



**THE PRUDENTIAL ASSURANCE COMPANY LIMITED**

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

**YEAR ENDED 31 DECEMBER 1966**

P00020239

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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*

#### Senior Assistant Investment Manager:

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

#### 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*  
*D. S. Craigen, B.A.*  
*G. W. Eley, F.C.I.I.*  
*A. J. Males, F.I.A.*  
*J. L. Macted, LL.M.*  
*H. H. New, F.C.I.I.*  
*F. Pearson*

#### Agency Managers:

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

#### Manager—Industrial Branch

##### Administration:

*J. W. Whittle, D.S.C., V.R.D.*

#### Manager—Overseas Life:

*F. B. Corby, M.A., F.I.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.*

#### Senior Deputy Actuary:

*R. S. Skerman, F.I.A.*

#### Deputy Actuaries:

*A. S. Clarke, F.I.A.*  
*S. S. Townsend, F.I.A.*

#### Group Pensions Manager:

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

#### Deputy Group Pensions Managers:

*M. H. Hill*  
*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 18th May, 1967, 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, 1966

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 Mr. Charles William Allan Ray who retires by rotation and will be aged 73 at the date of the Meeting.

142, Holborn Bars, London, E.C.1.  
*25th April, 1967.*

By order of the Board of Directors,

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

The Report and Accounts for the year 1966 show a further notable expansion in all branches of the Company's business. New sums assured in the two Life branches amounted to over £1,100 millions. This is the first time that a figure exceeding £1,000 millions has been written in one year by any British or Commonwealth life assurance office. The progress which we are making year after year, both at home and overseas, is a tribute to the excellent work of our staff and to the quality of the policies which they sell. Earlier this year we used the medium of television to bring even more widely to the notice of the public the need for life cover for the family man which is so well provided by Prudential policies. This, we believe, will help our field staff to extend and improve on their recent achievements.

## ORDINARY BRANCH

The rapid growth of new business in this Branch continued in 1966. New annual premium income, including that from group business, increased by 15 per cent. in the United Kingdom and by 12 per cent. overseas. There has been notable progress in Australia and New Zealand, Canada and South Africa, our largest overseas branches, and all these have achieved new records. Good progress also has been made by our staff in Rhodesia and Zambia in spite of the economic effects of sanctions, and all the smaller branches have contributed to the improved results.

The expansion of new business in recent years at home and overseas is evidence of the increasing appeal of Prudential policies, the reasons for which are easy to find. We believe that the public want a life assurance company to provide a contract which satisfies three main requirements—complete security, good value for money, and first class service, which 'The Man from the Prudential' offers wherever he is to be found, at home or overseas.

Apart from the expansion in our pension scheme business, to which I shall refer later, the development of our Ordinary branch business in recent years in the United Kingdom has been on three main lines, namely, the provision of life cover, including family income, which is of particular importance to the young married man, saving for later life, and the arrangement of immediate retirement incomes by means of the purchase of annuities. During 1966 our rates for immediate annuities remained highly competitive, and in the autumn, believing the time to be a favourable one both for the sale and purchase of annuities, we launched an intensive drive for new business. The results for the year showed an increase of more than 50 per cent. in purchase money at over £8,000,000, and our new annuitants must be well pleased, because rates are already hardening again.

The culmination of our work is the payment of claims and last year there was a substantial increase in payments made on the maturity of endowment assurances. Over 40,000 United Kingdom endowment policies matured with a total payment of nearly £25,000,000. Under with-profit policies the payments included substantial amounts by way of final bonus, ranging up to £400 for each £1,000 sum assured in the case of the longer term policies. These final bonuses when added to the normal reversionary bonuses make a maturing with-profit endowment policy an excellent investment.

There are two matters relating to our business overseas which, although minor in their financial effect in relation to the total business of the Ordinary branch, are important in principle. As was mentioned in the Statement six years ago, we were compelled by legislation to discontinue the issue of new life policies in Ceylon from the 1st January, 1962. During last year the taxation authorities in Ceylon assessed us retrospectively to 1957 in accordance with a new interpretation of the taxation legislation, with the result that the already severe taxation has been increased very substantially. Effectively, almost the whole of our investment income is being taken in tax. We, in common with other non-Ceylonese life insurers, are taking all the steps open to us to have the assessment determined on the basis which previously applied. In the circumstances, we regret that we cannot declare any bonus for with-profits Ceylon class policies. We are informing the policyholders affected of the reason for this.

In the early part of this year legislation was introduced under which, with effect from the 12th February, 1967, private insurers are no longer permitted to issue new life policies in Tanganyika. Our life business there is very small, the new premium income for last year being less than £30,000, but it is a matter for regret that we are no longer able to develop life assurance to the benefit of policyholders and of the Tanganyikan economy.

## PENSION SCHEME BUSINESS

In recent years we have commented in this annual Statement on the consequences for our business of changes in National Pensions or of plans for such changes. During last year the intention of the Government to introduce improvements in State pensions has been reiterated but no clear indication has been given of the changes which are proposed. There is therefore little I can add now to my comments last year when I drew attention to the importance to the national economy of ensuring that the State and the private sector can continue to work together in making provision for old age. This indeed is the only way in which satisfactory pensions for all can be obtained with reasonable speed.

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On this occasion I would like to draw attention to the success of our Company in the highly competitive field of occupational pension provision. New pension scheme business written by the Prudential in the United Kingdom last year showed an increase over the previous year of 15 per cent. when measured in terms of premium income. New sums assured under group life assurances which are written as ancillary to pension provision totalled over £150 millions.

To illustrate the size of our United Kingdom pension scheme business and the life assurance benefits associated therewith, our premium income from this business for the year 1966, taken by itself, was over £28,000,000, and this puts it in the category of a large life office in its own right. Occupational pension schemes insured by the Company in the United Kingdom now cover nearly half a million employees. This section of the Company's business has been growing very rapidly since the war and in the initial stages the main task has been the building up of provision for the future. It is natural therefore that the pensions being paid should be small at first, but should rise as the business develops. Five years ago we were paying pensions of £2,500,000 a year to some 21,000 persons. Today the relative figures are £5,200,000 and 38,000, and in five years' time the payments are likely to be as much as £10,000,000 a year.

We are proud that among the companies for which we provide pension arrangements are some of the largest in the country, but we also gladly serve employers who have only one or two employees. Our aim is to provide the best possible standard of service for the many employers who have arranged their pension schemes with us, and to this end we have recently introduced simplified administrative procedures.

## INDUSTRIAL BRANCH

The new sums assured and new premium income in this Branch exceeded the 1965 figures by a substantial margin. The majority of people in this country still turn to home service assurance to meet their life assurance needs, the appeal being based on the convenience and assistance to thrift provided by the regular visit of the agent. A particularly welcome feature of our new business is the continuing increase in the average premium per new policy. This now exceeds 14 shillings per month compared with 9 shillings five years ago.

Although the provision of life cover is still a basic purpose of industrial assurance, as is shown by the payment of over £20 millions in death claims in this Branch last year, the public are increasingly attracted to policies which combine life assurance with a substantial element of saving. Indeed, over 80 per cent. of the 1966 new premium income in this Branch came from endowment assurance business. A large proportion of the households paying premiums on industrial assurance policies do not save systematically in any other way. The Selective Employment Tax which bears with particular force on industrial assurance business has the effect of reducing the amount invested on behalf of policyholders, and is oddly at variance with the exhortations of the Chancellor of the Exchequer to the public to save.

## BONUS DECLARATIONS

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

The rates of reversionary bonus for the main classes of assurances in the two Life branches are unchanged, but there have been increases in some of the rates for group pensions business and individual retirement annuity policies, and for some overseas territories.

We have again made additions to the scale of final bonuses on participating assurance policies issued in the United Kingdom which become claims by death or maturity in the next twelve months, though in the present economic climate the additions this year are naturally small. As in each of the past three years, part of the cost of these final bonuses has been met by augmenting the distributable surplus by contributions from the margins in the value of our investments. To effect this, sums have been transferred to revenue from the Investment reserve accounts in each Life branch. In 1966 the amounts so transferred were £2,000,000 in the Ordinary branch and £3,800,000 in the Industrial branch.

The total amount distributed by way of final bonuses since we introduced them in 1956 is £62 millions, a significant addition indeed to the contractual benefits, and as such warmly welcomed by Prudential policyholders. Although there can be no guarantee, we expect to be able to maintain the final bonuses on the policies concerned on the new scale.

The net rate of interest used in the valuation of assurances in the United Kingdom as at 31st December, 1966 has been increased from  $2\frac{1}{2}$  per cent. to  $2\frac{3}{4}$  per cent., the consequences of which are explained in the Valuation Report of the Chief Actuary.

## GENERAL BRANCH

The combined premium income at home and overseas, excluding that of our subsidiary in the United States, increased by over £2½ millions to a total of nearly £32 millions.

The overall underwriting profit of £549,000 compares with a profit of £271,000 for the previous year. The improvement, though welcome, is small in relation to the premium income in this Branch, and does not necessarily indicate a sustained trend to more remunerative underwriting conditions.

Our fire business at home showed a satisfactory profit in spite of a further rise in national fire wastage which causes serious concern to the insurance industry, as indeed it must to the public. Fortunately, weather damage, which can cause severe fluctuations in the fire account, produced no abnormal losses in 1966. A satisfactory underwriting profit arose from the home sickness and accident business.

Home motor business again showed an underwriting loss, evidence of the difficult conditions under which this type of business is conducted during a period of continually rising costs and accidents. It is hoped that underwriting measures which have been taken in the past year, including an improved scale of discounts for the claims-free driver, will help to encourage better standards and reward the good drivers. Motor insurance has of recent years been affected by competition of a nature which has not always been supported by stability or sound judgment, and the failure of some concerns, with unhappy consequences to their unfortunate policyholders, has shown the public the dangers of cut-price insurance.

Turning to our operations overseas, all classes of business showed better results than in the previous year. Although fire and burglary insurance still experienced an underwriting loss, taking all classes together there was an underwriting profit. A particularly welcome feature was an encouraging improvement in the results in Canada.

Throughout the world there is a diminishing respect for law and for the ownership of property, and this is causing additional problems for insurers. The growth in arson, fraud, robbery and sheer vandalism is eroding the small margins of profit available to us.

There has been a downward trend in the profitability of both marine and aviation business during the past few years, and no transfer has been made this year from the Marine account to the General branch Profit and loss account.

Although our subsidiary company in the United States suffered an underwriting loss this was appreciably smaller than in 1965. A higher income from investments has enabled us to maintain the 10 per cent. dividend and show a modest increase in the balance in the Profit and loss account.

Investment income in the General branch other than that allocated to long term contracts increased from £1,652,000 to £1,800,000 and this, with the underwriting profit of £549,000, produced a net surplus of £1,216,000 after taxation. This compares with £1,028,000 in the preceding year.

## LEGISLATION

Rarely does a year pass without the introduction of fresh statutory measures, whether at home or overseas, which affect the conduct of insurance business, and recent years have brought their full share of such legislation. Looking a few years ahead, the introduction of decimal currency in 1971 will carry many problems, particularly, in view of the form proposed, for offices transacting industrial assurance.

It is a matter for regret that the interpretation of much of the recent legislation is often so difficult that in order to unravel the complexities senior officials throughout our industry have to devote a great deal of time that could be used more productively. The Finance Acts of 1965 and 1966, which introduced Corporation Tax, Capital Gains Tax and the Selective Employment Tax to which I have already referred, introduced such complications that some questions are still unresolved. Changes not only bring complication, but the mere fact of transition can also be costly. For example, transition from income tax to corporation tax under the Finance Act 1965 carried with it certain large non-recurrent tax charges in 1966, which are referred to in Note 6 to the Balance Sheet.

We welcome the main provisions of the amendments of the law with respect to Insurance Companies that are proposed in the Companies Bill now before Parliament. These should provide added protection to the insuring public and the broad principles deserve the support of all concerned with maintaining the tradition of British insurance for financial integrity.

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## DIVIDENDS

One of the major uncertainties regarding the application of the Finance Act 1965 to proprietary life assurance companies has been the basis on which they would be able to offset Schedule F tax in respect of shareholders' dividends by franked investment income. In the ordinary way a company can use all its franked investment income for this purpose, and on this basis, as the Company's franked investment income greatly exceeds the shareholders' dividends, there would be no liability for Schedule F tax. The Inland Revenue, however, maintain that only a part of the available franked investment income representing the shareholders' proportion is eligible for this purpose. Although we do not agree with this view, we have deemed it advisable to reserve for Schedule F tax on this basis in our 1966 accounts. This results in approximately £1½ millions being reserved for Schedule F tax in the two Life branches together. The individual amounts are given in Note 6 to the Balance Sheet and in future years, if the same basis is adhered to, these amounts are likely to be of a similar order.

When the Company's Articles of Association were altered in 1951, introducing flexibility into the division of the surplus of the Life branches between shareholders and policyholders, it was emphasized that the Directors hoped as the business expanded to be able to increase dividends and at the same time increase the percentage of surplus allocated to policyholders. This statement of policy was repeated by my predecessors on a number of occasions and the outcome has been that since 1951 dividends have risen substantially and at the same time the policyholders' proportion of the distributable surplus has risen from 90 per cent. to 93.8 per cent. This improvement in the policyholders' proportion has redounded to the shareholders' benefit by contributing to our competitive position in the industry.

For the last five years the policyholders' proportion has remained at 93.8 per cent., but the considerations affecting this division alter from time to time with changes in the character of the business, the levels of surplus, the effects of taxation and the competitive situation. Although flexibility can operate in either direction, the Directors have decided this year to increase the policyholders' proportion to 94 per cent. In the absence of unforeseen events it should be possible in future years further to increase dividends and at the same time gradually to increase the policyholders' percentage of the surplus.

For 1966, in view of the dividend freeze, the Directors are paying the same total dividend of 10.3d. on the A shares as for the previous year out of an allocation to the Shareholders' account of 11.01d. per share compared with 10.81d. for 1965.

In the case of the B shares, although there was an increase in the net surplus in the General branch, the Directors have, for the same reason, decided to pay a total dividend of 5.5d. as for the previous year.

## INVESTMENTS

In my Statement last year I commented that the deflationary measures taken to alleviate the sterling crisis of 1965 had been nullified by the continuing increase in personal consumption. It was not surprising therefore that in 1966 the situation should have led to a worse crisis, nor that the measures announced last July to combat the crisis had to be correspondingly more severe. These measures have been damaging to the growth of the country's economy, but they have had the desired effect of relieving the pressures on sterling and improving our balance of payments position, and the importance of keeping prices and incomes under restraint at the same time has been recognised. It is regrettable, however, that similar recognition has not been given to the need for curtailment of expenditure by the Government and local authorities.

Capital requirements remained high as a result of expenditure programmes to which industry was already committed and the amount of capital raised on the Stock Exchange in 1966 reached the record figure of £638 millions, mostly in the form of loan capital. With the Government's policy of severe credit restrictions, rates of interest remained high throughout the year and reached a peak in the autumn. The many debentures issued during the year were in general attractive to us, but there were occasions when the yield differential over gilt-edged appeared to us to be inadequate.

Altogether during 1966 our investments in the United Kingdom, including the proceeds of sales and redemptions, amounted to £119 millions, the major items of which were £10 millions British Government securities, £25 millions debentures, £22 millions mortgages, £42 millions property and £15 millions Ordinary shares. The amount invested in Ordinary shares, in view of the uncertain outlook, remained at a low figure. Although we purchased £15 millions, including £3 millions subscribed by way of rights to new issues, we realised £6 millions through sales and take-over bids.

In the General branch, franked investment income continued to be attractive to us, because it could be acquired on terms which, allowing for tax considerations, left us with a considerable margin over the return from investment in unfranked investment income: we therefore continued our policy of investing in good class preference shares in this Branch.



CHAIRMAN'S STATEMENT (CONTINUED)

I drew attention last year to the attraction to us of investment in first-class properties, and we have continued to invest in this field. With our large portfolio of property holdings, we have inevitably been concerned with the impact on rent increases of the prices and incomes standstill and in all cases where rents became due for revision after July 1966 we have complied with the Government's requests. These rents were voluntarily frozen for the requisite period at the level previously paid by the tenant, although this seemed unreasonable to us in cases where the rent had been fixed a long time ago and was extremely low in relation to 1966 values.

We do not consider that the Land Commission Act is likely to have much immediate effect on our property investments, although it must of course erode in some measure the potential growth arising from future developments.

Throughout 1966 the trend of interest rates in the territories in which the major part of our overseas business is transacted was comparable with that experienced in the United Kingdom. Although the levels overseas were generally somewhat lower, they were historically high by the standards of the territories concerned. During the year we invested income arising overseas, including the proceeds of sales and redemptions, amounting to some £22 millions as follows: £6 millions in Government, Provincial and Municipal securities, £2 millions in debentures, £1 million in Ordinary shares, £1 million in property and £12 millions in mortgages.

For 1966 the yield on the Ordinary branch fund, including the funds of the overseas branches, was £7 1s. 5d. per cent. compared with £7 2s. 8d. per cent. in 1965, and in the Industrial branch £7 15s. 6d. per cent. compared with £7 17s. 6d. per cent. in 1965. This decline in the yields on our life funds is due to the fact that in 1966 there was no overall increase in Ordinary share dividends as in recent years. In view of the outlook for Ordinary share dividends and the lower level of interest rates now ruling, we must expect a further reduction in these yields in 1967.

#### RETIREMENT

Mr. J. Edey, Deputy Actuary, retired at the end of 1966 after 45 years' service with the Company. He had been associated with the development of our group pensions business from the outset, and his exceptional knowledge and experience in this field have contributed in large measure to its success.

#### APPOINTMENTS

The following appointments have been made in the past year: Mr. R. S. Skerman to be Senior Deputy Actuary, Mr. J. L. Maxted and Mr. D. S. Craigen to be Assistant General Managers, Mr. M. H. Hill to be Deputy Group Pensions Manager, Mr. J. W. Whittle, D.S.C., V.R.D., to be Manager, Industrial Branch Administration, Mr. G. J. Titford to be Senior Assistant Investment Manager and Mr. F. B. Corby to be Manager, Overseas Life.

#### STAFF

I again welcome the opportunity of paying tribute to the work and enthusiasm of all members of the Company's staff both at home and overseas. The 'Man from the Prudential' is firmly established as a symbol of goodwill and efficient service. Our thanks and appreciation go to all who have contributed to the results of the year's work.

JOHN S. P. MELLOR,  
*Chairman.*

13th April, 1967.

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# ANNUAL REPORT

*Year ended 31st December 1966*

The Directors submit their Report and Accounts for 1966.

The Balance sheet total of the Company's Assets is £1,704,096,565 as compared with £1,590,950,985 at 31st December, 1965.

The Income from all sources during 1966 was £340,198,950 as compared with £316,191,355 in 1965.

The Tables which follow summarise the operations of the Life and General branches during 1966.

## BUSINESS IN FORCE 31st DECEMBER 1966

1965						1966	
UNITED KINGDOM	OVERSEAS	ORDINARY BRANCH				UNITED KINGDOM	OVERSEAS
£	£					£	£
2,390,921,657	1,182,205,118	LIFE ASSURANCE BUSINESS				2,807,432,749	1,323,976,889
51,633,364	24,463,285	Sums Assured, including bonus ... ..				55,371,211	26,906,337
		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) ... ..				129,377,295	19,241,715
114,074,706	17,534,555	Annual Premium Income ... ..				25,627,509	3,924,083
23,941,234	3,666,664	IMMEDIATE ANNUITIES					
		Amount of Annuities per annum ... ..				8,463,751	629,035
		INDUSTRIAL BRANCH					
1,568,547,686	—	Sums Assured, including bonus ... ..				1,661,223,706	—
73,059,568	—	Annual Premium Income ... ..				76,476,214	—

## GENERAL BRANCH

19,286,028	9,764,645	Premium Income ... ..	21,039,145	10,694,090
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The General branch figures do not include the premiums of £4,312,272 (£3,802,537 for 1965) written by the Company's American subsidiary, The Prudential Insurance Company of Great Britain, located in New York, the accounts of which appear on page 26.



## BONUS DECLARATIONS

The Directors have declared the following bonuses on participating policies:

### ORDINARY BRANCH

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

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

A final bonus on policies issued in 1964 or earlier which become claims by death or maturity of endowment between 1st April, 1967, and 31st March, 1968, inclusive, at rates varying from 6s. per £100 sum assured for policies issued in 1964 to £41 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	...	...	...	...	...	1.9 compound.

New Zealand:

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

Canada

...	...	...	...	...	...	2.1 plus 2.4 per cent of existing bonuses.
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South Africa:

First Series	...	...	...	...	...	2.75
Second Series (other than Retirement Fund policies)	...	...	...	...	...	2.125 plus 2.3 per cent of existing bonuses.

Rhodesia and Zambia:

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

Kenya, Tanganyika and Uganda

...	...	...	...	...	...	2.3
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Pakistan	...	...	...	...	...	1.8
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Malaya and Singapore	...	...	...	...	...	2.8
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Cyprus	...	...	...	...	...	2.8
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Malta	...	...	...	...	...	3.1
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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 22nd March, 1967, 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, 1967, and 31st March, 1968, inclusive, at rates varying from 6s. per £100 sum assured for policies issued in 1964 to £41 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.

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# DIVIDENDS

The Directors have declared, in respect of the year 1966, the following dividends net of income tax:

## A SHARES

A final dividend of 6.55d. per share payable on 18th May, 1967, to shareholders on the Register on 21st April, 1967.

The final dividend of 6.55d. together with the interim dividend of 3.75d. per share paid in November, 1966, represents a total dividend of 10.3d. for the year of which .39d. 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 18th May, 1967, to shareholders on the Register on 21st April, 1967.

The final dividend of 3.1d. together with the interim dividend of 2.4d. per share paid in November, 1966, 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.

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

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The Directors retiring by rotation are Mr. Walter Frank Gardner, C.B.E., F.I.A., Mr. Charles William Allan Ray and Sir John Nicholson Hogg, T.D. 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,*  
13th April, 1967.

JOHN S. P. MELLOR,  
*Chairman.*

## LIFE ASSURANCE

for the year ended

### ORDINARY BRANCH

1965 £		1965 £		1965 £		1965 £	
780,464,989	Amount of Ordinary life assurance fund at the beginning of the year	862,929,128		13,821,161	Claims under policies paid and outstanding—	588,161,615	Amount of Industrial life assurance fund at the beginning of the year
294,014	Deduct adjustment in exchange	203,901		20,882,373	By death	70,745,434	Premiums
780,170,975		862,725,227		34,703,534	By maturity	45,979,366	Interest, dividends and net rents (less amount written off terminable securities)
105,371,440	Premiums	113,703,017		15,707,481	Surrenders	3,600,000	Transfer from Investment reserve account (see note 7, page 25)
5,700,057	Consideration for immediate annuities	8,571,540		1,196,705	Bonuses surrendered for cash		
56,864,139	Interest, dividends and net rents (less amount written off terminable securities)	62,030,520		6,540,725	Annuities		
2,000,000	Transfer from Investment reserve account (see note 7, page 25)	2,000,000		5,981,063	Commission		
				12,650,625	Expenses of management		
				—	Selective employment tax		
					Taxation on profits and income—		
				1,049,310	Overseas taxes		
				1,529,000	Corporation tax		
				165,000	Profits tax		
				5,248,288	Income tax (see note 6, page 25)		
				7,991,598			
				2,405,752	Transfer to Profit and loss account		
				862,929,128	Amount of Ordinary life assurance fund at the end of the year		
<u>£950,106,611</u>		<u>£1,049,030,304</u>		<u>£950,106,611</u>		<u>£708,486,415</u>	

#### NEW BUSINESS DURING THE YEAR

Assurances: The number of policies issued was 233,703; the sums assured were £895,498,184; the annual premium income was £11,840,726; single premiums were £761,469.

Annuities: The amount of annuities was £32,961,907 per annum; the annual premium income was £5,933,198; single premiums (including consideration for immediate annuities) were £9,960,704.

## REVENUE ACCOUNTS

31st December 1966

### INDUSTRIAL BRANCH

1965 £		1965 £		1965 £		1965 £	
588,161,615	Amount of Industrial life assurance fund at the beginning of the year	616,448,087		19,154,206	Claims under policies paid and outstanding—		
70,745,434	Premiums	74,164,198		21,674,738	By death		
45,979,366	Interest, dividends and net rents (less amount written off terminable securities)	47,425,821		40,828,944	By maturity		
3,600,000	Transfer from Investment reserve account (see note 7, page 25)	3,800,000		18,301,888	Surrenders		
				21,727,572	Expenses of management		
				—	Selective employment tax		
					Taxation on profits and income—		
				170,699	Overseas taxes		
				167,000	Corporation tax		
				310,000	Profits tax		
				8,598,552	Income tax (see note 6, page 25)		
				9,246,251			
				1,933,673	Transfer to Profit and loss account		
				616,448,087	Amount of Industrial life assurance fund at the end of the year		
<u>£708,486,415</u>		<u>£741,838,106</u>		<u>£708,486,415</u>		<u>£741,838,106</u>	

#### NEW BUSINESS DURING THE YEAR

Assurances: The number of policies issued was 1,250,693; the sums assured were £214,769,720; the annual premium income was £11,439,496.

## GENERAL BRANCH

*for the year ended*

### FIRE INSURANCE BUSINESS

1965	£		1965	£
		Amount of fire insurance fund at the beginning of the year—	3,662,791	3,993,428
3,134,324		Provision for unexpired risks ... ..	1,250,721	1,455,675
7,659,005	3,397,730	Premiums ... ..	2,222,204	2,367,137
			34,737	15,155
			105,132	42,078
			24,529	108,543
			95,485	29,167
		Transfer to Profit and loss account ...	222,661	222,661
		Amount of fire insurance fund at the end of the year—		
		Provision for unexpired risks, which amounts to 43.8 per cent. (44.4 per cent. for 1965), of the premium income for the current year ... ..	3,397,730	3,762,039
£10,793,329	£11,995,883		£10,793,329	£11,995,883

## REVENUE ACCOUNTS

*31st December 1966*

### MOTOR VEHICLE INSURANCE BUSINESS

1965	£		1965	£
		Amount of motor vehicle insurance fund at the beginning of the year—	7,731,644	8,569,658
4,260,387		Provision for unexpired risks ... ..	1,317,581	1,404,107
			2,706,307	2,882,689
			—	21,868
			40,890	48,382
5,754		Deduct adjustment in exchange ... ..		
			2,758	2,758
4,254,633		Amount of motor vehicle insurance fund at the end of the year—		
		Premiums ... ..	4,903,756	4,900,998
12,259,389		Transfer from Profit and loss account ... ..	13,123,770	13,123,770
			151,444	151,444
186,156				
£16,700,178	£18,176,212		£16,700,178	£18,176,212

### SICKNESS AND ACCIDENT INSURANCE BUSINESS

1965	£		1965	£
		Amount of sickness and accident insurance fund at the beginning of the year—	1,276,711	1,368,019
1,007,361		Provision for unexpired accident, disability and temporary sickness risks ... ..	466,643	509,848
		Further provision for renewable accident and disability risks ... ..	795,468	881,433
185,000	£1,140,324	Overseas taxes other than on profits ... ..	6,413	6,610
		Transfer to Profit and loss account ... ..	236,017	9,776
251,328	212,000	Amount of sickness and accident insurance fund at the end of the year—		
		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	1,281,197
251,328	299,032	Further provision for renewable accident and disability risks ... ..	212,000	243,000
		Provision for permanent sickness risks ... ..	299,032	367,628
454,636	500,330	Total estimated liability in respect of outstanding claims ... ..	500,330	574,792
1,898,325	2,151,686			
		Deduct adjustment in exchange ... ..	1,873	1,873
2,503				
1,895,822	2,149,813			
		Premiums—		
2,850,812		Accident, disability and temporary sickness ... ..	3,202,993	3,405,014
166,916		Permanent sickness ... ..	202,021	24,080
3,017,728	3,405,014	Interest on permanent sickness provision ... ..		24,080
19,388	24,080			
£4,932,938	£5,578,907		£4,932,938	£5,578,907

### MISCELLANEOUS INSURANCE BUSINESS

1965	£		1965	£
		Amount of miscellaneous insurance fund at the beginning of the year—	2,763,160	3,060,394
2,052,412		Provision for unexpired risks ... ..	877,516	944,213
			1,584,349	1,751,287
			—	11,576
			20,712	19,721
3,134		Deduct adjustment in exchange ... ..		
			2,556	2,556
2,049,278		Amount of miscellaneous insurance fund at the end of the year—		
		Premiums ... ..	2,347,766	2,345,210
5,506,038		Trustee and executor fees ... ..	96,366	96,366
83,141				
5,689,179				
£7,638,457	£8,407,025		£7,638,457	£8,407,025

The amount of debenture and loan stocks for which the Company acts as trustee exceeded £707,000,000 at the end of the year.

GENERAL BRANCH REVENUE ACCOUNTS — CONTINUED

SINKING FUND INSURANCE BUSINESS

1965		1965		
£	£	£	£	
	Amount of sinking fund insurance fund at the beginning of the year ... ..	1,616,862	120,000 Claims under policies paid and outstanding	5,000
1,688,291	Premiums ... ..	13,722	11,520 Surrenders ... ..	181,115
14,124	Interest, dividends and net rents ... ..	88,916	— Commission ... ..	—
96,771			282 Expenses of management ... ..	274
			50,522 Transfer to Profit and loss account ...	72,274
			Amount of sinking fund insurance fund at the end of the year ... ..	1,460,837
			1,616,862	1,460,837
<u>£1,799,186</u>	<u>£1,719,500</u>	<u>£1,799,186</u>	<u>£1,719,500</u>	

MARINE, AVIATION AND TRANSIT INSURANCE BUSINESS

Total 1965 £	Current Year.	Last Preceding Year.	Previous Years.	Total.	Total 1965 £	Current Year.	Last Preceding Year.	Previous Years.	Total.
	£	£	£	£		£	£	£	£
1,165,414	—	349,153	793,342	1,142,495					
					513,625	222,198	230,645	130,200	636,186
						23,703	25,334	4,106	
					32,580	33,732	—186	14	33,560
594,389	588,980	6,105	4,636	627,127	20,213	21,888	724	2	22,614
	12,387	12,623	2,396		13,855	—	138	9,783	9,921
					7,035	213	11	22	246
					30,000	—	—	—	—
					1,142,495	299,633	111,215	656,247	1,067,095
<u>£1,759,803</u>				<u>£1,769,622</u>	<u>£1,759,803</u>				<u>£1,769,622</u>



# LIFE ASSURANCE PROFIT AND LOSS ACCOUNTS

*for the year ended 31st December 1966*

## PROFIT AND LOSS ACCOUNT

1965 £	£		1965 £	£
		Transfers from Revenue accounts—	4,339,425	Transfer to Shareholders' account (A shares) 4,426,652
2,405,752		Ordinary branch ... ..		
1,933,673		Industrial branch ... ..		
<u>£4,339,425</u>			<u>£4,339,425</u>	<u>£4,426,652</u>
			<u>£4,426,652</u>	

## SHAREHOLDERS' ACCOUNT (A SHARES)

1965 £	£		1965 £	£
879,614		Amount of Shareholders' account (A shares) at the beginning of the year ... ..	—	Taxation—
113,678		Interest ... ..	17,051	Corporation tax ... ..
4,339,425		Transfer from Profit and loss account ...	46,892	Profits tax ... ..
				Income tax... ..
162,778		Transfer from Shareholders' account (General branch) ... ..	1,562,500	Interim dividend (net of income tax) to holders of A shares in respect of 1966 ...
				Provision for final dividend (net of income tax) to holders of A shares in respect of 1966... ..
			2,729,167	Balance carried to Shareholders' account (A shares) Balance sheet ... ..
			1,139,885	
<u>£5,495,495</u>			<u>£5,495,495</u>	<u>£5,857,492</u>
				<u>£5,857,492</u>

## SHAREHOLDERS' ACCOUNT (A SHARES) BALANCE SHEET

*31st December 1966*

LIABILITIES			ASSETS		
1965 £	£		1965 £	£	
1,139,885		Shareholders' account (A shares) ... ..	3,899,517	Current assets—	
		Current liabilities and provisions—	—	Deposit with Life and General branches 4,244,653	
		Corporation tax ... ..		Estimated income tax recoverable ... 52,873	
17,051		Profits tax ... ..			
11,020		Income tax ... ..			
2,394		Other creditors ... ..			
2,729,167		Final dividend declared ... ..			
<u>£3,899,517</u>		<u>£4,297,526</u>	<u>£3,899,517</u>	<u>£4,297,526</u>	

# GENERAL BRANCH PROFIT AND LOSS ACCOUNTS

*for the year ended 31st December 1966*

## PROFIT AND LOSS ACCOUNT

1965		£	1965		£
	Transfers from Revenue accounts—			Transfer to Revenue account—	
95,485	Fire ... ..	222,661	186,156	Motor vehicle ... ..	151,444
236,017	Sickness and accident ... ..	336,604		Taxation on profits and income —	
44,954	Miscellaneous ... ..	69,353		Overseas taxes not charged to other accounts ...	175,000
50,522	Sinking fund ... ..	72,274	131,000	Corporation tax ... ..	371,000
30,000	Marine ... ..	—	20,000	Profits tax ... ..	—
1,652,170	Interest, dividends and net rents not carried to other accounts ... ..	1,800,089	508,000	Income tax (see note 6, page 25) ... ..	597,000
—	Profits tax recoverable ... ..	10,000	895,000		1,143,000
			1,027,992	Balance being net profit for the year carried down ... ..	1,216,537
		<u>£2,510,981</u>			<u>£2,510,981</u>
	Balance of General branch Profit and loss account at the beginning of the year ...	17,466	400,000	Transfer to Additional reserve fund ...	550,000
14,474			625,000	Transfer to Shareholders' account (General branch) ... ..	625,000
1,027,992	Balance from above ... ..	1,216,537	17,466	Balance carried to General branch Balance sheet ... ..	59,003
		<u>£1,234,003</u>	<u>£1,042,466</u>		<u>£1,234,003</u>
		<u>£1,042,466</u>			

## SHAREHOLDERS' ACCOUNT (GENERAL BRANCH)

1965		£	1965		£
453,310	Amount of Shareholders' account (General branch) at the beginning of the year ...	457,199	200,000	Interim dividend (net of income tax) to holders of B shares in respect of 1966 ...	200,000
625,000	Transfer from Profit and loss account ...	625,000	258,333	Provision for final dividend (net of income tax) to holders of B shares in respect of 1966... ..	258,333
			162,778	Transfer to Shareholders' account (A shares) ... ..	162,778
			457,199	Balance carried to General branch Balance sheet ... ..	461,088
		<u>£1,082,199</u>	<u>£1,078,310</u>		<u>£1,082,199</u>
		<u>£1,078,310</u>			

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# CONTINGENCY FUNDS

Accounts for the year ended 31st December 1966

Common 1965	Special 1965		Special	Common 1965	Special 1965		Special
£	£		£	£	£		£
4,283,168	7,014,898	Amount of contingency fund at the beginning of the year ... ..	8,045,725	122	1,940	Taxation—	
141,059	374,039	Interest and dividends ... ..	432,991	17,204	54,001	Corporation tax ... ..	99,278
280,670	—	Transfer from Investment reserve account (see note 7, page 25)	—	54,542	148,935	Profits tax ... ..	27,719
—	861,664	Balance of Common contingency fund transferred to Special contingency fund	—	21,365	—	Income tax ... ..	76,228
				3,750,000	—	Expenses in respect of issue of new A shares ... ..	—
				861,664	—	Transfer to Industrial branch in respect of issue of new A shares ... ..	—
				—	8,045,725	Balance of Common contingency fund transferred to Special contingency fund	—
						Amount of Special contingency fund at the end of the year ... ..	8,275,491
<u>£4,704,897</u>	<u>£8,250,601</u>		<u>£8,478,716</u>	<u>£4,704,897</u>	<u>£8,250,601</u>		<u>£8,478,716</u>

## SPECIAL CONTINGENCY FUND BALANCE SHEET 31st December 1966

LIABILITIES				ASSETS			
1965			£	1965			£
8,045,725	Special contingency fund ... ..		8,275,491		Loans—		
—	Provision for Corporation tax ... ..		86,508	175,000	On parochial and other public rates ...		80,000
71,183	Provision for Profits tax ... ..		27,719		Investments—		
				5,983,941	British Government securities ... ..		6,497,327
				599,193	British Government guaranteed securities		84,234
				527,451	Municipal and county securities—United Kingdom ... ..		626,013
				—	Public Board securities—United Kingdom		97,000
				268,906	Other Commonwealth Government securities ... ..		268,906
				501,671	Debentures and debenture stocks, home and foreign ... ..		614,467
					Current assets—		
				701	Outstanding interest ... ..		127
				10,985	Estimated income tax recoverable ...		101,855
				14,139	Estimated corporation tax recoverable ...		—
					Balance at Bankers—		
				34,921	On current account in the United Kingdom ... ..		19,789
<u>£8,116,908</u>			<u>£8,389,718</u>	<u>£8,116,908</u>			<u>£8,389,718</u>

# BALANCE SHEET

31st DECEMBER, 1966

Ordinary Branch 1965.	Industrial Branch 1965.	General Branch 1965.	Total 1965.	LIABILITIES.	Ordinary Branch.	Industrial Branch.	General Branch.	Total.
£	£	£	£		£	£	£	£
				<b>Authorised and Issued Capital—</b>				
	5,000,000		5,000,000	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			1,000,000	1,000,000
		457,199	457,199	<b>Balance of Shareholders' account (General branch)</b>			461,088	461,088
		17,466	17,466	<b>Profit and loss account—balance carried forward</b>			59,003	59,003
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>				
862,929,128			862,929,128	Ordinary branch	945,372,285			945,372,285
	616,448,087		616,448,087	Industrial branch		639,825,568		639,825,568
				<b>General branch insurance funds—</b>				
		3,397,730		Fire			3,762,039	
		2,151,686		Sickness and accident			2,466,617	
		4,903,756		Motor vehicle			5,249,508	
		2,347,766		Miscellaneous			2,550,481	
		1,616,862		Sinking fund			1,460,837	
		1,142,495		Marine			1,067,095	
		4,350,000		Additional reserve			4,900,000	
			19,910,295					21,456,577
				<b>Current liabilities and provisions—</b>				
				Claims admitted or intimated, but not paid, less amounts recoverable under reinsurances—				
				Life	6,929,619	1,477,648		8,407,267
		1,676,865		Fire			2,007,852	
		5,561,604		Motor vehicle			6,280,096	
		2,044,078		Miscellaneous			2,309,059	
			6,676	Annuities due and unpaid		8,635		8,635
6,676			3,284,215	Outstanding commission and expenses	1,798,836	592,204	1,142,522	3,533,562
1,592,359	659,091	1,032,765	862,165	Premiums received in advance	831,530		159,799	991,329
702,405		159,760		Amounts due on reinsurance account—				
		703,914		Fire			768,611	
		9,318		Sickness and accident			15,032	
		17,471		Motor vehicle			19,562	
		21,507		Miscellaneous			46,535	
		62,155		Marine			60,389	
		55,500		Amounts due to subsidiaries	164,920	125,000	67,339	357,259
164,920	125,000		345,420	Other creditors	1,613,727	683,234	277,944	2,574,905
1,164,077	602,757	247,604	2,014,438	Loans from overseas bankers	7,300,745		7,300,745	7,300,745
7,136,485		7,136,485		Sundry brokers for investments purchased	225,565	87,457	33,198	346,220
381,407	40,792	70,200		Overseas taxes	1,041,181	22,326	301,250	1,364,757
883,418	18,919	213,079		Corporation tax	3,568,000	1,033,000	510,406	5,111,406
2,048,000	316,000	108,931		Profits tax	14,324		10,748	26,119
210,924	323,259	57,719		Income tax				
		182,713		Amount due to Shareholders' account				
				(A shares)	2,366,845	1,791,697	86,111	4,244,653
2,114,057	1,699,349	86,111	3,899,517	Dividend declared—B shares			258,333	258,333
		258,333	258,333					
				<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>				
£899,689,988	648,189,502	34,954,587	1,582,834,077		£985,236,212	672,148,882	38,321,753	1,695,706,847
			8,116,908	Special contingency fund (per separate Balance sheet)				8,389,718
			£1,590,950,985					£1,704,096,565

Ordinary Branch 1965.	Industrial Branch 1965.	General Branch 1965.	Total 1965.	ASSETS.	Ordinary Branch.	Industrial Branch.	General Branch.	Total.
£	£	£	£		£	£	£	£
76,457,134	29,448,810	59,754	105,965,698	<b>Mortgages—</b>				
37,693,529	1	163,980	37,857,510	On property within the United Kingdom	87,376,093	33,960,036	79,023	121,415,152
				On property out of the United Kingdom	46,521,461		313,567	46,835,029
				<b>Loans—</b>				
4,233,500	4,210,833		8,444,333	On parochial and other public rates	3,214,518	3,357,779		6,572,297
500,000			500,000	On stocks and shares				
				On Company's policies within their surrender values	28,341,543		14,500	28,356,043
24,671,593		14,500	24,686,093	Without specific security	1,155,641	934,904	277,184	2,367,729
852,448	553,151	267,398	1,672,997					
				<b>Investments—</b>				
121,556,142	169,122,392	5,233,479	295,912,013	British Government securities	125,150,492	170,830,729	5,880,487	301,861,708
2,580,798	8,652,660	657,117	11,890,575	British Government guaranteed securities	2,576,641	8,652,435	10,804	11,239,880
				Securities guaranteed under Trade Facilities and other acts	625,493	947,612		1,573,105
625,493	947,612		1,573,105	Municipal and county securities, United Kingdom	2,318,440	2,622,618	418,705	5,359,763
2,081,446	2,544,959	418,705	5,045,110	Public Board securities, United Kingdom	1,077,394	1,682,702	196,636	2,956,732
649,733	1,624,141	196,636	2,470,510	Other Commonwealth Government securities	40,523,867	3,711,307	1,537,795	45,772,969
38,443,911	3,806,578	1,436,250	43,686,739	Other Commonwealth provincial securities	17,506,451		1,959,929	19,466,380
16,181,453		1,562,819	17,744,272	Other Commonwealth municipal securities	5,397,201		858,786	6,255,987
5,529,514		7,615	6,402,078	Other Commonwealth Public Board securities	724,304			724,304
724,304			724,304	Foreign Government securities	4,629,910	110,381	575,852	5,316,143
3,656,794	111,124	522,982	4,290,900	Foreign provincial securities			2	2
				Foreign municipal securities	3,405,377		5	3,410,382
4,017,605		216,352	4,233,962	Foreign Public Board securities	2,673,553			2,673,553
2,960,574			2,960,574	Debentures and debenture stocks and gold and sterling bonds—home and foreign	182,135,528	121,516,963	3,227,493	306,879,984
				Preference and guaranteed stocks and shares	27,571,061	26,651,856	6,119,426	60,342,343
166,254,440	115,942,691	3,510,575	285,707,706	Ordinary stocks and shares	194,085,037	168,456,969	6,856,796	369,398,802
27,158,418	27,108,899		58,891,593	Subsidiaries not dealt with in group accounts—				
186,607,420	163,920,594	6,770,348	357,298,362	Debentures	706,843			706,843
				Ordinary shares	198,521	125,000	30,891	354,412
				Rent charges	40,000	32,774		72,774
				Freehold ground rents and feu duties	13,341,333	6,892,058		20,233,391
				Leasehold ground rents		81,000		81,000
				Freehold and leasehold property (including office premises)—				
				In the United Kingdom	149,950,190	110,725,273		260,675,463
				Out of the United Kingdom	17,824,286		29,286	17,853,572
				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	1,405,983	112,500	875,311	2,393,794
				Agents' balances			758,253	758,253
				Commission paid in advance	3,529,061			3,529,061
				Outstanding premiums	3,006,233	984,722	3,671,127	7,662,082
				Outstanding interest, dividends, rents and fees	4,138,714	1,497,002	47,670	5,683,386
				Interest, dividends, rents and fees accrued	5,031,205	3,223,209	187,334	8,441,748
				Amounts due on reinsurance account			1,080,984	1,080,984
				Amounts due from subsidiaries			856	856
				Sundry brokers for investments sold				
				Estimated income tax recoverable	5,824,000	3,130,000	28,709	8,982,709
				Other debtors	238,519	333,790	203,023	775,332
				<b>Balances at Bankers and Cash in hand—</b>				
				On deposit—				
				In the United Kingdom				
				Out of the United Kingdom	1,414,886	174,737	648,070	2,237,693
				In hand and on current account—				
				In the United Kingdom	527,910	1,36		

## 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, 1966, 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.*

W. F. GARDNER, *Director.*

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

R. E. MONTGOMERY, *Director.*

13th April, 1967.

## NOTES TO THE ACCOUNTS

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

1965		1966
£		£
111,390,000	Capital commitments for settlement after 31st December ... ..	110,550,000
200,000	Contingent capital commitments ... ..	100,000
2,730,000	Uncalled capital on investments held ... ..	2,605,000
15,000	Reserve liability on shares, etc. ... ..	100,000

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:

1965		1966
£		£
37,000	Australia ... ..	36,000
15,000	Burma ... ..	15,000
50,134,500	Canada ... ..	58,086,500
10,500	Ireland ... ..	10,500
4,500	Israel ... ..	6,000
35,000	Malaysia ... ..	35,000
49,500	New Zealand ... ..	49,500
4,626,000	Pakistan ... ..	4, P00020259

NOTES TO THE ACCOUNTS (CONTINUED)

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

4. The aggregate amount of the Directors' remuneration for the year was £67,040 (1965, £62,670). In addition sums totalling £10,687 (1965, £7,277) were paid by the Company to Directors and past Directors under arrangements for augmenting pensions payable to ex-employees from the staff pension funds.

5. Life and casualty revenue account transactions in overseas currencies have been brought in at the rates of exchange ruling on 31st December, 1966, 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, 1966, except that in the case of certain investments in overseas currency held at Chief Office book values have been based on the rates of exchange ruling on the dates of acquisition.

6. Provision has been made in the accounts for taxation on all profits and income earned to the date of the Balance sheet, for which purposes corporation tax has been charged at 40 per cent and income tax at 8s. 3d. in the £, less appropriate reliefs. The income tax charged in the Ordinary branch and Industrial branch revenue accounts has, for this year, been abnormally increased by £1,175,000 and £1,600,000 respectively because of the change in assessment periods applicable to the Company following the transition from income tax to corporation tax under the Finance Act 1965.

Amounts of £990,000, £530,000 and £130,000 in respect of the estimated liability to income tax under Schedule F have been included in the amount of income tax charged in the Ordinary and Industrial branch revenue accounts and the General branch Profit and loss account respectively. The close company provisions of the Finance Act, 1965, do not apply to the Company.

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

8. With the approval of the Board of Trade (a) the group accounts do not 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 three 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, 1966, the particulars to be given for these three subsidiaries are:

Net aggregate amount of profits—				For 1966	For previous years
				£	£
not included in the Company's accounts	...	...	...	31,585	—
included in the Company's accounts	...	...	...	— 31,404	31,482

9. General branch business in the United States of America is transacted by the Company's subsidiary, The Prudential Insurance Company of Great Britain located in New York. The accounts of this subsidiary for the year 1966 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 1966 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 1966

1965	£	£	1965	£	£
			2,863,792	Claims under policies paid and outstanding	2,717,728
			1,337,478	Commission ... ..	1,665,684
			80,104	Expenses of management ... ..	89,129
				Amount of insurance fund at the end of the year—	
			2,259,049	Provision for unexpired risks ... ..	2,283,726
1965	£	£			
				Amount of insurance fund at the beginning of the year—	
2,279,928		2,259,049		Provision for unexpired risks ... ..	
3,802,537		4,312,272		Premiums ... ..	
457,958		184,946		Transfer from Profit and loss account ... ..	
<u>£6,540,423</u>		<u>£6,756,267</u>			
			<u>£6,540,423</u>		<u>£6,756,267</u>

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

### PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1966

1965	£	£	1965	£	£
			2,876	Taxes ... ..	1,790
			14,009	Investment expenses ... ..	13,728
			1,736	Amounts written off securities ... ..	1,170
				Dividend to The Prudential Assurance Co. Ltd. ... ..	53,571
			457,958	Transfer to Revenue account ... ..	184,946
			1,423,094	Balance (earned surplus) as per Balance sheet ... ..	1,531,879
1965	£	£			
				Balance (earned surplus) brought forward from previous year ... ..	1,423,094
1,641,117		296,959		Interest and dividends ... ..	67,031
239,286				Profit on sale of securities ... ..	
72,841					
<u>£1,953,244</u>		<u>£1,787,084</u>			
			<u>£1,953,244</u>		<u>£1,787,084</u>

### BALANCE SHEET

31st December 1966

LIABILITIES		ASSETS	
1965	£	1965	£
535,714	15,000 shares of \$100 each, fully paid ...	2,266,793	Investments (at or under cost)—
535,714	Capital reserve (surplus paid in) ... ..	2,660,671	United States Government securities ...
1,423,094	Profit and loss account balance (earned surplus) ... ..	362,550	Debentures and bonds ... ..
2,259,049	Insurance fund ... ..	1,111,803	Preference stocks and shares ... ..
			Ordinary stocks and shares ... ..
			Current assets—
2,059,591	Current liabilities—	45,749	Interest and dividends accrued ... ..
30,411	Outstanding claims ... ..	137,802	Amounts due on reinsurance account ...
10,115	Outstanding commission and expenses ...	51,428	Amount due from Parent company ... ..
17,857	Amount due to Parent company ... ..	240,227	Balances at Bankers and Cash in hand ...
5,478	Other creditors ... ..		
	Taxation ... ..		
	Foreign exchange adjustment ... ..		
<u>£6,877,023</u>	<u>£7,240,413</u>	<u>£6,877,023</u>	<u>£7,240,413</u>

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

P00020261

**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, 1966, 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, 1966, 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.A.

13th April, 1967.



# VALUATION REPORT

To the Directors of The Prudential Assurance Company Limited.

I have the honour to submit my report on the valuation as at 31st December, 1966 of the life assurances and annuities and other insurance contracts of the Company.

## ORDINARY BRANCH

The number of contracts in force was **2,275,862**, producing an annual premium income of **£111,829,140**. Sums assured with bonuses amounted to **£4,131,409,638**; deferred and contingent annuities with bonuses amounted to **£148,619,010 per annum including amounts of annuity to be purchased by future recurrent single premiums**. Annuities in course of payment amounted to **£9,092,786 per annum**.

The interest earned in 1966 represents a gross rate of **£7 1s. 5d.** 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 ...	The modified net premium method valuing net premiums calculated on the valuation basis with an addition to allow for part of the initial expenses

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

Assurances issued in Australia and New Zealand	}	A1949/52 Ultimate table of mortality
Without-profits assurances issued after 31st December, 1960 in Canada		
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:—

	Rate of Interest
Business issued in:—	
United Kingdom, the Channel Islands and the Isle of Man ...	2¾%
Australia and New Zealand:	
Other than Second Series policies ...	3¼%
Second Series policies ...	3%
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 ...	3¼%
Second Series policies ...	3¼%
Kenya, Tanganyika and Uganda ...	3¼%
Other territories ...	3%

For assurances 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.

## ORDINARY BRANCH (CONTINUED)

The rates of interest assumed were:—

	United Kingdom the Channel Islands and the Isle of Man	Other territories
Deferred annuities:—		
With-profits:		
Individual business ... ..	3¼%	3%
Group pension business ... ..	2¾%	3%
Pension-Unit Schemes... ..	4½%	—
Without-profits individual and group:		
Pension annuity business ... ..	4¼%	—
General annuity business:		
During deferment ... ..	3¼%	} 3¼%
After deferment ... ..	4%	
Immediate annuities ... ..	5%	3½%
Annuities certain ... ..	3½%	3½%

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

The equivalents in sterling of liabilities in other currencies have been calculated at the rates of exchange ruling on 31st December, 1966.

The foregoing bases of valuation incorporate certain major changes. In view of the general level of interest earnings in the United Kingdom, the rate of interest used in the valuation as at 31st December, 1966 of assurances issued in the United Kingdom, the Channel Islands and the Isle of Man has been increased from 2½% to 2¾%. This rate of interest is net of tax and allows for the fact that the system of reversionary bonuses necessitates a margin in the valuation rate of interest in order to prevent the anticipation of future bonus. The method of valuing the with-profits assurance business issued in New Zealand has been changed from the bonus reserve method using a rate of interest of 4½% to the modified net premium method using rates of interest of 3¼% for the First Series and 3% for the Second Series.

The changes in the valuation bases referred to above would have reduced the net liabilities as at the 1st January, 1966 by £8,554,000. I consider that the amount released should be added to the Additional reserve, which 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 reserve now stands at £21,900,000.

The result of the valuation is as follows:—

Ordinary branch fund, subject to transfers out of surplus, on 31st December, 1966 ... ..	£947,891,726
Net liability under assurance policies ... ..	£564,216,046
Net liability under annuity contracts ... ..	320,092,482
Additional reserve ... ..	21,900,000
Total net liability ... ..	906,208,528
Surplus emerging at 31st December, 1966 ... ..	41,683,198
Add cost of bonuses allocated during 1966 in anticipation out of surplus for that year...	1,522,000
TOTAL SURPLUS for year, including £1,123,645 brought forward from last year ... ..	£43,205,198

I recommend that, including the amounts already allocated in anticipation out of the surplus for 1966, £39,471,252 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 should again be distributed by way of final bonuses varying with the duration of the policies, that the rates of final bonus should be increased and that as last year they should apply to years of issue prior to 1965. 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:—

VALUATION REPORT (CONTINUED)

ORDINARY BRANCH (CONTINUED)

(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, 1967 and 31st March, 1968 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	0.3	1953	13.2	1942	25.5	1931	34.6
1963	0.8	1952	14.6	1941	26.4	1930	35.4
1962	1.5	1951	16.0	1940	27.3	1929	36.2
1961	2.4	1950	17.3	1939	28.2	1928	37.0
1960	3.5	1949	18.6	1938	29.0	1927	37.8
1959	4.7	1948	19.8	1937	29.8	1926	38.6
1958	6.0	1947	20.9	1936	30.6	1925	39.4
1957	7.4	1946	21.9	1935	31.4	1924	40.2
1956	8.8	1945	22.8	1934	32.2	1923	41.0
1955	10.2	1944	23.7	1933	33.0	or	
1954	11.7	1943	24.6	1932	33.8	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 simple plus 2.4 per cent of existing bonuses
  - (d) South Africa:
    - First Series ... .. 2.75 simple
    - Second Series: Retirement Fund ... .. 2.425 simple plus 2.6 per cent of existing bonuses
    - Other ... .. 2.125 simple plus 2.3 per cent of existing bonuses
  - (e) Rhodesia and Zambia:
    - First Series ... .. 2.75 simple
    - Second Series: Retirement Fund ... .. 2.425 compound
    - Other ... .. 2.125 compound
  - (f) Kenya, Tanganyika and Uganda ... .. 2.3 simple
  - (g) Pakistan ... .. 1.8 simple
  - (h) Malaya and Singapore ... .. 2.8 simple
  - (i) Cyprus ... .. 2.8 simple
  - (j) Malta ... .. 3.1 simple
  - (k) Sudan and Palestine (closed classes) ... .. 2.0 simple
  - (l) Burma (a closed class) ... .. 1.0 simple
  - (m) India (a closed class comprising a few policies on the Burma and United Kingdom registers) ... .. 1.4 simple

Because of a drastic increase in the assessment to tax in Ceylon, which effectively absorbs the whole of the surplus, I am unable to recommend that a bonus should be declared for policies of Ceylon class. P00020265

## 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 ... .. | 3.0 | simple   |
| (b) Canada ... ..         | 1.6 | compound |
- (D) For group pension policies, 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 ... ..                     | 3.75  | compound |
| General annuity business ... ..                                         | 3.375 | compound |
| (b) Channel Islands and the Isle of Man ... ..                          | 3.375 | compound |
| (c) Canada ... ..                                                       | 2.1   | compound |
| (d) South Africa, Rhodesia, Zambia, Kenya, Tanganyika and Uganda ... .. | 2.75  | compound |
- (E) For Pension-Unit Scheme policies issued in the United Kingdom, a reversionary bonus on pensions for members who have not reached Normal Pension Age at the following rate per cent of the pension being purchased ... ..
- |  |     |        |
|--|-----|--------|
|  | 1.0 | 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 1967:—

- (A) For individual retirement annuity policies issued in:—
- |                                                                                                            |      |          |
|------------------------------------------------------------------------------------------------------------|------|----------|
| (a) United Kingdom, on annuities commencing between 15th March, 1967 and 14th March, 1968 inclusive ... .. | 18.0 | compound |
| (b) Canada, on annuities commencing between 1st July, 1967 and 30th June, 1968 inclusive ... ..            | 20.0 | compound |
- (B) For group pension policies, on pensions commencing between 15th March, 1967 and 14th March, 1968 inclusive issued in:—
- |                                                                         |      |          |
|-------------------------------------------------------------------------|------|----------|
| (a) United Kingdom, the Channel Islands and the Isle of Man ... ..      | 32.0 | compound |
| (b) Canada ... ..                                                       | 20.0 | compound |
| (c) South Africa, Rhodesia, Zambia, Kenya, Tanganyika and Uganda ... .. | 20.0 | compound |
- (C) For Pension-Unit Scheme policies issued in the United Kingdom, on pensions secured for members who reach Normal Pension Age between 15th March, 1967 and 14th March, 1968 inclusive ... ..
- |  |     |          |
|--|-----|----------|
|  | 6.5 | compound |
|--|-----|----------|

## INDUSTRIAL BRANCH

The number of policies in force, including 5,719,019 free or paid-up policies, was 26,018,241, producing an annual premium income of £76,476,214. The maximum sums assured with bonuses amounted to £1,661,223,706.

The interest earned in 1966 represents a gross rate of £7 15s. 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.

As in the case of Ordinary branch assurances issued in the United Kingdom, the Channel Islands and the Isle of Man, the rate of interest used in the valuation has been increased from 2½ per cent to 2¾ per cent. This change in the valuation basis would have reduced the net liability as at 1st January, 1966 by £12,448,000. I consider that the amount released should be added to the Additional reserve, which 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 reserve now stands at £33,300,000.

The result of the valuation is as follows:—

Industrial branch fund, subject to transfers out of surplus on 31st December, 1966 ... ..	£641,732,779
Net liability under Industrial assurance policies... ..	£574,620,941
Additional reserve ... ..	33,300,000
Total net liability ... ..	607,920,941
Surplus, including £1,922,982 brought forward from last year ... ..	£33,811,838

VALUATION REPORT (CONTINUED)

INDUSTRIAL BRANCH (CONTINUED)

I recommend that **£29,879,634** be allocated to participating policies. As in the case of the Ordinary branch, I consider that part of the surplus should again be distributed by way of final bonuses varying with the duration of the policies, that the rates of final bonus should be increased and that as last year they should apply to years of issue prior to 1965. 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, 1967 and 31st March, 1968 inclusive, at the same rates as those for the Ordinary branch 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 **£243,000** 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 **£1,067,095** 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 **£1,954,638** at the end of fixed terms of years, and produce an annual premium income of **£11,592**.

The equivalents in sterling of provisions in other currencies have been calculated at the rates of exchange ruling on 31st December, 1966.

The result of the valuation is as follows:—

General branch fund, subject to transfers out of surplus, on 31st December, 1966	...	...	£22,140,580
Provision for fire, sickness and accident, motor vehicle and miscellaneous insurances	...	...	£14,028,645
Provision for marine and aviation insurance	...	...	1,067,095
Provision for sinking fund insurance	...	...	1,460,837
Additional reserve fund	...	...	4,350,000
			20,906,577
Surplus, including <b>£17,466</b> brought forward from last year	...	...	£1,234,003

I recommend that **£550,000** be transferred to the General branch Additional reserve fund.

F. M. REDINGTON,  
C P00020267

22nd March, 1967.

**THE PRUDENTIAL ASSURANCE COMPANY LIMITED**

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

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