



**THE PRUDENTIAL ASSURANCE COMPANY LIMITED**

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

**YEAR ENDED 31 DECEMBER 1967**

P00020302

## CONTENTS

---

Notice of Meeting	...	...	...	...	...	...	...	...	...	Page	3
Chairman's Statement	...	...	...	...	...	...	...	...	...		4-8
Directors' Report	...	...	...	...	...	...	...	...	...		9-13
Bonus declarations	...	...	...	...	...	...	...	...	...		12
Dividends declared	...	...	...	...	...	...	...	...	...		12
Revenue Accounts	...	...	...	...	...	...	...	...	...		14-18
Profit and Loss Account (Life branches) and Shareholders' Accounts (A Shares)	...	...	...	...	...	...	...	...	...		19
Profit and Loss Account (General branch) and Shareholders' Account (General branch)	...	...	...	...	...	...	...	...	...		20
Special Contingency Fund Accounts	...	...	...	...	...	...	...	...	...		21
Balance Sheet	...	...	...	...	...	...	...	...	...		22-23
Certificates and Notes to the Accounts	...	...	...	...	...	...	...	...	...		24-26
Accounts of The Prudential Insurance Company of Great Britain located in New York	...	...	...	...	...	...	...	...	...		27
Auditors' Report	...	...	...	...	...	...	...	...	...		28
Chief Actuary's Valuation Report	...	...	...	...	...	...	...	...	...		29-34

---



## 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:

*R. H. Owen, 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:

*D. S. Craigen, B.A.*  
*W. G. Haslam, D.F.C.*

#### Assistant General Managers:

*F. B. Corby, M.A., F.I.A.*  
*G. W. Eley, F.C.I.I.*  
*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.*

#### Life Manager—Ordinary Branch:

*S. A. Ryder*

#### Senior Solicitor:

*M. A. R. George*

#### 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:

*H. G. James, F.I.A.*

P00020304

1447-003



## THE PRUDENTIAL ASSURANCE COMPANY LIMITED

### NOTICE IS HEREBY GIVEN

that the ANNUAL GENERAL MEETING of this Company will be held at the Registered Office of the Company, No. 142, HOLBORN BARS, LONDON, E.C.1 on THURSDAY, the 16th May, 1968, at 12.15 p.m. for the following purposes:

1

To receive the Directors' Report and Statement of Accounts for the year ended 31st December, 1967

2

To re-elect and elect Directors

3

To fix the remuneration of the Auditors

4

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

In connection with the re-election of Directors special notice has been given to the Company, pursuant to the Companies Act, 1948, that separate resolutions will be moved proposing the re-election of the following Directors who retire by rotation and whose respective ages at the date of the Meeting will be as shown in brackets after their names:—

Mr. Maurice Petherick (73) and  
The Rt. Hon. Lord Coleraine, P.C. (67)

By order of the Board of Directors,

142, Holborn Bars, London, E.C.1.  
23rd April, 1968.

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

### 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.

3

P00020305

1447-004

## CHAIRMAN'S STATEMENT

Before reviewing the Company's affairs during 1967 it is with deep regret that I refer to the death last month of Mr. Edward Borrajo who was Deputy Chairman of the Company from 1950 to 1960. Before his retirement he had completed 63 years of unbroken service with the Company. He is remembered with great respect and affection by all who knew him.

There are a number of important changes in the Board and Management to which I will refer.

Mr. Maurice Petherick will retire from the office of Deputy Chairman at the end of the Annual General Meeting. Subject to re-election by the shareholders as a Director, he will retain his seat on the Board. The Directors wish to place on record their warm appreciation of Mr. Petherick's services as a Deputy Chairman. The Directors intend to elect Mr. Desmond Reid to succeed Mr. Petherick as a Deputy Chairman.

Mr. K. A. Usherwood retired from the office of General Manager at the end of last year and Mr. F. M. Redington our Chief Actuary is retiring next month. The Directors are anxious that their exceptional knowledge and abilities shall not be lost to the Company and will accordingly be recommending their election to the Board at the Annual General Meeting.

Mr. Usherwood had already qualified as a Fellow of the Institute of Actuaries while at Cambridge University, before entering the Company's service in 1925. His rapid progress brought experience of every major aspect of our business at home and overseas, and before he became General Manager in 1960 he had had a period of twelve years in the office of Deputy General Manager. In his seven years as General Manager the Company's business expanded at a record rate. Mr. Usherwood had for long shown an interest in mechanisation, especially in electronic principles, and it is appropriate that it was during his term of office as General Manager that plans for the widest possible use of electronic computers in our business were laid down. Mr. Usherwood was President of the Institute of Actuaries in the years 1962 to 1964.

On the retirement of Mr. Usherwood the Directors appointed Mr. R. H. Owen to be General Manager. Mr. Owen joined the Company in 1929 and has served in many capacities at home and overseas. When he became a Deputy General Manager in 1959 he was responsible for an analysis of departmental work which resulted in greater operational efficiency. His personal qualities and his wide experience make him eminently suitable as our new General Manager.

Mr. F. M. Redington has been our Chief Actuary for the past eighteen years and his judgment and counsel have been of the greatest value to the Company through a period of many changes. Mr. Redington is held in very high esteem throughout the actuarial profession and, like Mr. Usherwood, has served as President of the Institute of Actuaries. He is being succeeded as Chief Actuary by Mr. R. S. Skerman.

The following appointments have also been made during the past year: Mr. D. S. Craigen to be a Deputy General Manager, Mr. F. B. Corby to be an Assistant General Manager, Mr. M. A. R. George to be Senior Solicitor, Mr. K. N. Yeldham to be a Deputy Actuary and Mr. S. A. Ryder to be Life Manager, Ordinary Branch.

At the end of 1967 three other members of the Management retired: Mr. C. D. Clark and Mr. A. J. Males, Assistant General Managers, and Mr. P. B. Cockshutt, Senior Solicitor. With their long experience they have given very valuable service to the Company in widely differing spheres of responsibility.

During 1967 we suffered a grievous loss in the death of Mr. G. E. Rumball who had been our General Manager for Southern Africa since 1961. His knowledge and wide experience of our business in that territory were of great value to the Company. He has been succeeded by Mr. H. G. James who had been Actuary for Southern Africa since 1955.

---

The Report and Accounts for the year 1967 demonstrate the continued vitality of the Company. We are justifiably proud of the contribution which the Prudential is making to the welfare and security of individuals, families and firms, not only in the United Kingdom but in many other parts of the world.

### ORDINARY BRANCH

There was a further substantial expansion in this Branch, both in the United Kingdom and Overseas. The new business in the United Kingdom, including group business, produced new annual premium income of nearly £13 millions and single premiums, together with annuity considerations, of over £11 millions. In the overseas branches new premium income in total was £8 millions, an increase of £2½ millions compared with the previous year; over £1 million of this increase was due to changes in exchange rates following devaluation. Among our larger overseas branches progress was particularly good in Australia, and new records were also achieved in Canada, New Zealand and South Africa.

In 1967, the Ordinary branch fund exceeded £1,000 millions and it is a measure of the recent rapid growth in this Branch that the fund has doubled in the last eight years.

The changes announced by the Chancellor last month affecting the conditions for tax relief of life assurance premiums and estate duty in relation to "trust policies" are unlikely to have any significant effect on the amount of our United Kingdom new life business.

P00020306

A notable feature in the United Kingdom was the increase in the issue of retirement annuities for the self-employed. During last year we introduced improved premium rates which placed us in a very competitive position for this class of business. Retirement annuities also make a considerable contribution to our business in South Africa and in order to meet public demand in that territory we have recently introduced a retirement annuity under which two-thirds of the premium provides unit-linked benefits, the value of the units being dependent on a portfolio of investments consisting largely of ordinary shares.

A subject which we have had under frequent review during recent years is the issue of policies in the United Kingdom linked to equity investments. We now feel that the demand from the public is such as to justify our introducing these policies and we hope within a few months to launch a scheme. It is our intention to operate the scheme within the Company and not to link the policies to any Unit Trust independent of the Company. We regard this form of assurance as supplementary to normal life assurance and appropriate for those already covered by substantial benefits under the standard type of life policy.

When referring in my statement last year to our business overseas, I explained that we were not able to declare a bonus in respect of 1966 for with-profits policies of Ceylon class (a closed class) because of penal taxation resulting from a new interpretation of the legislation by the taxation authorities. An assurance has since been given by the Commissioner of Taxes that the new interpretation was in large measure ill-founded. We expect, in due course, to receive a substantial refund in respect of past years' assessments and to be assessed in future broadly on the basis which previously applied. It should then be possible for us once again to declare a reversionary bonus for policies of Ceylon class. In the meantime, we have made provision for a bonus in respect of the years 1966 and 1967 for with-profits policies of this class which become claims on or before 31st March, 1969.

### PENSION SCHEME BUSINESS

The growth in our premium income in the United Kingdom during the past year was affected by the restraint on salaries and wages which reduced the increases in pension benefits which normally follow increases in earnings. Otherwise, the progress of our pensions business continues to be very satisfactory. We are active in extending our business to new employers and the year under review was the most successful we have had in this respect since 1962. Nearly 100 schemes were introduced during the year for employers whose pensions we have not previously administered and the resulting new premiums were over £1 million. A healthy development is that more and more employers for whom we underwrite pension arrangements are moving towards pensions related to earnings during the last few years of service.

The Government have recently announced that before the end of the year a White Paper on national pensions will be issued setting out their intentions. According to government spokesmen it is likely that both benefits and contributions will be related to earnings and that benefits will be enlarged so as to provide eventually about half pay on retirement for those whose earnings are at the national average level.

If this in fact proves to be the future shape of national pensions, then clearly the impact on occupational schemes will be considerable. Assuming that the state scheme continues to be financed on a "pay-as-you-go" principle and that improvements in pensions would take effect gradually over a period of years, the present generation would not pay contributions commensurate with the cost of the improved pensions promised to them. The cost of these higher pensions would have to be met by considerably higher contributions or by increased taxation from subsequent generations.

*On many previous occasions we have drawn attention to the importance to the national economy of ensuring that the state and the private sector can continue to work together to make provision for old age. In so far as pensions provided by the private sector are funded, each generation makes provision in advance for its own pensions. Moreover, the investments arising from the savings so generated benefit the national economy.*

Occupational schemes clearly could not live unaltered alongside a substantially enlarged state scheme without some over-provision of pension benefits resulting. To reduce the pensions provided by the private sector broadly in line with an improvement in state pensions would mean the substitution of pensions on a "pay-as-you-go" system under the state scheme for benefits at present being funded under occupational schemes. If this is to be avoided, it is necessary that satisfactory arrangements should be made to enable members of the state scheme to forgo part of their benefits (with corresponding abatements of contributions) on condition that benefits at least as good as those they forgo are provided for them in the private sector. It is important that such an arrangement should be worked out, because without it the contribution made to the national economy by the private sector would be much reduced.

### INDUSTRIAL BRANCH

The continuing increase in new business shows that, in addition to our marked expansion in the Ordinary branch, we are still satisfying through our Industrial branch the needs of those who prefer to save through regular premium collection at their homes. The introduction in this Branch three years ago of differential rates of benefit according to size of premium has provided life assurance and facilities for saving on very favourable terms for the policyholder who is taking out an assurance at a sizeable premium but who wants the personal service provided by the agent's regular call.

CHAIRMAN'S STATEMENT (CONTINUED)

The average premium per new policy continues to increase and now exceeds 15 shillings per month compared with about 10 shillings five years ago. This is in contrast with the very small premiums being paid under large numbers of policies taken out many years ago and still on our books. These policies for small premiums which will have no precise equivalent in decimal currency will present problems when the new currency is introduced in three years' time, and we are engaged in preparations for the change.

I referred last year to the Selective Employment Tax which bears with particular force on industrial assurance business. The announcement by the Chancellor of an addition of 50 per cent to the tax is to be regretted. To penalise a business which encourages thrift in the lower income groups, thereby adding to expenses and reducing the amount we are able to invest on behalf of policyholders, contradicts the government's exhortations to the public to save.

### BONUS DECLARATIONS

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

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

In both Life branches we have again made additions to the scale of terminal bonuses (previously called final bonuses) on participating assurance policies issued in the United Kingdom which become claims by death or maturity in the next twelve months and we have extended the range of policies entitled to participate. Part of the cost of these terminal bonuses has again been met by drawing on the margins in the value of our investments. This has been effected by transferring sums to revenue from the Investment reserve account in each Life branch. In 1967 the amounts so transferred were £2,400,000 in the Ordinary branch and £3,700,000 in the Industrial branch. Without giving any guarantee, we expect to be able to maintain the terminal bonuses on the new scale for the range of policies concerned.

The following table illustrates the growth in bonus additions made in recent years to Prudential policies. It shows the bonus additions and the total amount payable in specimen years on the maturity of an Ordinary branch participating endowment assurance policy with an original sum assured of £1,000 and a term of 25 years.

Year of maturity	Reversionary bonuses	Terminal bonus	Total sum assured and bonuses
	£	£	£
1953	398	—	1,398
1958	389	105	1,494
1963	428	157	1,585
1968	518	276	1,794

### GENERAL BRANCH

There was a notable expansion in the premium income in this Branch. The increase of £5½ millions, of which £1½ millions was due to changes in exchange rates following devaluation, compares with £2½ millions for the previous year. The combined premium income for 1967, at home and overseas, excluding that of our American subsidiary, exceeded £37 millions.

The overall underwriting profit of £1,103,000 compares with £549,000 for the previous year. Gratifying as the results are for 1967, the relative figures for the last few years serve to illustrate the wide fluctuations in underwriting results which can take place in this Branch. Apart from the motor account, each of our main accounts produced a profit.

At home the fire account showed an improved and satisfactory underwriting profit. It was fortunate that last year produced no widespread weather damage, a feature which can seriously affect the profit of this account and which must inevitably occur from time to time.

P00020308

Our home motor business again showed an underwriting loss, but this is largely attributable to adverse experience in respect of claims which originated in earlier years. The experience under claims in respect of which settlement is delayed for some time has been deteriorating, and, though relatively few in number, these claims tend to be the larger ones. The full facts and consequences are not quickly ascertainable and they are affected both by rising costs and, where the courts are involved, by rising awards.

In 1967 we contributed over £65,000 to the Motor Insurers Bureau, the insurance organisation formed to meet uninsured personal injury claims from motor accidents. This sum included over £45,000 in connection with claims associated with insurance companies who were unable to continue business. This is only one aspect of the consequences of so called cut-price insurance and we welcome action taken by the Board of Trade to prevent unsound trading.

Turning to our overseas business, although our fire business again experienced an underwriting loss, taking all classes of insurance together there was an underwriting profit.

In spite of a setback early in the year through a large number of claims resulting from the bush fires in Tasmania, our Australian branch achieved an overall underwriting profit for the year. Our underwriting results in Southern Africa were the best ever recorded in that territory.

In Canada business was again profitable although at a slightly lower level than in 1966. Motor underwriting was affected by poor experience in Quebec Province but the results of all other accident and fire classes in Canada were good. Underwriting results in other overseas countries maintained an improved trend, with the notable exception of Belgium, where some serious fires marred the results.

The downward trend in the profitability of marine and aviation business continued. There is still a substantial surplus from earlier years standing in the account, but we have felt it prudent to transfer back into the account an amount of £90,000 arising from tax recoveries.

In the United States our subsidiary company, which transacts only reinsurance business, suffered proportionately much more severely than most direct insurers from the exceptional number of catastrophes, and recorded a higher underwriting loss than in 1966. Investment earnings again improved and the dividend is being maintained at the same amount as for 1966 by drawing on the subsidiary's reserves.

Investment income in the General branch other than that allocated to long term contracts increased from £1,800,000 to £2,228,000 and this, with the underwriting profit of £1,103,000 produced a net surplus of £1,982,000 after taxation. This compares with £1,216,000 in the preceding year. Of the unusually large increase of over £400,000 in investment income £70,000 was the result of devaluation and £50,000 was non-recurrent.

## DIVIDENDS

The uncertainty of the application of the Finance Act 1965 as regards the availability of franked investment income of the Life branches for Schedule F purposes, to which I referred last year, was resolved by the Finance Act 1967 which provides that Schedule F tax in respect of dividends paid to shareholders by a proprietary life assurance company can only be offset by income tax on the shareholders' proportion of its franked investment income. The policy of acquiring franked investment income for the General branch, where there is no restriction in its use as in the Life branches, has resulted in the dividend payable for this year being fully covered by franked investment income, with the result that there is no charge for Schedule F tax in the General branch.

The increase in the total dividend for the year declared by the Directors, both for the A and the B shares, was restricted to 3½ per cent of the dividend for the preceding account year in accordance with the request for dividend restraint made by the Chancellor of the Exchequer.

For the A shares a final dividend net of income tax of 6·66d. per share has been declared and, with the interim dividend of 4d., this represents a total dividend for the year of 10·66d. per share. For the B shares a final dividend net of income tax of 3·19d. per share has been declared and, with the interim dividend of 2·5d., this represents a total dividend for the year of 5·69d. per share. These declarations show increases of ·36d. for the A shares and ·19d. for the B shares over those for 1966, which in view of the dividend freeze were the same as for the preceding year.

The total allocation to A shareholders for 1967 was 11·98d. per share, of which 1·32d. has been retained in the shareholders' account. The corresponding figures for 1966 were a total allocation of 11·01d. per share, of which ·71d. was retained in the shareholders' account. The increases in the distributable surpluses in the Life branches have again enabled the Directors both to improve the proportion of these surpluses allocated to the policyholders and to increase the amounts allocated to A shareholders. The policyholders' allocation in each of the Life branches is now 94·13 per cent of the distributable surplus, compared with 94 per cent for the previous year.



## INVESTMENTS

1967 proved to be an unusually difficult year for investment forecasting. In the early part of the year a concerted attempt was made to reduce interest rates in the Western world which met with some success, but events in the Middle East and the escalation of the American war effort in Vietnam had the effect of reversing this trend both here and in the U.S.A. The economic position in the United Kingdom deteriorated rapidly, resulting in the devaluation of sterling in November, and once again interest levels at the end of the year were higher than at the beginning. Whilst high rates of interest are usually beneficial to life assurance funds, instability is not, and in this respect the current year is likely to prove no less difficult than 1967. The recent international monetary crisis has underlined the seriousness of the economic problems facing the world and, until it becomes clearer how these are going to be tackled, it will be most difficult to formulate any reliable view as to the future course of Western economies generally.

The total finance raised in the country in 1967 was substantially less than in 1966, the proportionate decrease in new issues of Ordinary shares being much more marked than in fixed interest stocks. Demand for Ordinary shares continued at a high level, and this, with the general shortage in supply which was aggravated by the nationalisation of the steel industry in July, contributed to an appreciable rise in market values over the year.

Our new investments in the United Kingdom, apart from transactions arising from the nationalisation of our £29 millions holdings of steel stocks, but including the proceeds of sales and redemptions, amounted to £117 millions, the major items of which were £15 millions British Government securities, £25 millions debentures, £26 millions mortgages, £22 millions property and £26 millions Ordinary shares.

It will be seen that we have once again been able to increase our holdings in property, where we look for a stable income with prospects of growth. As the amount of good property on offer at attractive prices was less than in 1966, we were unable to maintain the record amount of investment in this category which we achieved in that year, but we have still made a useful addition to our portfolio.

The effects of devaluation on our Accounts are set out in Note 7 to the Accounts. They arise largely from our overseas business where the increase in the value of the liabilities has been closely matched by the increase in the value of the corresponding assets. This increased asset value is distributed over the relevant Balance Sheet groups. During 1967 we invested our income arising overseas which, together with proceeds of sales and redemptions, amounted to some £28 millions, as follows: £10 millions in government, provincial and municipal securities, £4 millions in debentures, £10 millions in mortgages, £1 million in property and £3 millions in Ordinary shares.

Most of our overseas funds arise in Australia, New Zealand, Canada and Southern Africa. In each of these our investment operations are carried out with the advice of a committee which includes investment advisers drawn from outside the Company's organisation, and in the case of Southern Africa a former general manager for that territory. Their counsel has, over the years, played an increasingly valuable part in the investment of these funds.

Although there was some reduction in the rates of Ordinary share dividends in 1967, the yields obtained on new fixed interest investments proved to be higher than had been expected; and thus the yields on our funds were broadly maintained. In the Ordinary branch, including the funds of overseas branches, the yield obtained was £7 0s. 6d. compared with £7 1s. 5d. in 1966 and in the Industrial branch £7 16s. 0d. compared with £7 15s. 6d. in 1966.

## STAFF

The continued progress of the Company is a tribute to the enterprise of all grades of the staff at home and overseas and I am glad to take the opportunity of expressing our warm appreciation and thanks to all those who have contributed to the year's results.

In his first few months as General Manager, Mr. Owen has visited each of our divisional offices and addressed meetings of the field staff throughout the United Kingdom. Personal contacts between management and staff have for long been a tradition of the Company which we greatly value, and our system of regular joint consultation is an important aspect of this relationship.

JOHN S. P. MELLOR,  
*Chairman.*

4th April, 1968.

P00020310



# DIRECTORS' REPORT

*Year ended 31st December 1967*

The Directors submit their Report and the Accounts for 1967.

The principal activity of the Company and its subsidiaries is conducting insurance business of all classes in the United Kingdom and overseas.

The Balance sheet total of the Company's Assets is £1,869,064,288 as compared with £1,704,096,565 at 31st December, 1966.

The Income from all sources during 1967 was £374,992,150 as compared with £340,198,950 in 1966.

The Tables which follow summarise the operations of the Life and General branches during 1967.

## BUSINESS IN FORCE 31st DECEMBER 1967

1966		1967	
UNITED KINGDOM	OVERSEAS	UNITED KINGDOM	OVERSEAS
£	£	£	£
<b>ORDINARY BRANCH</b>			
LIFE ASSURANCE BUSINESS			
2,807,432,749	1,323,976,889	3,252,899,589	1,696,275,615
55,371,211	26,906,337	59,318,029	33,946,921
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	138,988,242	25,186,172
25,627,509	3,924,083	26,524,407	5,027,336
ANNUAL PREMIUM INCOME			
IMMEDIATE ANNUITIES			
Amount of Annuities per annum ... ..			
8,463,751	629,035	10,323,931	909,178
<b>INDUSTRIAL BRANCH</b>			
1,661,223,706	—	1,749,167,718	—
76,476,214	—	79,956,736	—

## GENERAL BRANCH

21,039,145	10,694,090	Premium Income ... ..	23,601,899	13,710,485
------------	------------	-----------------------	------------	------------

The General branch figures do not include the premiums of £4,557,247 (£5,030,984 for 1966) 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 27.



## 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 terminal bonus on policies issued in 1965 or earlier which become claims by death or maturity of endowment between 1st April, 1968, and 31st March, 1969, inclusive, at rates varying from 6s. per £100 sum assured for policies issued in 1965 to £44 per £100 sum assured for policies issued in 1923 and earlier.

### INDUSTRIAL BRANCH

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

This bonus is added as on 21st March, 1968, or on completion of payment of one year's premiums, whichever is the later.

A terminal bonus on policies issued in 1965 or earlier which become claims by death or maturity of endowment between 1st April, 1968, and 31st March, 1969, inclusive, at rates varying from 6s. per £100 sum assured for policies issued in 1965 to £44 per £100 sum assured for policies issued in 1923 and earlier.

These bonuses follow the recommendations of the Chief Actuary, whose Valuation Report appears on pages 29 to 34 and contains full details, including the bonuses for assurance policies of overseas classes, retirement annuity policies, group pension business and pension-unit scheme policies.

---

## DIVIDENDS

The Directors have declared, in respect of the year 1967, final dividends of 6.66d. per A share and 3.19d. per B share, net of income tax, both payable on 16th May, 1968 to shareholders on the respective Registers on 19th April, 1968.

### Summary of dividends (net of income tax) in respect of the year 1967

	<i>Interim dividend paid 16.11.67</i>	<i>Final dividend payable 16.5.68</i>	<i>Total dividend for 1967</i>
A shares .. ..	4d.	6.66d.	10.66d.
B shares .. ..	2.5d.	3.19d.	5.69d.

The A share dividend for the year is derived as to 4d. from the General branch and the Life branches. The B share dividend is wholly derived from the General branch.

P00020313

The average number of persons employed by the Company in the United Kingdom in each week of 1967 was 24,937, and the aggregate remuneration paid or payable in respect of these employees during 1967 amounted to £32,981,961.

According to the Register kept under Section 29 of the Companies Act 1967, Directors' interests in shares of the Company as at 31st December, 1967 were as follows:

<i>Name of Director</i>	<i>Beneficially Held</i>		<i>Other Interest</i>	
	<i>A Shares</i>	<i>B Shares</i>	<i>A Shares</i>	<i>B Shares</i>
Sir J. S. P. Mellor ... ..	30,640	10,000		
Mr. W. F. Gardner ... ..	3,200	2,000	800	
Mr. M. Petherick ... ..	8,000	7,500		
Mr. J. A. T. Barstow ... ..	7,000	4,000	27,790	
Mr. L. Brown ... ..	1,600	2,000		
Lord Caccia ... ..	3,520	500		
Lord Coleraine ... ..	1,600	500		
Sir J. N. Hogg ... ..	1,600	500	4,420	
Mr. R. E. Montgomery ... ..	1,600	500		
Mr. C. W. A. Ray ... ..	3,500	1,000		5,000
Mr. D. A. Reid ... ..	71,798	5,000	338,132	

None of the Directors has an interest in the shares of any subsidiary.

During the year £29,801 has been given by the Company for charitable purposes in the United Kingdom.

The Directors retiring by rotation are Mr. Maurice Petherick, The Rt. Hon. Lord Coleraine, P.C., and Mr. Leslie Brown, F.I.A., who offer themselves for re-election, and the Directors also recommend the election of Mr. Frank Mitchell Redington, F.I.A., and Mr. Kenneth Ascough Usherwood, C.B.E., F.I.A.

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

*Holborn Bars,*  
*4th April, 1968.*

JOHN S. P. MELLOR,  
*Chairman.*



## GENERAL BRANCH

for the year ended

### FIRE INSURANCE BUSINESS

1966 £	£	1966 £	£
		3,993,428	Claims under policies paid and outstanding
		1,455,675	Commission ... ..
3,397,730	Provision for unexpired risks ... ..	2,367,137	Expenses of management ... ..
—	Add adjustment in exchange ... ..	15,155	Selective employment tax ... ..
3,397,730		42,078	Overseas taxes other than on profits ... ..
8,598,153	Premiums ... ..	108,543	Contributions to fire brigades and fire prevention ... ..
		29,167	Exchange depreciation on currency assets held against currency liabilities ... ..
		222,661	Transfer to Profit and loss account ... ..
			Amount of fire insurance fund at the end of the year—
			Provision for unexpired risks, which amounts to 43.9 per cent. (43.8 per cent. for 1966) of the premium income for the current year ... ..
		3,762,039	
<u>£11,995,883</u>	<u>£13,702,545</u>	<u>£11,995,883</u>	<u>£13,702,545</u>

## REVENUE ACCOUNTS

31st December 1967

### MOTOR VEHICLE INSURANCE BUSINESS

1966 £	£	1966 £	£
		8,569,658	Claims under policies paid and outstanding
		1,404,107	Commission ... ..
4,903,756	Provision for unexpired risks ... ..	2,882,689	Expenses of management ... ..
—2,758	Add adjustment in exchange ... ..	21,868	Selective employment tax ... ..
4,900,998		48,382	Overseas taxes other than on profits ... ..
			Amount of motor vehicle insurance fund at the end of the year—
13,123,770	Premiums ... ..		Provision for unexpired risks, which amounts to 40 per cent. of the premium income for the current year ... ..
151,444	Transfer from Profit and loss account ... ..	5,249,508	
<u>£18,176,212</u>	<u>£21,293,474</u>	<u>£18,176,212</u>	<u>£21,293,474</u>

### SICKNESS AND ACCIDENT INSURANCE BUSINESS

1966 £	£	1966 £	£
		1,368,019	Payments under policies, including medical and legal expenses in connection therewith ... ..
		509,848	Commission ... ..
299,032	Provision for permanent sickness risks ... ..	881,433	Expenses of management ... ..
		6,610	Selective employment tax ... ..
808,825	Provision for non-cancellable accident and disability risks ... ..	9,776	Overseas taxes other than on profits ... ..
		336,604	Transfer to Profit and loss account ... ..
543,499	Provision for other unexpired sickness, accident and disability risks ... ..		Amount of sickness and accident insurance fund at the end of the year—
			Provision for permanent sickness risks ... ..
500,330	Total estimated liability in respect of outstanding claims ... ..	367,628	Provision for non-cancellable accident and disability risks ... ..
2,151,686		926,838	Provision for other unexpired sickness, accident and disability risks, which amounts to 40 per cent. of the premium income for the current year ... ..
—1,873	Add adjustment in exchange ... ..	574,792	Total estimated liability in respect of outstanding claims ... ..
2,149,813		2,466,617	
		153,094	
			Interest on permanent sickness fund ... ..
202,021	Permanent sickness ... ..	2,619,711	
1,709,595	Non-cancellable accident and disability ... ..		
1,493,398	Other sickness, accident and disability ... ..	3,954,269	
3,405,014		2,466,617	
24,080		597,359	
<u>£5,578,907</u>	<u>£6,609,597</u>	<u>£5,578,907</u>	<u>£6,609,597</u>

### MISCELLANEOUS INSURANCE BUSINESS

1966 £	£	1966 £	£
		3,060,394	Claims under policies paid and outstanding
		944,213	Commission ... ..
2,347,766	Provision for unexpired risks ... ..	1,751,287	Expenses of management ... ..
—2,556	Add adjustment in exchange ... ..	11,576	Selective employment tax ... ..
2,345,210		19,721	Overseas taxes other than on profits ... ..
5,965,449	Premiums ... ..	69,353	Transfer to Profit and loss account ... ..
96,366	Trustee and executor fees ... ..		Amount of miscellaneous insurance fund at the end of the year—
<u>£8,407,025</u>	<u>£10,126,548</u>	2,550,481	Provision for unexpired risks, which amounts to 43.0 per cent. (42.8 per cent. for 1966) of the premium income for the current year ... ..
		<u>£8,407,025</u>	<u>£10,126,548</u>

The amount of debenture and loan stocks for which the Company acts as trustee exceeded £839,000,000 at the end of the year.

GENERAL BRANCH REVENUE ACCOUNTS — CONTINUED

SINKING FUND INSURANCE BUSINESS

1966		1966		
£	£	£	£	
	Amount of sinking fund insurance fund at the beginning of the year ... ..	1,460,837	5,000 Claims under policies paid and outstanding	51,000
1,616,862	Premiums ... ..	11,192	181,115 Surrenders ... ..	22,775
13,722	Interest, dividends and net rents ... ..	88,456	— Commission ... ..	—
88,916			274 Expenses of management ... ..	250
			72,274 Transfer to Profit and loss account ...	48,659
			Amount of sinking fund insurance fund at the end of the year ... ..	1,437,801
			1,460,837	1,437,801
<u>£1,719,500</u>	<u>£1,560,485</u>	<u>£1,719,500</u>	<u>£1,560,485</u>	<u>£1,560,485</u>

MARINE, AVIATION AND TRANSIT INSURANCE BUSINESS

Total 1966 £	Current Year £	Last Preceding Year £	Previous Years £	Total £	Total 1966 £	Current Year £	Last Preceding Year £	Previous Years £	Total £
1,142,495	—	299,633	767,462	1,067,095	636,186	192,450	235,733	186,617	614,800
						12,775	16,157	7,507	35,439
627,127	719,464	16,729	9,841	775,200	33,560	37,165	—291	4	36,878
	15,304	11,666	2,196		22,614	28,162	1,833	—	29,995
—	24,199	2,493	4,126	30,818	9,921	—	168	8,529	8,697
—	—	—	90,000	90,000	246	—	—	—	—
					1,067,095	488,415	76,921	670,968	1,236,304
<u>£1,769,622</u>			<u>£1,963,113</u>	<u>£1,769,622</u>				<u>£1,963,113</u>	

P00020317





# GENERAL BRANCH PROFIT AND LOSS ACCOUNTS

*for the year ended 31st December 1967*

## PROFIT AND LOSS ACCOUNT

1966		£	1966		£
	Transfers from Revenue accounts—			Transfer to Revenue account—	
222,661	Fire ... ..	634,971	151,444	Motor vehicle ... ..	346,444
336,604	Sickness and accident ... ..	483,492	—	Marine, aviation and transit ... ..	90,000
69,353	Miscellaneous ... ..	372,388		Taxation on profits and income— (see note 8, page 25)	
72,274	Sinking fund ... ..	48,659		Overseas taxes not charged to other accounts ... ..	£125,000
1,800,089	Interest, dividends and net rents not carried to other accounts ... ..	2,227,629	175,000	Corporation tax ... ..	768,000
10,000	Profits tax recoverable ... ..	3,000	371,000	Income tax ... ..	459,000
			597,000		
			1,143,000		1,352,000
			1,216,537	Balance being net profit for the year carried down ... ..	1,981,695
<u>£2,510,981</u>		<u>£3,770,139</u>	<u>£2,510,981</u>		<u>£3,770,139</u>
17,466	Balance of General branch Profit and loss account at the beginning of the year ... ..	59,003	550,000	Transfer to Additional reserve fund ... ..	1,250,000
1,216,537	Balance from above ... ..	1,981,695	625,000	Transfer to Shareholders' account (General branch) ... ..	650,000
			59,003	Balance carried to General branch Balance sheet ... ..	140,698
<u>£1,234,003</u>		<u>£2,040,698</u>	<u>£1,234,003</u>		<u>£2,040,698</u>

## SHAREHOLDERS' ACCOUNT (GENERAL BRANCH)

1966		£	1966		£
457,199	Amount of Shareholders' account (General branch) at the beginning of the year ... ..	461,088	200,000	Interim dividend to holders of B shares in respect of 1967 ... .. (equivalent gross £354,609 —1966 £340,426)	208,333
625,000	Transfer from Profit and loss account ... ..	650,000	258,333	Provision for final dividend to holders of B shares in respect of 1967 ... .. (equivalent gross £452,483 —1966 £439,716)	265,834
			162,778	Transfer to Shareholders' account (A shares) ... ..	168,056
			461,088	Balance carried to General branch Balance sheet ... ..	468,865
<u>£1,082,199</u>		<u>£1,111,088</u>	<u>£1,082,199</u>		

P00020319



# BALANCE SHEET

31st DECEMBER 1967

Ordinary Branch 1966.	Industrial Branch 1966.	General Branch 1966.	Total 1966.	LIABILITIES.	Ordinary Branch.	Industrial Branch.	General Branch.	Total.
£	£	£	£		£	£	£	£
—	5,000,000	—	5,000,000	<b>Authorised and Issued Capital—</b>	—	5,000,000	—	5,000,000
—	—	1,000,000	1,000,000	100,000,000 A shares of 1s. each, fully paid	—	—	1,000,000	1,000,000
—	—	461,088	461,088	20,000,000 B shares of 1s. each, fully paid	—	—	—	—
—	—	59,003	59,003	<b>Balance of Shareholders' account (General branch)</b>	—	—	468,865	468,865
—	—	—	—	<b>Profit and loss account—balance carried forward</b>	—	—	140,698	140,698
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
945,372,285	—	—	945,372,285	<b>Life assurance funds—</b>	1,073,961,303	—	—	1,073,961,303
—	639,825,568	—	639,825,568	Ordinary branch	—	664,089,233	—	664,089,233
—	—	3,762,039	3,762,039	Industrial branch	—	—	—	—
—	—	2,466,617	2,466,617	<b>General branch insurance funds—</b>	—	—	4,278,003	4,278,003
—	—	5,249,508	5,249,508	Fire	—	—	2,931,267	2,931,267
—	—	2,550,481	2,550,481	Sickness and accident	—	—	6,201,196	6,201,196
—	—	1,460,837	1,460,837	Motor vehicle	—	—	3,144,347	3,144,347
—	—	1,067,095	1,067,095	Miscellaneous	—	—	1,437,801	1,437,801
—	—	4,900,000	4,900,000	Sinking fund	—	—	1,236,304	1,236,304
—	—	—	—	Marine	—	—	6,150,000	6,150,000
—	—	—	—	Additional reserve	—	—	—	—
—	—	—	—	<b>Current liabilities and provisions—</b>	—	—	—	—
—	—	—	—	Claims admitted or intimated, but not paid, less amounts recoverable under reinsurances—	—	—	—	—
6,929,619	1,477,648	—	8,407,267	Life	8,505,790	1,481,422	—	9,987,212
—	—	2,007,852	2,007,852	Fire	—	—	2,216,815	2,216,815
—	—	6,280,096	6,280,096	Motor vehicle	—	—	7,766,138	7,766,138
—	—	2,309,059	2,309,059	Miscellaneous	—	—	2,759,440	2,759,440
8,635	—	—	8,635	Annuities due and unpaid	—	12,107	—	12,107
1,798,836	592,204	1,142,522	3,533,562	Outstanding commission and expenses	1,908,783	618,755	1,327,780	3,855,318
831,530	—	159,799	991,329	Premiums received in advance	—	—	164,760	164,760
—	—	768,611	768,611	Amounts due on reinsurance account—	—	—	—	—
—	—	15,032	15,032	Fire	—	—	486,889	486,889
—	—	19,562	19,562	Sickness and accident	—	—	7,712	7,712
—	—	46,535	46,535	Motor vehicle	—	—	21,143	21,143
—	—	60,389	60,389	Miscellaneous	—	—	103,590	103,590
164,920	125,000	67,339	357,259	Marine	—	—	75,024	75,024
1,613,727	683,234	277,944	2,574,905	Amounts due to subsidiaries	171,574	125,000	56,200	352,774
7,300,745	—	—	7,300,745	Other creditors	1,333,235	686,341	235,243	2,254,819
225,565	87,457	33,198	346,220	Loans from overseas bankers	8,309,530	—	—	8,309,530
1,041,181	22,326	301,250	1,364,757	Sundry brokers for investments purchased	2,229,516	649,604	126,309	3,005,429
3,568,000	1,033,000	510,406	5,111,406	Overseas taxes	1,110,066	21,281	318,192	1,449,539
14,324	10,748	1,047	26,119	Corporation tax	1,589,000	2,395,000	891,000	4,875,000
2,366,845	1,791,697	86,111	4,244,653	Profits tax	—	15,437	—	15,437
—	—	258,333	258,333	Amount due to Shareholders' account (A shares)	2,813,033	2,021,524	88,612	4,923,169
—	—	—	—	Final dividend—B shares	—	—	265,834	265,834
—	—	—	—	(equivalent gross £452,483 —1966 £439,716)	—	—	—	—
—	—	—	—	<b>The certificates and notes on pages 24, 25 and 26 together with the Shareholders' account (A shares) Balance sheet on page 19, form an integral part of these accounts.</b>	—	—	—	—
£985,236,212	672,148,882	38,321,753	1,695,706,847		£1,116,860,146	698,603,597	44,899,162	1,860,362,905
—	—	—	8,389,718	<b>Special contingency fund (per separate Balance sheet)</b>	—	—	—	8,701,383
—	—	—	£1,704,096,565		—	—	—	£1,869,064,288

Ordinary Branch 1966.	Industrial Branch 1966.	General Branch 1966.	Total 1966.	ASSETS.	Ordinary Branch.	Industrial Branch.	General Branch.	Total.
£	£	£	£		£	£	£	£
87,376,093	33,960,036	79,023	121,415,152	<b>Mortgages—</b>	99,972,843	37,942,200	74,032	137,989,075
46,521,461	1	313,567	46,835,029	On property within the United Kingdom	60,569,481	1	485,616	61,055,098
—	—	—	—	On property out of the United Kingdom	—	—	—	—
3,214,518	3,357,779	—	6,572,297	<b>Loans—</b>	3,198,895	2,973,820	—	6,172,715
28,341,543	—	14,500	28,356,043	On parochial and other public rates	32,675,588	—	14,500	32,690,088
1,155,641	934,904	277,184	2,367,729	On Company's policies within their surrender values	690,882	517,791	284,203	1,492,876
—	—	—	—	Without specific security	—	—	—	—
125,150,492	170,830,729	5,880,487	301,861,708	<b>Investments—</b>	151,648,580	183,657,458	7,565,384	342,871,422
2,576,641	8,652,435	10,804	11,239,880	British Government securities	2,570,159	10,655,457	10,804	13,236,420
—	—	—	—	British Government guaranteed securities	—	—	—	—
625,493	947,612	—	1,573,105	Securities guaranteed under Trade Facilities and other acts	625,493	947,612	—	1,573,105
2,318,440	2,622,618	418,705	5,359,763	Municipal and county securities, United Kingdom	2,273,346	2,827,611	382,476	5,483,433
1,077,394	1,682,702	196,636	2,956,732	Public Board securities, United Kingdom	1,077,394	1,625,009	181,636	2,884,039
40,523,867	3,711,307	1,537,795	45,772,969	Other Commonwealth Government securities	49,025,440	3,354,340	1,660,352	54,040,132
17,506,451	—	1,959,929	19,466,380	Other Commonwealth provincial securities	20,567,036	—	2,214,457	22,781,493
5,397,201	—	858,786	6,255,987	Other Commonwealth municipal securities	6,253,571	—	1,062,047	7,315,618
724,304	—	—	724,304	Other Commonwealth Public Board securities	688,390	—	—	688,390
4,629,910	110,381	575,852	5,316,143	Foreign Government securities	6,941,373	6,756	713,644	7,661,773
—	—	—	—	Foreign provincial securities	—	—	3	3
3,405,377	—	209,716	3,615,093	Foreign municipal securities	5,866,347	—	253,178	6,119,530
2,673,553	—	—	2,673,553	Foreign Public Board securities	3,869,632	—	—	3,869,632
182,135,528	121,516,963	3,227,493	306,879,984	Debentures and debenture stocks and gold and sterling bonds—home and foreign	197,937,950	126,530,998	4,091,865	328,560,813
27,571,061	26,651,856	6,119,426	60,342,343	Preference and guaranteed stocks and shares	25,706,123	25,445,665	7,102,240	58,254,028
194,085,037	168,456,969	6,856,796	369,398,802	Ordinary stocks and shares	205,886,044	162,687,845	7,309,722	375,883,611
—	—	—	—	Subsidiaries not dealt with in group accounts—	—	—	—	—
706,843	—	—	706,843	Debentures	823,243	—	—	823,243
198,521	125,000	30,891	354,412	Ordinary shares	192,333	125,000	17,534	334,867
40,000	32,774	—	72,774	Rent charges	40,000	32,774	—	72,774
13,341,333	6,892,058	—	20,233,391	Freehold ground rents and feu duties	14,376,358	6,829,876	—	21,206,234
—	81,000	—	81,000	Leasehold ground rents	—	81,000	—	81,000
149,950,190	110,725,273	—	260,675,463	Freehold and leasehold property (including office premises)—	165,810,751	115,550,516	—	281,361,267
17,824,286	—	29,286	17,853,572	In the United Kingdom	21,917,894	—	29,892	21,947,786
—	—	—	—	Out of the United Kingdom	—	—	—	—
—	—	1,071,428	1,071,428	Subsidiary dealt with in accounts annexed—	—	—	1,250,000	1,250,000
1,405,983	112,500	875,311	2,393,794	Ordinary shares	—	—	—	—
—	—	758,253	758,253	<b>Current assets—</b>	442,487	12,500	866,140	1,321,127
3,529,061	—	—	3,529,061	Deposits at interest at home and abroad	—	—	1,017,920	1,017,920
3,006,233	984,722	3,671,127	7,662,082	Agents' balances	4,478,980	—	—	4,478,980
4,138,714	1,497,002	47,670	5,683,386	Commission paid in advance	3,832,250	1,019,344	4,226,546	9,078,140
5,031,205	3,223,209	187,334	8,441,748	Outstanding premiums	5,101,059	1,852,971	57,804	7,011,834
—	—	1,080,984	1,080,984	Outstanding interest, dividends, rents and fees	6,395,722	3,763,688	256,153	10,415,563
—	—	856	856	Interest, dividends, rents and fees accrued	—	—	1,122,956	1,122,956
—	—	—	—	Amounts due on reinsurance account	—	—	4,299	4,299
5,824,000	3,130,000	28,709	8,982,709	Amounts due from subsidiaries	—	—	—	—
238,519	333,790	203,023	775,332	Sundry brokers for investments sold	271,517	322,395	—	593,912
—	—	—	—	Estimated profits tax recoverable	—	—	32,085	32,085
—	—	—	—	Estimated income tax recoverable	9,193,000	6,884,000	272,000	16,349,000
—	—	—	—	Other debtors	270,638	310,699	309,619	890,956
—	—	—	—	<b>Balances at Bankers and Cash in hand—</b>	—	—	—	—
—	—	—	—	On deposit—	—	—	—	—
1,414,886	174,737	648,070	2,237,693	In the United Kingdom	1,250,000	1,300,000	400,000	2,950,000
—	—	—	—	Out of the United Kingdom	2,521,994	325,436	890,596	3,738,026
527,910	1,360,839	572,786	2,461,535	<b>In hand and on current account—</b>	—	—	—	—
1,048,521	39,678	579,326	1,667,525	In the United Kingdom	396,044	503,189	128,354	1,027,587
—	—	—	—	Out of the United Kingdom	1,501,307	517,638	611,108	2,630,053
£985,236,212	672,148,882	38,321,753	1,695,706,847		£1,116,860,146	698,603,597	44,899,162	1,860,362,905
—	—	—	8,389,718	<b>Special contingency fund (per separate Balance sheet)</b>	—	—	—	8,701,383
—	—	—	£1,704,096,565		—	—	—	£1,869,064,288

## 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 as amended by sub-section (1) of Section 79 of the Companies Act, 1967. 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, 1967, 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.

R. H. OWEN, *General Manager.*

JOHN S. P. MELLOR, *Chairman.*

F. M. REDINGTON, *Chief Actuary.*

MAURICE PETHERICK, *Director.*

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

CACCIA, *Director.*

4th April, 1968.

## NOTES TO THE ACCOUNTS

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

1966 £		1967 £
110,550,000	Capital commitments for settlement after 31st December ... ..	96,735,000
100,000	Contingent capital commitments ... ..	370,000
2,605,000	Uncalled capital on investments held ... ..	2,605,000
100,000	Reserve liability on shares, etc. ... ..	—

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, for the years 1966 and 1967, have been converted where appropriate at rates of exchange ruling at 31st December, 1967 and amount to:

1966 £		1967 £
42,000	Australia ... ..	42,000
17,500	Burma ... ..	27,500
67,386,000	Canada ... ..	74,300,500
10,500	Ireland ... ..	10,000
6,000	Israel ... ..	6,000
41,000	Malaysia ... ..	39,000
46,500	New Zealand ... ..	P00020322
5,696,000	Pakistan ... ..	6,1
—	Singapore ... ..	35,500

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' emoluments for the year was £67,040 (1966, £67,040). In addition sums totalling £3,346 (1966, £3,346) were paid by the Company to Directors and past Directors and their dependants under arrangements for augmenting pensions payable to ex-employees from the staff pension funds.

The emoluments of the Chairman in the financial year amounted to £15,000.

The other Directors' emoluments were as follows:

<i>Over</i>	<i>Up to</i>	<i>Number of Directors</i>
£2,500	£5,000	8
£5,000	£7,500	2

5. Employees in the United Kingdom whose emoluments exceeded £10,000 in the financial year were as follows:

<i>Over</i>	<i>Up to</i>	<i>Number of Employees</i>
£	£	
10,000	12,500	1
12,500	15,000	3
15,000	17,500	2
22,500	25,000	1

6. The remuneration of the auditors for the year was £57,299 (1966, £52,067) of which £37,299 (1966, £35,067) related to that payable to local auditors overseas.

7. Life, fire and casualty business transactions in overseas currencies have been included in the accounts at the rates of exchange ruling on 31st December, 1967 and the funds brought forward at the beginning of the year have been adjusted for the difference in the rates of exchange at the beginning and end of the year resulting in an adjustment in the Ordinary branch revenue account and an aggregate adjustment in the General branch revenue accounts of £29,537,830 and £684,767 respectively.

Currency liabilities overseas, including loans from overseas bankers are, with minor exceptions, covered by corresponding currency assets. The increase in the sterling equivalent of overseas liabilities resulting from the devaluation of sterling has therefore been closely matched by a corresponding increase in the sterling value of overseas assets. Other currency assets, except for the shareholding in the American subsidiary referred to in note 10, have been included in the Balance sheet at the sterling values based on the rates of exchange ruling on the dates of acquisition.

The changes in rates of exchange following devaluation have, on average, increased the appropriate revenue account items by approximately 3.5% in the Ordinary branch and approximately 4% in the General branch.

Overseas interest received or paid by the Company's Chief Office and overseas currency transactions included in the marine, aviation and transit revenue account have been brought in at rates of exchange based on those current on the dates of the respective transactions. The profit on exchange in the marine, aviation and transit revenue account arises from the revaluation of currency assets at the rates of exchange ruling on 31st December, 1967.

8. Provision has been made in the accounts for taxation on all profits and income earned to date including Schedule F tax on dividends paid and declared for which purpose corporation tax has been charged at 40% to 31st March, 1967, and at 42.5% for the remainder of the year and income tax at 8s. 3d. in the £, less appropriate reliefs. Double taxation relief in respect of overseas income has reduced the charge for corporation tax in the Ordinary branch and Industrial branch revenue accounts and the General branch profit and loss account by £115,000, £180,000 and £57,484 respectively.

In note 6 to the accounts for last year reference was made to the abnormal increase of income tax in the Ordinary and Industrial branches following the change of assessment periods on the introduction of corporation tax. Following clarification of the effects of the new legislation the amount in the Ordinary branch proved to be overstated by approximately £700,000 and consequently the amount charged for income

NOTES TO THE ACCOUNTS (CONTINUED)

tax in this year's accounts has been correspondingly reduced. The Industrial branch item has proved substantially correct.

The provisions charged in the accounts up to 31st December, 1966 in respect of income tax under Schedule F have been affected by a clarification of Section 85 Finance Act 1965. As the provisions exceeded the liability on the dividends paid and provided to that date the amounts released have relieved the charge for income tax in this year's Ordinary and Industrial branch revenue accounts by £600,000 and £200,000 respectively.

The close company provisions of the Finance Act 1965 do not apply to the Company.

9. Profits and losses on realisation of assets together with adjustments to ledger values and exchange differences, other than exchange differences on 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.

10. Particulars of the Company's Subsidiaries are:

Name	Class of Share held	Proportion held	Country of Incorporation if other than England
The Prudential Insurance Co. of Great Britain (located in New York) ... ..	Shares of \$100	100%	U.S.A.

The accounts of this subsidiary, which transacts General branch business in the United States of America, have been approved by the Directors and are annexed. 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 \$2.40 to the £. The corresponding figure for 1966 was converted at the rate of \$2.80 to the £. The Company's main accounts do not include the business transacted by its subsidiary except that the dividend received in 1967 is included with General branch interest and dividends.

Murray & Co. Ltd. ... ..	Common Shares n.p.v.	100%	Canada
Prudential Australian Superannuation Ltd. ... ..	A\$2 Ordinary Shares	100%	Australia
Societa Italo-Britannica Di Assicurazioni ... ..	Shares	99.9%	Italy

The accounts of these three subsidiaries have not been included in the group accounts as the amounts involved are insignificant. Based on the rates of exchange ruling on 31st December, 1967, the particulars to be given for these three subsidiaries are:

Net aggregate amount of profits—

	For 1967 £	For previous years £
not included in the Company's accounts ... ..	30,701	—
included in the Company's accounts ... ..	—11,829	36,715

The amount for previous years includes £5,130 exchange appreciation.

Paramet Corporation Ltd. ... ..	Common Shares n.p.v.	80%	Canada
Prudential Nominees Ltd. ... ..	£1 Shares	100%	—

With the approval of the Board of Trade (a) the group accounts do not include the accounts of these 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 paragraph 15(4) and (6) of the Second Schedule to the Companies Act, 1967 are omitted.

11. The Company, in its investment portfolio, holds shares in 62 companies, other than subsidiaries, in which the holding of at least one class of equity shares exceeds in nominal value one tenth of the nominal value of the issued shares of that class. The businesses carried on by these companies do not principally affect the amount of the profit of the Company or the amount of its assets and in view of the number of details relating to individual companies are not shown.

# ACCOUNTS OF AMERICAN SUBSIDIARY COMPANY

## THE PRUDENTIAL INSURANCE COMPANY OF GREAT BRITAIN

located in New York

### REVENUE ACCOUNT

for the year ended 31st December 1967

1966		£		1966		£
	Amount of insurance fund at the beginning of the year—					
	Provision for unexpired risks ... ..	2,664,347		3,170,683	Claims under policies paid and outstanding	3,516,722
2,635,556	Premiums ... ..	4,557,247		1,943,298	Commission ... ..	1,698,709
5,030,984	Transfer from Profit and loss account ...	462,796		103,983	Expenses of management ... ..	105,267
215,771					Amount of insurance fund at the end of the year—	
				2,664,347	Provision for unexpired risks ... ..	2,363,692
<u>£7,882,311</u>		<u>£7,684,390</u>		<u>£7,882,311</u>		<u>£7,684,390</u>

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

### PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1967

1966		£		1966		£
	Balance (earned surplus) brought forward from previous year ... ..	1,787,192		2,088	Taxes ... ..	7,177
1,660,277	Interest and dividends ... ..	377,831		16,016	Investment expenses ... ..	19,197
346,452	Profit on sale of securities ... ..	8,779		1,364	Amounts written off securities ... ..	1,801
78,202					Gross dividend to The Prudential Assurance Co. Ltd. ... ..	62,500
				62,500	Scrip issue to The Prudential Assurance Co. Ltd. ... ..	208,333
				215,771	Transfer to Revenue account ... ..	462,796
				1,787,192	Balance (earned surplus) as per Balance sheet	1,411,998
<u>£2,084,931</u>		<u>£2,173,802</u>		<u>£2,084,931</u>		<u>£2,173,802</u>

### BALANCE SHEET

31st December 1967

LIABILITIES		ASSETS		
1966	£	1966	£	
	Authorised and Issued capital—		Investments (at or under cost)—	
	20,000 (1966—15,000) shares of \$100 each, fully paid ... ..	833,333	United States Government securities ...	2,127,598
625,000	Capital reserve (surplus paid in) ... ..	625,000	Debentures and bonds ... ..	4,008,559
625,000	Profit and loss account balance (earned surplus) ... ..	1,411,998	Preference stocks and shares ... ..	378,998
1,787,192	Insurance fund ... ..	2,363,692	Ordinary stocks and shares ... ..	1,592,756
2,664,347	Current liabilities—		Current assets—	
	Outstanding claims ... ..	3,212,889	Interest and dividends accrued ... ..	71,013
2,605,787	Outstanding commission and expenses ...	124,187	Amounts due on reinsurance account ...	779,288
93,224	Amount due to Parent company ... ..	4,311	Amount due from Parent company ... ..	44,754
994	Other creditors ... ..	41,667	Balances at Bankers and Cash in hand ...	364,758
31,250	Taxation ... ..	985		
10,360	Amounts due on reinsurance account ...	749,662		
632,570				
<u>£9,075,724</u>	<u>£9,367,724</u>	<u>£9,075,724</u>	<u>£9,367,724</u>	

All items, including the corresponding figures for 1966, have been converted at the rate of \$2.40 to the £. In the published accounts for the year 1966 the rate of exchange used was \$2.80 to the £. This Company is a wholly owned subsidiary of The Prudential Assurance Company Limited.

During the year it was necessary to increase the subsidiary's capital by \$500,000 (£208,333) to satisfy local minimum capital requirements and this was achieved by capitalising this amount out of the earned surplus of the subsidiary.

The remuneration of the Auditors for the year was £1,042 (1966, £1,042).



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

---

In our opinion the accounts set out on Pages 14 to 27 comply with the provisions of the Companies Act, 1948 applicable to insurance companies.

The accounts of certain subsidiaries, including the American subsidiary, have been audited by other auditors.

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 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.

DELOITTE, PLENDER, GRIFFITHS & CO.,  
*Chartered Accountants,*

128, *Queen Victoria Street, London, E.C.4.*

4th April, 1968.

P00020326

# 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, 1967, of the life assurances and annuities and other insurance contracts of the Company.

## ORDINARY BRANCH

The number of contracts in force was 2,362,775, producing an annual premium income of £124,816,693. Sums assured with bonuses amounted to £4,949,175,204; deferred and contingent annuities with bonuses amounted to £164,174,414 per annum including amounts of annuity to be purchased by future recurrent single premiums. Annuities in course of payment amounted to £11,233,109 per annum.

The interest earned in 1967 represents a gross rate of £7 0s. 6d. 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:—

Business issued in:—	Rate of Interest
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	3½%
Second Series policies	3¼%
Kenya, Tanzania 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.

VALUATION REPORT (CONTINUED)

ORDINARY BRANCH (CONTINUED)

The rates of interest assumed for annuities were:—

	United Kingdom, the Channel Islands and the Isle of Man	Australia and New Zealand	Other territories (with the exceptions stated below for certain business issued in Canada)
Deferred annuities:—			
With-profits:			
Individual business ... ..	3½%	—	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%	3½%	3¼%
After deferment ... ..	4%		
Immediate annuities ... ..	5%	3½%	3½%
Annuities certain ... ..	3½%	—	—

For without-profits group deferred annuities secured by single premiums after 31st December, 1966, in Canada the rate was 5½% during deferment and 4% after deferment and for immediate annuities purchased after 31st December, 1966, in Canada the rate was 5½%.

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.

Minor changes have been made in the valuation bases for certain annuity business in Australia, New Zealand and Canada.

The equivalents in sterling of liabilities in other currencies have been calculated at the rates of exchange ruling on 31st December, 1967.

The Additional reserve has been increased from £21,900,000 to £22,000,000. 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, 1967 ...	£1,076,767,448
Net liability under assurance policies ... ..	£634,505,773
Net liability under annuity contracts ... ..	373,029,821
Additional reserve ... ..	22,000,000
Total net liability ... ..	1,029,535,594
Surplus emerging at 31st December, 1967 ... ..	47,231,854
Add cost of bonuses allocated during 1967 in anticipation out of surplus for that year ...	1,736,600
TOTAL SURPLUS, including £1,214,505 brought forward from last year ... ..	£48,968,454

I recommend that, including the amounts already allocated in anticipation out of the surplus for 1967, £44,998,705 be allocated to participating policies.

I consider that on participating assurances issued in the United Kingdom, the Channel Islands and the part of the surplus should again be distributed by way of terminal bonuses varying with the duration of that the rates of terminal bonus should be increased and that the years of issue to which they apply should







VALUATION REPORT (CONTINUED)

GENERAL BRANCH (CONTINUED)

The result of the valuation is as follows:—

General branch fund, subject to transfers out of surplus, on 31st December, 1967	...	£26,169,616
Provision for fire, sickness and accident, motor vehicle and miscellaneous insurances	... .. £16,554,813	
Provision for marine and aviation insurance	... .. 1,236,304	
Provision for sinking fund insurance	... .. 1,437,801	
Additional reserve fund	... .. 4,900,000	
		<u>24,128,918</u>
Surplus, including £59,003 brought forward from last year	... ..	<u>£2,040,698</u>

I recommend that £1,250,000 be transferred to the General branch Additional reserve fund.

F. M. REDINGTON,  
Chief Actuary.

21st March, 1968.

**THE PRUDENTIAL ASSURANCE COMPANY LIMITED**

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

P00020333

1447-032