increased from 4 per cent to 4½ per cent. For without-profits assurance policies issued after 31st December, 1960 in Canada, the rate of interest has been increased from 3 per cent to 3½ per cent and the table of mortality has been changed from A1924/29 Ultimate to A1949/52 Ultimate.

The equivalents in sterling of liabilities in other currencies have been calculated at the rates of exchange ruling on 31st December, 1965.

The Additional reserve now stands at **£15,650,000**. This reserve is held in respect of revivals, options and general contingencies for which provision is not otherwise made and as a stabilising fund to facilitate the declaration of equitable bonuses on the various classes of policies.

The result of the valuation is as follows:—

Ordinary branch fund, subject to transfers out of surplus, on 31st December, 1965 ...	<b>£865,334,880</b>
Net liability under assurance policies ... ..	<b>£530,480,088</b>
Net liability under annuity contracts ... ..	<b>280,278,016</b>
Additional reserve ... ..	<b>15,650,000</b>
Total net liability ... ..	<b>826,408,104</b>
Surplus emerging at 31st December, 1965 ... ..	<b>38,926,776</b>
Add cost of bonuses allocated during 1965 in anticipation out of surplus for that year...	<b>1,062,012</b>
TOTAL SURPLUS for year, including <b>£1,107,612</b> brought forward from last year ... ..	<b>£39,988,788</b>

I recommend that, including the amounts already allocated in anticipation out of the surplus for 1965, **£36,459,391** be allocated to participating policies.

I consider that on participating assurances issued in the United Kingdom, the Channel Islands and the Isle of Man, part of the surplus would again be more equitably distributed by way of final bonuses varying with the duration of the

VALUATION REPORT (CONTINUED)

ORDINARY BRANCH (CONTINUED)

policies rather than as a normal reversionary bonus, that the rates of final bonus should be increased and that the years of issue to which they apply should be extended to include the year 1964. Although these final bonuses relate only to policies which become claims in the ensuing year, I am of the opinion that, other than in exceptional circumstances, final bonuses at these increased rates can be maintained on claims arising in later years on such policies issued prior to 1965. I recommend that the following bonuses should be declared:—

(A) For assurance policies issued in the United Kingdom, the Channel Islands and the Isle of Man a final bonus on policies issued in 1964 or earlier which become claims by death or maturity between 1st April, 1966 and 31st March, 1967, inclusive, at the following rates per cent of the sum assured:—

Year of Issue	Rate per cent	Year of Issue	Rate per cent	Year of Issue	Rate per cent	Year of Issue	Rate per cent
1964	0.2	1953	12.2	1942	24.5	1931	33.6
1963	0.6	1952	13.6	1941	25.4	1930	34.4
1962	1.3	1951	15.0	1940	26.3	1929	35.2
1961	2.2	1950	16.3	1939	27.2	1928	36.0
1960	3.2	1949	17.6	1938	28.0	1927	36.8
1959	4.3	1948	18.8	1937	28.8	1926	37.6
1958	5.5	1947	19.9	1936	29.6	1925	38.4
1957	6.8	1946	20.9	1935	30.4	1924	39.2
1956	8.1	1945	21.8	1934	31.2	1923	40.0
1955	9.4	1944	22.7	1933	32.0	or	
1954	10.8	1943	23.6	1932	32.8	earlier	

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

- (1) Policies of classes issued in the United Kingdom, the Channel Islands and the Isle of Man ... .. 3.1 simple
- (2) Policies of the undermentioned overseas classes:—
  - (a) Australia:
 

First Series: Superannuation	3.15	simple
Other	2.65	simple
Second Series: Superannuation	2.2	compound
Other	1.9	compound
  - (b) New Zealand:
 

First Series	2.2	simple
Second Series	1.4	compound
  - (c) Canada ... .. 2.1 compound
  - (d) South Africa, Rhodesia and Zambia:
 

First Series	2.75	simple
Second Series: Retirement Fund	2.375	compound
Other	2.125	compound
  - (e) Kenya, Tanganyika and Uganda ... .. 2.3 simple
  - (f) Pakistan ... .. 1.7 simple
  - (g) Malaya and Singapore ... .. 2.7 simple
  - (h) Cyprus ... .. 2.8 simple
  - (i) Malta ... .. 3.1 simple
  - (j) Ceylon (a closed class) ... .. 1.5 simple
  - (k) Sudan and Palestine (closed classes) ... .. 2.0 simple
  - (l) Burma (a closed class) ... .. 1.0 simple
  - (m) India (a closed class comprising a few policies on the Burma and United Kingdom registers) ... .. 1.4 si

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## ORDINARY BRANCH (CONTINUED)

- (C) For individual retirement annuity policies, reversionary bonuses on annuities not yet commenced, at the following rates per cent of the annuity being purchased, for policies issued in :—
- |                           |              |
|---------------------------|--------------|
| (a) United Kingdom ... .. | 2.75 simple  |
| (b) Canada ... ..         | 1.6 compound |
- (D) For group pension business, bonuses on pensions not yet commenced, at the following rates per cent of the pension secured, for policies issued in :—
- |   |                |
|---|----------------|
| (a) United Kingdom:   |                |
| Pension annuity business ... ..   | 3.5 compound   |
| General annuity business ... ..   | 3.125 compound |
| (b) Channel Islands and the Isle of Man ... ..                          | 3.125 compound |
| (c) Canada ... ..   | 2.0 compound   |
| (d) South Africa, Rhodesia, Zambia, Kenya, Tanganyika and Uganda ... .. | 2.6 compound   |
- (E) For Pension-Unit Scheme policies issued in the United Kingdom, the Channel Islands and the Isle of Man, a reversionary bonus on pensions not yet commenced at the following rate per cent of the pension being purchased ... ..
- |  |            |
|--|------------|
|  | .75 simple |
|--|------------|

I also recommend that final bonuses at the following rates, per cent of the annuity or pension, be granted in anticipation out of surplus for the year 1966:—

- (A) For individual retirement annuity policies issued in :—
- |   |               |
|---|---------------|
| (a) United Kingdom, on annuities commencing between 15th March, 1966 and 14th March, 1967, inclusive ... .. | 16.0 compound |
| (b) Canada, on annuities commencing between 1st July, 1966 and 30th June, 1967, inclusive ... ..            | 16.0 compound |
- (B) For group pension policies (on pensions commencing between 15th March, 1966 and 14th March, 1967, inclusive) issued in :—
- |   |               |
|---|---------------|
| (a) United Kingdom, the Channel Islands and the Isle of Man ... ..      | 30.0 compound |
| (b) Canada ... ..   | 16.0 compound |
| (c) South Africa, Rhodesia, Zambia, Kenya, Tanganyika and Uganda ... .. | 20.0 compound |

## INDUSTRIAL BRANCH

The number of policies in force, including 5,780,480 free or paid-up policies, was 26,774,349, producing an annual premium income of £73,059,568. The maximum sums assured with bonuses amounted to £1,568,547,686.

The interest earned in 1965 represents a gross rate of £7 17s. 6d. per cent on the Industrial branch fund.

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

The Additional reserve now stands at £21,500,000. This reserve is held in respect of revivals, options and general contingencies for which provision is not otherwise made and as a stabilising fund to facilitate the declaration of equitable bonuses.

The result of the valuation is as follows:—

Industrial branch fund, subject to transfers out of surplus on 31st December, 1965 ... ..	£618,381,760
Net liability under Industrial assurance policies... ..	£563,720,120
Additional reserve ... ..	21,500,000
Total net liability ... ..	585,220,120
Surplus, including £1,932,332 brought forward from last year ... ..	£33,161,640

VALUATION REPORT (CONTINUED)

INDUSTRIAL BRANCH (CONTINUED)

I recommend that **£29,304,985** be allocated to participating policies. As in the case of the Ordinary branch, I consider that part of the surplus would again be more equitably distributed by way of final bonuses varying with the duration of the policies rather than as a normal reversionary bonus, that the rates of final bonus should be increased and that the years of issue to which they apply should be extended to include the year 1964. Again, as in the case of the Ordinary branch, although these final bonuses relate only to policies which become claims in the ensuing year, I am of the opinion that, other than in exceptional circumstances, final bonuses at these increased rates can be maintained on claims arising in later years on such policies issued prior to 1965. I recommend that the following bonuses should be declared:—

- (A) A final bonus on policies issued in 1964 or earlier which become claims by death or maturity between 1st April, 1966 and 31st March, 1967, inclusive, at the same rates as those for the Ordinary branch as shown on page 30.
- (B) A reversionary bonus at the rate of 2.5 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 of **£212,000** is, in my opinion, required in addition to the 40 per cent of the premium income for the current year.

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

The marine and aviation fund of **£1,142,495** 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 **£2,385,677** at the end of fixed terms of years, and produce an annual premium income of **£13,816**.

The equivalents in sterling of provisions in other currencies have been calculated at the rates of exchange ruling on 31st December, 1965.

The result of the valuation is as follows:—

General branch fund, subject to transfers out of surplus, on 31st December, 1965	... ..	£20,552,761
Provision for fire, sickness and accident, motor vehicle and miscellaneous insurances	... ..	£12,800,938
Provision for marine and aviation insurance	... ..	1,142,495
Provision for sinking fund insurance	... ..	1,616,862
Additional reserve fund	... ..	3,950,000
		19,510,295
Surplus, including <b>£14,474</b> brought forward from last year	... ..	£1,042,466

I recommend that **£400,000** be transferred to the General branch Additional reserve fund.

I am, Gentlemen,

Your obedient Servant,

F. M. REDINGTON  
C P00020204

24th March, 1966.

**THE PRUDENTIAL ASSURANCE COMPANY LIMITED**

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

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