The Prudential Assurance Company Limited

One Hundred and Twenty-third Annual Report
and Statement of Accounts

Year ended 31st December 1971

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Contents

Directors and Management	Page 2
Notice of Meeting	3
Chairman's Statement	4–10
Directors' Report	11–15
Bonus Declarations	12–13
Dividends	14
Ordinary Branch Life Assurance Accounts	16–17
Industrial Branch Life Assurance Accounts	18–19
General Branch Insurance Accounts	20–21
Profit and Loss Account of the Company	22
Balance Sheet of the Company	23
Certificates to the Accounts	24
Notes on the Accounts	25–28
Report of the Auditors	29
Valuation Report	30-36
Supplementary Information:	
Sources of Investment Income	37
Claims and Surrenders—Life Branches	37
Investment Portfolios	37
General Branch Insurance Business	38–39
Ten Year Review	40

The Prudential Assurance Company Limited

Directors
Kenneth Ascough Usherwood CBE FIA *Chairman*
Leslie Brown FIA *Deputy Chairman*
Desmond Arthur Reid *Deputy Chairman*
John Anthony Tristram Barstow DSO TD DL
The Rt Hon Lord Caccia GCMG GCVO
The Rt Hon Lord Coleraine PC
Bruce Wilfred Goodman CBE FCA
Sir John Nicholson Hogg TD
Sir John Serocold Paget Mellor BT
Reginald Edgar Montgomery
Frank Mitchell Redington FIA

Chief General Manager
R H Owen FIA

Joint Secretaries and Investment Managers
H G Clarke BSc FIA
E P Hatchett FIA

Deputy Investment Managers
P E Moody FIA
G J Titford FIA

Assistant Secretaries
R J Males ACCA
C M Stray FCIS

Senior Assistant Investment Managers
R E Artus MA
B Medhurst MA FIA
D Sirkett BSc FIA

Chief Surveyor
M R Dunnett FRICS

Deputy Chief Surveyor
E E Chapman MBE FRICS

Senior Medical Officer
E H Hudson MA MB BCh FRCP

General Manager for Australia and New Zealand
R B Levey FIA

General Managers
D S Craigen BA
W G Haslam DFC
J L Maxted LLM

Assistant General Managers
F B Corby MA FIA
E W Cunnah
J H J Day FCII
J E G Inglish FCII

Agency Managers
A L Davis
A L Martin

Industrial Branch Administration Manager
J W Whittle DSC VRD

Life Manager: Ordinary Branch
S A Ryder

Chief Controller
H A Metcalf MBE ERD ACII

Chief Legal Adviser
C F Whitehorn

President for Canada
A P Bodiley MBE FCII

Chief Actuary
R S Skerman FIA

Deputy Actuaries
Miss M C Allanach FIA
F G Wood FIA ACII
K N Yeldham FIA

Group Pensions Manager
J G Haslam FIA

Deputy Group Pensions Managers
D E Fellows FIA
M H Hill
F A Lewis FIA

Data Processing Manager
D C Bourdon FIA

Senior Fire and Accident Manager
A W McOwan FCII

Marine Underwriter
C E R Taylor

Aviation Underwriter
C R Jeffs

General Manager for Southern Africa
H G James FIA

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 EC1N 2NH,
on Thursday 18th May 1972 at 12.15 p.m. for the following purposes:

Ordinary Business

To receive the Directors' Report and Statement of Accounts for the year ended 31st December 1971

To re-elect and elect Directors

To transact any other business proper to be transacted at the said Meeting not being Special Business

Special Business

To consider, and if thought fit, pass the following resolution:

That Sir John Serocold Paget Mellor, Bt., be appointed President of the Company in accordance with Article 59 of the Company's Articles of Association.

To consider, and if thought fit, pass the four Resolutions set out in the separate Notice sent herewith, each of which will be proposed as a Special Resolution.

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 Reginald Edgar Montgomery who retires by rotation and who will be aged 71 at the date of the Meeting.

By order of the Board of Directors,
H G CLARKE,
E P HATCHETT,
Joint Secretaries.

142 Holborn Bars London EC1N 2NH
25th April 1972

Members' attention is drawn to the form of proxy accompanying this notice. A member entitled to attend and vote at the 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 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.

The Register of Directors' interests kept under the Companies Act 1967 will be open for inspection at the Meeting. The Directors have no service contracts.

Chairman's Statement

At the forthcoming General Meeting, Sir John Mellor retires from the Board. He has served for twenty-six years as a director, six of which were as Deputy Chairman and five as Chairman. During that time he has earned the respect and affection of all with whom he has worked. In recognition of his services, he will be proposed for election as President. The appointment is a purely honorary one, but it is a way in which, with the concurrence of the shareholders, tribute can be paid to his distinguished career.

During the year, we accepted with regret the resignation for health reasons of Mr. Frank Gardner from the board. Mr. Gardner has served as a director for eleven years, four of them as a Deputy Chairman. Before that he had a long and distinguished executive career, culminating in his filling the offices first of chief actuary and then of chief general manager. He also served for two years as President of the Institute of Actuaries. The Prudential and his profession owe him much.

At the end of last year Mr. Angus Murray retired from the post of Joint Secretary and Investment Manager, an appointment he had held with Mr. Gordon Clarke since 1965. During those years and earlier he was largely concerned with our investments in industry in which capacity he served us, and indeed the insurance industry, to great advantage. We are recommending shareholders to elect him to the Board.

We are also recommending for election as a director The Rt. Hon. James Ramsden. Mr. Ramsden's knowledge and experience will, I am sure, be of substantial value to us.

It will have become apparent that it has in recent years been the policy of your directors that the offices of Chairman and Deputy Chairman should be held for a limited period of years at a time. In accordance with this policy Mr. Desmond Reid will have completed a term of duty as a Deputy Chairman at the Board Meeting which follows the General Meeting, and it is the intention of the directors to elect Sir John Hogg as a Deputy Chairman. Mr. Leslie Brown will continue as a Deputy Chairman.

My task in reporting to you year by year on the company's progress differs from that of many company chairmen. The normal vagaries of economic life can and do produce, for most industrial and commercial companies, dramatic changes in fortune within the span of a single accounting period. In the case of general insurance business wide swings in profits result from the uncertainty of underwriting experience, as can be seen in the change from loss to surplus between 1970 and 1971 in our own case. Life assurance, however, is essentially a long-term business and here, whilst the flow of events presents opportunities and problems for us, it is a rare event indeed which can dramatically alter the position of such a long established life account as ours within a single year. My concern, then, is not only to inform you of the detail of the year's ups and downs, but also to report on the way in which we are equipping the company to continue to maintain and develop its business to the long-term advantage of its shareholders, policyholders and staff.

Our position in the domestic life assurance market is not something which we can expect to maintain and improve without a continuing reappraisal of the services which we offer, the way in which we organise ourselves to sell them, and the manner in which we keep their administration efficient. Last year we continued the process of extending the range of contracts we offer. In this way we help to keep before the public our ability to provide for their insurance requirements; it cannot be in the general interest, any more than it would be in ours, if innovations in the presentation of insurance services are allowed to divert attention from the strength and experience of the offices offering them. We are always looking into ways of improving the effectiveness of our selling organisation and, in selected areas, we are holding trials of a radically different structure, based on a greater separation of the selling and administrative functions.

You will be aware from previous reports of the extensive effort we have put into developing electronic data processing systems covering wide areas of our business in recent years. The range of activities covered by such computerised systems is still being extended. Such activities are not without their disappointments and frustrations, but they are already showing substantial benefits to us in many areas, and we are satisfied that these benefits will eventually be extended to all fields of our business. We believe that early consultation is an important element in good staff relations and I am pleased to be able to tell you that the unions representing the staff have shown a welcome readiness to accept changes.

The further extension of our already substantial overseas business continues to receive much attention. Much effort has gone into building major branches of the company in Australia and New Zealand, Canada and Southern Africa, and we expect substantial future progress from these branches. But the last decades have seen the work which we put into developing business in a number of other Commonwealth territories end in nationalisation.

If, as seems probable, Britain becomes a member of the European Economic Community in 1973, we must be prepared to take advantage of any worthwhile opportunities this will offer us. The act of entry will not, however, immediately change any of the essential factors affecting a United Kingdom insurer's ability to extend its insurance services throughout the Community. What is needed is the harmonisation of the laws affecting the conduct of insurance business in such a way that its development is not impeded. Harmonisation will inevitably take considerable time. It is very much hoped that the laws which are eventually adopted will not be unduly restrictive. Notwithstanding the present uncertainties we recently took the opportunity of purchasing the share capital of the Belgian composite insurance company, L'Escaut, at a price of £6.4 millions. We have been associated with this company for about 50 years, and its acquisition should enable us to expand our interests in Belgium. This purchase was financed by a Eurodollar loan, and is held as part of the shareholders' funds. We may find that the extension of our business overseas can best be achieved not only by the direct establishment of new branches and the acquisition of small companies, but also by arrangements with major local insurers.

Last year the Prudential became the Associate insurer for the United Kingdom under the International Group Programme operated by the John Hancock Mutual Life Insurance Company of Boston, one of the leading insurance companies in the United States. This arrangement involves a multi-national network of major life insurance companies which is well equipped to meet the world-wide group insurance and pension needs of international corporations. It has recently been extended to cater for corporations with headquarters outside, as well as within, the United States. We welcome this new association, which is already proving fruitful.

In 1971 insurance matters were frequently under the spotlight of public discussion, some of it critical. A good deal of attention has been paid to the measure of protection afforded by legislation to life policyholders, particularly in the case of policies linked to equity funds property bonds and similar schemes. The Government's plans for State pensions and the role which private occupational schemes should play have also been much discussed.

We have been singularly fortunate in the United Kingdom in that the insurance industry has been able to develop relatively free from statutory restrictions, subject to very detailed information on its operations being supplied to the authorities, and made available to the public. This freedom, particularly in relation to the way in which the funds may be invested, has served the public extremely well. If restrictions comparable with those ruling in many other countries had applied, there is no doubt that life policyholders, in particular, would not have had such good value for money. It is quite clear to me that the best interests of the public would be served by preserving wide freedom from restrictive regulations. The industry is fully aware that the retention of such freedom depends on confidence that the industry will conduct itself in a responsible way, and that this confidence is threatened by disasters such as the Vehicle and General collapse. Discussions are currently in progress to ascertain the most acceptable and effective solution.

Ordinary Branch

In the United Kingdom advantage was taken of favourable conditions and new annual premiums for individual assurances and annuities of £12 millions were nearly 30 per cent. higher than in 1970. This was the highest rate of increase achieved for many years. In addition, in February 1971 we made a limited issue of deferred annuity bonds and over £13 millions of single premiums were received through our Field Staff in less than three weeks.

New annual premiums for group pension scheme business increased satisfactorily, despite the uncertainties prevailing in advance of the announcement of the Government's plans for State pensions. The Government's White Paper " Strategy for Pensions " published in September showed that the role of the private occupational scheme is to be one of partnership with the State basic pension scheme.

The amendment of existing schemes to meet the requirements for " recognition " will impose a considerable strain on a section of the industry which has been sorely stretched for a long time. A new Occupational Pensions Board will be established to accord recognition to and to monitor occupational schemes. It will operate alongside the Board of Inland Revenue to whom all occupational schemes have to be submitted for approval. Such a duplication of authority will in my view inevitably slow down the work to be handled in the short time available and I would make a strong plea that the sole responsibility for both recognition and approval be vested in the new Board.

Last year I referred to the formation of a new wholly-owned subsidiary, Prudential Pensions Ltd., to transact unit-linked pension business for the larger group pension schemes. It is too early to form any firm conclusions either as to investment performance or the prospects of expansion of business. Nevertheless present indications on both counts are encouraging.

In our overseas branches new annual premiums for individual and group business combined rose by 15 per cent. to over £9 millions. There were extremely good results in Australia and New Zealand and continued good progress in group pension business in Canada. There was a welcome improvement in South Africa after two disappointing years.

The major realignment of currencies which took place towards the end of last year caused a reduction of about £20 millions in the Sterling value of the fund, but the financial effect on the Company is negligible, since most overseas liabilities in local currency are matched with assets in the same currency. A further reduction of £2 millions in the fund arose from the nationalisation of our business in Zambia and the Sudan to which I referred last year.

The position of our business in Pakistan, with liabilities amounting to some £8 millions, is uncertain following the announcement of nationalisation of all life assurance in Pakistan.

Industrial Branch

Production in this Branch was interrupted by a pay dispute with the Union representing our Field Staff and we ended the year with new premiums only slightly higher than those which we obtained in 1970. During 1971 we made substantial payments to the staff for work on the conversion of many millions of policies to decimal currency. These together with further pay awards to the staff have again increased the expense level of administering this business. Nevertheless every effort continues to be made to reduce the expense levels.

Despite the collection of premiums at frequent intervals at the homes of policyholders, the actual benefits given in this Branch, for a given premium, readily bear comparison with those available for the same size of premium under Ordinary assurance policies.

Bonus Declarations

The rates of bonus declared have already been reported in the Press. Details are given in the Valuation Report of the Chief Actuary.

In the United Kingdom the rate of reversionary bonus was increased in the Ordinary Branch and the rates of terminal bonus payable on assurances issued in both the Ordinary and Industrial Branches becoming claims during the next twelve months have again been increased and have been extended to include policies issued in 1970. The increases in terminal bonuses demonstrate our intention that participating policies shall share in profits, whether they arise from investment income or appreciation of asset values, as fully as practicable without being exposed to the consequences of short term fluctuations in market values. Although we give no guarantee, we expect to be able to maintain terminal bonuses on the new scale for the range of policies concerned for claims arising in future years. Part of the cost of the terminal bonuses has again been met out of unrealised appreciation in the value of our investments. This has been effected by transferring to revenue from the Investment reserve accounts sums of £10.8 millions in the Ordinary Branch (part of which has been used to improve bonuses on group pension and certain overseas policies) and £9.2 millions in the Industrial Branch.

In order to illustrate the effect of these bonuses some examples are given below of the final outcome of participating Ordinary Branch endowment assurances issued in the United Kingdom for a sum assured of £1,000 and maturing this year at age 60.

Year of Issue	Sum assured	Reversionary bonuses	Terminal bonus	Total payment on maturity	Total premiums paid*
	£	£	£	£	£
1937	1,000	733	636	2,369	992
1947	1,000	608	498	2,106	1,109
1957	1,000	446	259	1,705	1,094

*The net cost to the policyholders will have been the total premiums paid less life assurance relief of income tax.

Overseas, in most territories reversionary bonus rates for some or all of the business have been increased. In addition we have introduced terminal bonuses in New Zealand and considerably increased terminal bonuses in Australia and South Africa.

General Branch

There was a substantial increase in premium income in this Branch of nearly £11 millions or 20 per cent., the same rate of expansion being achieved both in the United Kingdom and overseas. The overall underwriting profit of £1,478,000 compares with a loss of £260,000 last year.

An analysis of the revenue account for the General Branch is shown on pages 38 and 39.

In the United Kingdom the increases in premium rates for motor business introduced in 1971 have greatly reduced the underwriting loss in that class, but our motor results were seriously affected by a charge of £400,000 on account of uninsured claims and passenger liabilities arising from the failures of other insurance companies.

In other United Kingdom accounts a good profit was achieved overall, notably in the property class despite the continuing high level of fire wastage. This result was aided by the low level of claims arising from adverse weather conditions.

Overseas our operations for the year resulted in a small underwriting loss. In Canada our premium income continued to increase substantially but the healthy profit achieved at the time of our last half-yearly statement was eroded by a marked deterioration in our underwriting experience in the latter part of the year, particularly in the property account. Experience in this account improved considerably in Australia and Southern Africa, but the overall results in these territories and New Zealand were adverse, largely due to the motor account.

Our overseas business written in the London market is running profitably but on the continent of Europe business was unprofitable in Denmark, Holland and Italy. In Belgium a very satisfactory result was achieved.

Elsewhere in the world our underwriting experience improved, apart from Jamaica, where heavy property damage claims were incurred in the second half of the year.

Our Marine account for 1969 closed with a loss and we have transferred £125,000 into the marine and aviation account in order to maintain an appropriate level of reserves.

Gross investment income, other than that allocated to long term contracts, increased by £422,000 to £3,577,000 which together with the underwriting profit of £1,478,000 provided a net surplus of £2,726,000 after taxation. This compares with £784,000 in 1970 although there was a non-recurrent tax charge of some £300,000 in that year.

Two aspects of our business which concern us are that a great proportion of our private policyholders are under-insured to a serious degree and that so many homes in the United Kingdom carry no insurance on the household goods and furniture. We are doing all that we can to bring home the need for full insurance, in order to prevent the serious financial hardship which results when a misfortune occurs and the insurances are found to be seriously inadequate or, indeed, non-existent.

Investments

At the end of 1970 the security markets of the United Kingdom were depressed by fears of the consequences for monetary values and industrial profitability of the high level of price and wage inflation then occurring. This apprehension was increased as regards ordinary shares by the fact that inflationary trends were unaccompanied by any general buoyancy of output. As is often the way, this caution proved excessive, and in both fixed interest and equity markets prices rose substantially. Interest rates showed a marked decline over the year, benefiting from a downward movement of rates internationally and from the growing belief that the momentum of the domestic cost inflation was past its peak. Equity markets gained strength both from the improved profits being earned as companies restored profit margins by a combination of price increases and better cost control, and later in the year from the expectation of faster growth as the Government made a succession of substantial reflationary moves.

The pattern of investments for our United Kingdom funds in 1971 is set out (in £m) in the table, and the last column gives the comparable net figure for 1970.

	Purchases	*Sales or Redemptions*	*Net*	1970
British Government securities	71	10	61	−38
Other fixed interest investments including mortgages on property	20	34	−14	3
Ordinary stocks and shares	113	31	82	52
Property investments	25	9	16	60
	229	84	145	77

The total net investment of our United Kingdom insurance fund last year was thus nearly twice that of the previous year. Although net funds available for investment were, in fact, buoyant last year, there were a number of special factors which produced this very large increase. The special issue of £13 millions of deferred annuity bonds was one factor. The company financed £27 millions of its ordinary share purchases by raising foreign currency loans. These loans were used to purchase United States and Japanese ordinary shares.

In addition, we had begun the year with a significant amount of uninvested cash which we drew upon for long-term investments. We put the bulk of our funds into ordinary shares and British Government stocks, where much of our investment was made at the low prices ruling early in the year, and we were net sellers of all other categories except properties. A growing scarcity of first class property on offer, together with the increase in the number of substantial funds interested in acquiring such investments, prevented us from maintaining our new investment in property at the high level of recent years.

Investments made relating to our overseas branches totalled £47 millions. Of this £10 millions went into public sector debt, £5 millions into debentures, £8 millions into mortgages, £16 millions into ordinary shares and £8 millions into property. The increase of £11 millions over the 1970 figure of £36 millions is largely accounted for by natural fund increase, the reinvestment of the proceeds of a higher level of investment sales, and a reduction in cash balances.

We welcome to our branch investment committees Mr. R. B. Casgrain in Canada and Mr. A. J. F. Fergusson in South Africa. Mr. C. Cretzianu resigned from our Canadian committee, to which he was appointed in 1966. His wide experience and wise counsel has been greatly appreciated by us during this period.

The investment in Japanese ordinary shares mentioned above was our first venture into this market. Under the dual influence of the revaluation of the yen and the recent strength of the Japanese market our interest in this area has made an encouraging start.

Last year I spoke of the increasingly active role expected of the large institutions in promoting the effectiveness and competence of the managements of companies in which they have shareholdings. I indicated that we were prepared to accept greater responsibilities in this area. This caused considerable interest and widespread comment. You may have read that the Bank of England has recently taken the initiative in exploring the possibility of establishing a medium for collective action on behalf of institutional investors, in order to bring their influence to bear with greater effectiveness in industrial and commercial situations which seem to warrant such intervention. We view the Bank's initiative with sympathy, although there are many practical problems to be overcome before such a body can be established; at the time of writing discusssions with this object are in train.

Dividends

A final dividend of 2.30p per share has been declared payable on 18th May 1972. This dividend, together with the interim of 1.30p per share paid last November, makes a total of 3.60p for the year. These amounts are all net of income tax. The equivalent total gross dividend, based on a tax rate of 38.75 per cent., is 5.88p. Shareholders were advised in the letter of 7th January last that proposals would be put before them to adopt certain changes in the Articles of Association to enable dividends to be declared gross. The directors have indicated that, subject to the approval of these changes, it is their intention to declare an interim dividend of 2.50p gross per share payable in November 1972. The increase over the equivalent gross interim dividend paid last November is in order to bring it into a more appropriate relationship with the current total dividend.

Last year I pointed out that comparisons with previous years of the proportion of life profits allocated to policyholders were not readily possible because of the capital re-organisation in 1970. Some of the effects of this change on the comparison continued last year. Allowing for this, the proportion allocated to policyholders in 1971 is approximately the same as for the two previous years.

The Chancellor of the Exchequer has foreshadowed far reaching changes in the pattern of our taxation from 1973. We are satisfied that the proposed changes in the Articles would provide us with an adequate degree of flexibility to adopt whatever practice appears appropriate following the changes.

Management

It is with regret that I have to report the death, suddenly, of Mr. M. A. R. George our Senior Solicitor. He had served the Company well for over 40 years.

Since my last Statement the following members of the Management have retired:—

Mr. A. F. Murray—to whom I have already referred.

Mr. L. C. Polke—a Deputy Investment Manager—after having for many years been concerned with the investments of our overseas branches.

Mr. L. Gordon—an Assistant General Manager—after a career mainly concerned with the General Branch.

Mr. G. A. Brown—Data Processing Manager—he has guided for 11 years the rapid expansion of our computer and allied systems.

They have all given very valuable service to the Company.

The following promotions and appointments have been made during the past year:—

Mr. E. P. Hatchett to be Joint Secretary and Investment Manager.
Mr. G. J. Titford to be a Deputy Investment Manager.
Mr. C. F. Whitehorn to be Chief Legal Adviser.
Mr. J. H. J. Day to be an Assistant General Manager.
Mr. A. W. McOwan to be Senior Fire & Accident Manager.
Mr. D. C. Bourdon to be Data Processing Manager.
Mr. B. Medhurst to be a Senior Assistant Investment Manager.

I wish to pay tribute to the work of all members of the staff at home and overseas for the part which they have played in the progress of the Company, and in particular for the co-operation we have received in connection with the various changes which have been introduced. I am confident that the energy and initiative which has been displayed will ensure that full advantage will be taken of the new opportunities unfolding. A special word of thanks is due to our Staff in Northern Ireland, who have carried out their duties in the face of considerable difficulties and dangers.

K A USHERWOOD,
Chairman.

13*th April* 1972.

Directors' Report for the year ended 31st December 1971

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 £2,487,166,000 (*£2,306,025,000*) and income from all sources for 1971, including transfers from Investment reserve account in the two life branches, amounted to £528,904,000 (*£475,794,000*).

The following information is in respect of the business of the Life and General branches of the Company only and does not include figures relating to the Company's subsidiaries unless specifically mentioned.

Accounts

The presentation of the accounts on pages 16 to 23 follows the form adopted for last year. Other information in respect of the accounts is given on pages 25 to 28 and 37 to 40.

The accounts of Prudential Unit Trust Managers Ltd., a subsidiary company referred to in Note 2 on the Accounts, have not been annexed as the amounts involved are not significant.

The Ordinary Branch

The Revenue account on page 16 shows that surplus for distribution was £75,774,000 (*£67,604,000*) and that of this amount £71,910,000 (*£64,055,000*) has been allocated to policyholders for bonuses, leaving £3,864,000 (*£3,549,000*) for transfer to Profit and loss account.

New business for the year was

	Number of policies or contracts	Sums assured £000	Annuities per annum £000	Single premiums and considerations £000	Annual premium income £000
United Kingdom business					
Assurances	227,457	1,306,900	—	1,187	12,029
Annuities	17,542	—	41,706	21,668	7,294
Overseas business					
Assurances	72,742	465,260	—	270	7,478
Annuities	324	—	12,311	3,792	1,881
Total	318,065	1,772,160	54,017	26,917	28,682

Business in force at the end of the year was

	1971		*1970*	
	United Kingdom	Overseas	*United Kingdom*	*Overseas*
	£000	£000	*£000*	*£000*
Life assurances				
Sums assured, including bonus	5,303,819	2,395,304	*4,569,962*	*2,298,968*
Annual premium income	76,676	44,731	*70,833*	*43,519*
Deferred and contingent annuities				
Annuities per annum (including bonus and amounts to be purchased by future recurrent single premiums)	206,465	37,786	*179,765*	*36,351*
Annual premium income	36,094	6,869	*33,015*	*6,875*
Immediate annuities				
Annuities per annum	18,091	1,958	*16,066*	*1,653*

The Directors have declared the following bonuses on participating life assurance policies of classes issued in the United Kingdom, the Channel Islands and the Isle of Man:

A reversionary bonus at the rate of £3·30 per £100 sum assured.

A terminal bonus on policies issued in 1970 or earlier which become claims by death or maturity of endowment between 1st April 1972 and 31st March 1973 inclusive, at rates varying from £0·30 per £100 sum assured for policies issued in 1970 to £79 per £100 sum assured for policies issued in 1923 and earlier.

Further details of these bonuses and those on all other classes of policy are shown in the Chief Actuary's Valuation report which appears on pages 30 to 36.

The Industrial Branch

The Revenue account on page 18 shows that surplus for distribution was £46,561,000 (*£44,029,000*) and that of this amount £44,186,000 (*£41,717,000*) has been allocated to policyholders for bonuses, leaving £2,375,000 (*£2,312,000*) for transfer to Profit and loss account.

New business for the year was

Number of policies	Sums assured	Annual premium income
	£000	£000
942,587	262,351	15,016

Business in force at the end of the year was

	1971	*1970*
	£000	*£000*
Sums assured, including bonus	2,066,364	*1,994,782*
Annual premium income	95,719	*91,691*

The Directors have declared the following bonuses on participating policies:

A reversionary bonus at the rate of £2·60 per £100 sum assured.

A terminal bonus on policies issued in 1970 or earlier which become claims by death or maturity of endowment between 1st April 1972 and 31st March 1973 inclusive, at rates varying from £0·30 per £100 sum assured for policies issued in 1970 to £79 per £100 sum assured for policies issued in 1923 and earlier.

Further details of these bonuses are shown in the Chief Actuary's Valuation report which appears on pages 30 to 36.

The General Branch

The Revenue account on page 20 shows that net surplus was £2,726,000 (*£784,000*) of which £1,750,000 (*Nil*) has been used to augment the Additional reserve fund leaving £976,000 (*£784,000*) for transfer to Profit and loss account.

Premium income net of reinsurances for the year was

	1971 £000	*1970 £000*
United Kingdom business	36,298	*30,127*
Overseas business	28,986	*24,278*
Total	65,284	*54,405*

Geographical Distribution

The Company's business for 1971 based on premium income was located as follows:

	Ordinary Branch %	Industrial Branch %	General Branch %
United Kingdom	70·9	100·0	55·6
Australia and New Zealand	10·1	—	6·0
Canada	10·6	—	23·5
South Africa	5·6	—	2·0
Other territories	2·8	—	12·9
	100·0	100·0	100·0

Trusteeships

The amount of debenture and loan stocks for which the Company acts as trustee exceeded £1,318,000,000 (*£1,214,000,000*) at the end of the year.

Profit and loss account

The account on page 22 combines the transfers from the Ordinary, Industrial and General branches with other items of income and outgo not dealt with in the accounts of the branches.

Dividends for the year, net of income tax, total £7,344,000 (*£6,528,000*) leaving a balance of £1,342,000 (*£659,000*) to be carried forward.

A special distribution amounting to £4,369,000 net of income tax was made in 1970 in accordance with the terms of the Capital reorganisation approved at the Annual General Meeting held on 21st May 1970.

Dividends

The Directors have declared a final dividend for 1971 of 2·30p per share, net of income tax, payable on 18th May 1972 to shareholders on the Register at close of business on 20th April 1972. This dividend together with the interim dividend of 1·30p per share, net of income tax, paid in November 1971 represents a total dividend of 3·60p per share for the year. The equivalent gross of this total dividend for 1971 calculated at the income tax rate of 38·75% is 5·88p.

The total dividends, net of income tax, paid for 1970 amounted to 3·20p per share, the equivalent gross, calculated at the appropriate rates of income tax of 41·25% for the interim and 38·75% for the final dividend, being 5·31p.

Directors

The Directors retiring by rotation are The Rt. Hon. Lord Caccia and Reginald Edgar Montgomery. They offer themselves for re-election.

Sir John Mellor also retires by rotation but does not offer himself for re-election. In recognition of his long and valuable services as a Director, the Directors recommend his appointment as President.

The Directors recommend the election of Angus Fraser Murray MA, FIA and The Rt. Hon. James Edward Ramsden MP.

Walter Frank Gardner CBE, FIA retired on 30th September 1971.

Maurice Petherick retired on 20th May 1971.

Directors' Shareholdings

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

	Shares of 5p each			
	On 1.1.71		On 31.12.71	
	Beneficially Held	Other Interest	Beneficially Held	Other Interest
K A Usherwood	4,000	2,448	4,000	2,448
L Brown	5,280		5,280	
D A Reid	115,236	535,734	115,237	508,404
J A T Barstow	17,400	49,962	15,000	46,962
Lord Caccia	5,036	3,000	5,036	
Lord Coleraine	3,480		3,480	
B W Goodman	2,000		2,000	
Sir J N Hogg	2,040	7,956	2,040	7,956
Sir J S P Mellor	67,152		67,152	
R E Montgomery	3,480		3,480	
F M Redington	3,480		3,480	

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

The total of the interests of the Directors and their families does not exceed 5 per cent. of the share capital of or voting control of the Company.

No director has a contract or arrangement disclosable under Section 16 (1) (*c*) of the Companies Act 1967.

Employees

The average number of persons employed by the Company and its subsidiaries in the United Kingdom in each week of 1971 was 24,381 and the aggregate remuneration paid or payable in respect of these employees during 1971 amounted to £46,733,448.

Donations

During the year £41,005 has been given by the Company and its subsidiaries for charitable purposes in the United Kingdom and £18,614 overseas.

Auditors

Deloitte & Co., the present Auditors of the Company, are willing to continue in office.

K A USHERWOOD,

Chairman.

Holborn Bars
13th April 1972.

Ordinary Branch Life Assurance Business

Revenue Account
for the year ended 31st December 1971

	£000	1970 £000
Income		
Premiums	184,087	161,941
Consideration for immediate annuities	5,578	4,559
Investment income (see note 12 and page 37)	97,442	90,293
Increase in book value of investments related to linked business	2,247	—
Transfer from investment reserve account (see note 6)	10,800	8,100
	300,154	264,893
Outgo		
Claims and surrenders (see page 37)	101,607	94,294
Annuities	18,945	16,976
Commission	10,868	9,726
Expenses	22,685	19,717
Selective employment tax	529	639
Taxation (see note 13)	9,646	9,964
Decrease in book value of investments related to linked business	—	554
	164,280	151,870
Excess of Income over Outgo	135,874	113,023
Provision for increase in liability to policyholders	60,148	45,272
Surplus for year	75,726	67,751
Surplus carried forward last year	1,290	1,143
this year	1,242	1,290
add decrease/ deduct increase	48	147
Surplus for distribution	75,774	67,604
Provision for policyholders' bonuses	71,910	64,055
Balance to Profit and loss account (page 22)	3,864	3,549

Fund Account
for the year ended 31st December 1971

	£000	1970 £000
Amount of fund at beginning of year	1,398,580	1,282,593
Exchange adjustment (see note 8)	−19,693	6,513
	1,378,887	1,289,106
deduct in respect of Sudanese and Zambian business (see note 4)	2,188	—
	1,376,699	1,289,106
deduct decrease/add increase in surplus carried forward	48	147
	1,376,651	1,289,253
Increase in fund for year:		
Provision for increase in liability to policyholders	60,148	45,272
Provision for policyholders' bonuses	71,910	64,055
Amount of fund at end of year	1,508,709	1,398,580

Balance Sheet
31st December 1971

	£000	1970 £000
Funds		
Life assurance fund	1,508,709	1,398,580
Contingency fund	14,000	14,000
	1,522,709	1,412,580
Investments		
British Government and British Government guaranteed securities	156,810	102,075
Other fixed income securities	331,692	336,975
Ordinary stocks and shares	456,835	378,486
Prudential Unit Trust units	6,923	3,193
Freehold and leasehold properties, rent charges and ground rents	335,511	316,986
Mortgages on property	171,736	181,208
Loans on Company's policies and other loans	69,625	66,907
Subsidiaries (see note 2)		
Fixed income securities	767	2,753
Ordinary stocks and shares	8,970	13,716
	1,538,869	1,402,299
Current assets		
Deposits at interest at home and abroad	46	826
Commission paid in advance	7,311	5,809
Outstanding premiums	4,565	5,786
Outstanding and accrued interest, dividends, rents and fees	15,573	14,822
Amounts due from subsidiaries	32	12
Tax recoverable	3,922	3,066
Other debtors	2,855	1,377
Balances at Bankers and cash in hand:		
Deposits (including sterling certificates of deposit)	9,306	21,127
Current account and cash in hand	1,484	1,624
	1,583,963	1,456,748
Less: **Current liabilities**		
Outstanding claims	12,360	11,319
Annuities due and unpaid	22	31
Outstanding commission and expenses	2,652	2,144
Premiums received in advance	1,586	1,547
Amounts due to subsidiaries	1,307	1,271
Promissory notes in overseas currencies (see note 7)	9,595	10,444
Unsecured loans in overseas currencies (see note 7)	25,943	11,530
Other creditors	7,789	5,882
	61,254	44,163
	1,522,709	1,412,580

Industrial Branch Life Assurance Business

Revenue Account
for the year ended 31st December 1971

	£000	1970 £000
Income		
Premiums	92,241	*88,162*
Investment income (see note 12 and page 37)	56,814	*55,383*
Transfer from Investment reserve account (see note 6)	9,200	*8,100*
	158,255	*151,645*
Outgo		
Claims and surrenders (see page 37)	87,347	*85,320*
Expenses	32,054	*28,584*
Selective employment tax	1,102	*1,442*
Taxation (see note 13)	9,123	*11,109*
	129,626	*126,455*
Excess of Income over Outgo	28,629	*25,190*
Provision released on reduction in liability to policyholders	17,922	*18,612*
Surplus for year	46,551	*43,802*
Surplus carried forward last year	1,798	*2,025*
this year	1,788	*1,798*
add decrease	10	*227*
Surplus for distribution	46,561	*44,029*
Provision for policyholders' bonuses	44,186	*41,717*
Balance to Profit and loss account (page 22)	2,375	*2,312*

Fund Account
for the year ended 31st December 1971

	£000	1970 £000
Amount of fund at beginning of year	743,665	*720,787*
deduct decrease in surplus carried forward	10	*227*
	743,655	*720,560*
Increase in fund for year:		
Provision released on reduction in liability to policyholders	− 17,922	*−18,612*
Provision for policyholders' bonuses	44,186	*41,717*
Amount of fund at end of year	769,919	*743,665*

Balance Sheet
31st December 1971

	£000	1970 £000
Funds		
Life assurance fund	769,919	*743,665*
Contingency fund	21,500	*21,500*
	791,419	*765,165*
Investments		
British Government and British Government guaranteed securities	162,733	*160,396*
Other fixed income securities	136,046	*142,316*
Ordinary stocks and shares	280,382	*256,299*
Freehold and leasehold properties, rent charges and ground rents	160,498	*146,320*
Mortgages on property	50,955	*42,095*
Other loans	3,794	*4,867*
Subsidiaries (see note 2)		
Ordinary stocks and shares	670	*670*
	795,078	*752,963*
Current assets		
Outstanding premiums	170	*267*
Outstanding and accrued interest, dividends, rents and fees	6,029	*5,729*
Amounts due from subsidiaries	30	*11*
Tax recoverable	3,466	*2,972*
Other debtors	3,432	*1,029*
Balances at Bankers and cash in hand:		
Deposits (including sterling certificates of deposit)	2,015	*6,507*
Current account and cash in hand	1,845	*3,351*
	812,065	*772,829*
Less: **Current liabilities**		
Outstanding claims	2,096	*2,011*
Outstanding commission and expenses	813	*792*
Amounts due to subsidiaries	807	*805*
Unsecured loans in overseas currencies (see note 7)	11,513	*—*
Other creditors	5,417	*4,056*
	20,646	*7,664*
	791,419	*765,165*

General Branch Insurance Business

Revenue Account
for the year ended 31st December 1971

	£000	1970 £000
Income		
Premiums	65,284	54,405
Investment income allocated to long term funds (see page 37)	237	250
	65,521	54,655
Outgo		
Claims	34,521	31,691
Commission	8,705	7,461
Expenses	14,405	11,896
Selective employment tax	247	313
Overseas taxes other than on profits	347	276
	58,225	51,637
Excess of Income over Outgo	7,296	3,018
Provision for increase in liability to policyholders	5,818	3,278
Gross Underwriting Profit (*1970 Loss*)	1,478	– 260
Investment income (other than allocated to long term funds) (see page 37)	3,577	3,155
Gross surplus	5,055	2,895
Taxation (see note 13)	2,329	2,111
Net surplus for the year	2,726	784
Transfer to Additional reserve fund	1,750	—
Balance to Profit and loss account (page 22)	976	784

Fund Account
for the year ended 31st December 1971

	£000	1970 £000
Amount of fund at beginning of year	26,497	22,899
Exchange adjustment (see note 8)	— 507	320
	25,990	23,219
Increase in fund for year:		
Provision for increase in liability to policyholders	5,818	3,278
Amount of fund at end of year	31,808	26,497

A detailed statement of General branch business appears on pages 38 and 39.

Balance Sheet
31st December 1971

	£000	1970 £000
Funds		
Insurance fund	31,808	26,497
Additional reserve fund	9,650	7,900
Contingency fund	1,000	1,000
	42,458	35,397
Investments		
British Government and British Government guaranteed securities	12,131	7,357
Other fixed income securities	24,771	24,238
Ordinary stocks and shares	16,264	10,721
Freehold property	223	205
Mortgages on property	1,845	1,764
Other loans	34	1,032
Subsidiaries (see note 2)		
Ordinary stocks and shares	1,902	2,004
	57,170	47,321
Current assets		
Deposits at interest at home and abroad	1,379	1,005
Agents' balances	1,663	1,645
Outstanding premiums	9,893	7,540
Outstanding and accrued interest, dividends, rents and fees	522	431
Amounts due on reinsurance account	2,755	2,626
Amounts due from subsidiaries	183	440
Other debtors	544	392
Balances at Bankers and cash in hand:		
Deposits	2,515	3,516
Current account and cash in hand	2,616	600
	79,240	65,516
Less: **Current liabilities**		
Outstanding claims	27,073	23,193
Outstanding commission and expenses	2,435	1,816
Premiums received in advance	243	224
Amounts due on reinsurance account	3,237	1,590
Amounts due to subsidiaries	15	52
Taxation	1,995	2,136
Other creditors	1,784	1,108
	36,782	30,119
	42,458	35,397

Profit and Loss Account of the Company
for the year ended 31st December 1971

		1970
	£000	*£000*
Balance at beginning of year	659	*4,362*
Transfer from Ordinary branch revenue account	3,864	*3,549*
Industrial branch revenue account	2,375	*2,312*
General branch revenue account	976	*784*
Interest on deposits with Ordinary and Industrial branches	185	*250*
Investment income (see note 12)	1,058	*710*
Trustee and executor fees	154	*150*
	9,271	*12,117*
Less:		
Expenses	139	*95*
Taxation (see note 13)	446	*466*
Special distribution (equivalent gross—*1970 £7,437,000*)	—	*4,369*
Interim dividend (equivalent gross £4,330,000—*1970 £4,340,000*)	2,652	*2,550*
Final dividend (equivalent gross £7,660,000—*1970 £6,495,000*)	4,692	*3,978*
	7,929	*11,458*
Balance at end of year	1,342	*659*

The certificates and notes on pages **24 to**

Balance Sheet of the Company

31st December 1971

		1970
Capital, Reserves and Funds	£000	*£000*
Capital (see note 1)		
Authorised 250,000,000 Shares of 5p each	12,500	*12,500*
Issued and fully paid 204,000,000 Shares of 5p each	10,200	*10,200*
Profit and loss account	1,342	*659*
Special contingency fund	4,858	*4,858*
Ordinary branch funds	1,522,709	*1,412,580*
Industrial branch funds	791,419	*765,165*
General branch funds	42,458	*35,397*
	2,372,986	*2,228,859*
Investments		
British Government and British Government guaranteed securities	331,674	*269,828*
Other fixed income securities	500,496	*511,372*
Ordinary stocks and shares	760,580	*652,267*
Prudential Unit Trust units	6,923	*3,193*
Freehold and leasehold properties, rent charges and ground rents	496,232	*463,511*
Mortgages on property	224,536	*225,067*
Loans on Company's policies and other loans	73,453	*72,806*
Subsidiaries (see note 2)		
Fixed income securities	767	*2,753*
Ordinary stocks and shares	11,692	*16,540*
	2,406,353	*2,217,337*
Current assets		
Deposits at interest at home and abroad	1,425	*1,831*
Agents' balances	1,663	*1,645*
Commission paid in advance	7,311	*5,809*
Outstanding premiums	14,628	*13,593*
Outstanding and accrued interest, dividends, rents and fees	22,281	*21,165*
Amounts due on reinsurance account	2,755	*2,626*
Amounts due from subsidiaries	245	*463*
Tax recoverable	5,583	*4,140*
Other debtors	6,933	*3,145*
Balances at Bankers and cash in hand:		
Deposits (including sterling certificates of deposit)	13,836	*31,150*
Current account and cash in hand	4,153	*3,121*
(Market value of total assets £3,399,247,000—*1970 £2,701,482,000*) (see note 5)	2,487,166	*2,306,025*
Less:		
Current liabilities		
Outstanding claims	41,529	*36,523*
Annuities due and unpaid	22	*31*
Outstanding commission and expenses	5,902	*4,753*
Premiums received in advance	1,829	*1,771*
Amounts due on reinsurance account	3,237	*1,590*
Amounts due to subsidiaries	2,129	*2,128*
Promissory notes in overseas currencies (see note 7)	9,595	*10,444*
Unsecured loans in overseas currencies (see note 7)	37,456	*11,530*
Other creditors	7,789	*4,418*
Final dividend (equivalent gross £7,660,000—*1970 £6,495,000*)	4,692	*3,978*
	114,180	*77,166*
	2,372,986	*2,228,859*

24 to 28 form an integral part of these accounts.

Certificates to the Accounts

I certify that in my opinion the aggregate amount of the liabilities of the Company in relation to its long term business at 31st December 1971 did not exceed the aggregate amount of those liabilities as shown in the Balance sheet.

R S SKERMAN, *Chief Actuary.*

We certify that:

(1) in our opinion the value of the Company's assets at 31st December 1971 was in the aggregate at least equal to the aggregate of the amounts thereof shown in the Balance sheet. For the purposes of this certificate 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,

(2) in our opinion the aggregate of the market values at 31st December 1971 of the Company's realisable domestic assets, all free from mortgage or charge, was at least equal to the aggregate of the values at that time of the Company's domestic liabilities as defined in Section 65(9) of the Companies Act 1967,

(3) the aggregate amount of the premiums relating to general business included in the Revenue accounts is £61,731,000 (this figure excludes premiums relating to long term business),

(4) the amount of the minimum solvency margin applicable to the Company in the period immediately following the end of the financial year 1971 was £6,424,000,

(5) in our opinion the aggregate of the amounts of the Company's assets as stated in the Balance sheet exceeded the Company's liabilities at 31st December 1971 after taking into account all prospective and contingent liabilities but not liabilities in respect of share capital by £27,050,000,

(6) in our opinion the fund at the end of the year in relation to marine, aviation and transport business transacted in the current year was sufficient to meet all the liabilities outstanding at 31st December 1971 in relation to that business (including those in respect of risks to be borne by the Company after 31st December 1971 in relation to that business),

(7) in our opinion the funds at the end of the year in relation to marine, aviation and transport business transacted in the last preceding year and in previous years were each sufficient to meet all the liabilities outstanding at 31st December 1971 in relation to the relevant business,

(8) in our opinion no part of the Ordinary life assurance fund, the Industrial life assurance fund, the Long term sickness and accident insurance fund or the Sinking fund insurance fund has been used directly or indirectly for any purpose for which it should not have been used having regard to the provisions of Section 3 of the Insurance Companies Acts 1958 to 1967 and to the Articles of Association of the Company.

R H OWEN, *Chief General Manager.*

R S SKERMAN, *Chief Actuary.*

H G CLARKE,
E P HATCHETT, } *Joint Secretaries.*

K A USHERWOOD, *Chairman.*

D A REID, *Director.*

B W GOODMAN, *Director.*

13th April 1972.

Notes on the Accounts

1 The capital of the Company is liable in respect of contracts in all branches of the Company's business.

2 Particulars of subsidiary companies are as follows:

	Name	*Class of Share held*	*Proportion held*	*Country of Incorporation*
(*a*)	Murray & Co. Limited	Common Shares n.p.v.	100%	Canada
	Prudential Australian Superannuation Limited	Shares $2	100%	Australia
	The Prudential Insurance Co. of Great Britain (located in New York)	Shares $100	100%	U.S.A.
	Prudential Pensions Limited	Shares £1	100%	England
	Prudential Unit Trust Managers Limited	Shares £1	100%	England
	Societa Italo-Britannica di Assicurazioni s.r.l.	Shares	100%	Italy
(*b*)	Barnard Enterprises Limited	Shares £1	100%	England
	The Mercantile and General Reinsurance Company Limited	Shares £1 "A" Shares £1	81·1% 50·5%	Scotland
	Paramet Corporation Limited	Common Shares n.p.v.	100%	Canada
	Partin Investments Limited	Ordinary Shares 10p	100%	England
	Prudential Nominees Limited	Shares £1	100%	England
	Riccarton Mall Limited	Ordinary Shares $1	100%	New Zealand
	R.P.D. Investments Limited	Ordinary Shares 5p	100%	England
	Stocklund Property Limited	Shares £1	100%	England

The accounts of the subsidiaries under (*a*) above have not been included in group accounts as the amounts involved are insignificant. Based on the rates of exchange ruling on 31st December 1971 the net aggregate amount of profits of these subsidiaries are:

For 1971	For previous years		
£	£		
167,765	1,609,610	(i)	(not included in the Company's accounts)
86,620	40,831	(ii)	(included in the Company's accounts)

The amounts for previous years are after reduction by exchange adjustments of (i) £144,263 and (ii) £2,321

With the approval of the Department of Trade and Industry the accounts of the subsidiaries under (*b*) above have not been included in group accounts and the particulars 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 Company's holding in The Mercantile and General Reinsurance Company Limited is, except for direct holdings of 5·9% of the Shares £1 and 8·9% of the "A" Shares £1, through Mercantile and General Reinsurance (Holdings) Limited, a company incorporated in England. The whole of that company's share capital consisting of Ordinary Shares £1 is held partly in the Ordinary branch and partly in the General branch.

The businesses carried on by The Mercantile and General Reinsurance Company Limited and its subsidiaries do not principally affect the amount of profit of The Prudential Assurance Company Limited or the amount of its assets and in view of the number of subsidiaries involved details relating to individual companies are not shown.

3 The Company, in its investment portfolio, holds shares in the following companies, other than subsidiaries, in which the holding of at least one class of equity shares exceeds in nominal value one fifth of the nominal value of the issued shares of that class.

Name	*Class of Share held*	*Proportion held*	*Country of Incorporation*
Agencia de Seguros Anglo Portuguesa Limitada	Shares	50·0%	Portugal
Berkeley Property & Investment Co. Ltd.	Ordinary Shares 25p	20·6%	England
Broadstone Investment Trust Ltd.	Ordinary Shares 20p	24·8%	England
	5½% Cumulative 2nd Preference Stock	12·1%	
	5% Cumulative Preference Stock	45·0%	
European Securities Ltd.	Ordinary Shares £1	25·3%	England
Prestwich Parker Ltd.	Ordinary Shares 25p	20·0%	England
P. W. Nominees Ltd.	Shares £1	50·0%	England
Richard Costain Properties Ltd.	Ordinary Shares £1	25·0%	England
Richard Costain Properties (No. 2) Ltd.	Ordinary Shares £1	25·0%	England
Scotch Inventories Ltd.	Ordinary Shares £1	20·0%	England
Thames House Estate Ltd.	Ordinary Shares £1	25·0%	England
Western Properties SA	Common Stock Shares U.S. $1	29·4%	Panama
Westpool Investment Trust Ltd.	Shares 25p	31·9%	England

The Company also holds shares in a further 34 companies in which the holding exceeds one tenth. In view of the number involved details relating to individual companies are not shown.
The results of the businesses carried on by all the above companies are not material in relation to the amount of the profit of the Company or the amount of its assets.

4 The fund liabilities in respect of the Company's life business in the Sudan, £114,000, and of the greater part of the life business in Zambia, £2,074,000, together with the assets of equivalent amounts held to cover these liabilities, have been taken over by the General Insurance Co. (Sudan) Ltd. and the Zambia State Insurance Corporation respectively.
No credit has been taken in the accounts for any compensation which may become due to the Company.

5 The market value of the total assets shown on the Balance sheet of the Company on page 23 is based on market quotations where available (allowing 75% of dollar premium where appropriate) and in all other cases on values estimated by the Directors. No allowance has been made for any tax on capital gains that would arise if the assets were realised at the value shown.

6 Profits and losses on realisation of assets together with adjustments to book values and exchange differences, other than exchange differences on marine, aviation and transport insurance business, less any relative taxes, have been carried to Investment reserve accounts out of which transfers have been made to revenue accounts. The balances of the Investment reserve accounts have been applied in arriving at the Balance sheet values of assets.

7 The promissory notes and unsecured loans in overseas currencies shown under current liabilities in the Balance sheets fall due for settlement by 1975 and 1976 respectively.

Notes on the Accounts *continued*

8 *Life, fire and accident business transactions in overseas currencies have been included in the accounts at* the rates of exchange ruling on 31st December 1971 and the funds brought forward at the beginning of the *year in the Ordinary and General branch accounts on pages 16 and 20 respectively, have been adjusted* for the difference in the rates of exchange at the beginning and end of the year.

Currency liabilities overseas including loans from overseas bankers, promissory notes and unsecured loans in overseas currencies are, with minor exceptions, covered by corresponding currency assets and these liabilities and assets (other than those subsequently mentioned) have been converted at rates of exchange ruling on 31st December 1971. The book values of certain investments in overseas currency held at Chief Office partly on Chief Office investment account and partly as cover for overseas liabilities, other than the shareholding in the American subsidiary referred to in note 2 which is included at dollar cost converted to sterling at the rate of exchange ruling on 31st December 1971, have been based on the rates of exchange ruling on the dates of acquisition.

Overseas interest received or paid by the Company's Chief Office and overseas currency transactions included in the marine, aviation and transport account have been brought in at rates of exchange based on *those ruling on the dates of the respective transactions. The loss on exchange in the marine, aviation and* transport account, noted in the analysis of General branch insurance business on pages 38 and 39, arises *from the revaluation of currency assets at the rates of exchange ruling on 31st December 1971.*

The International Monetary Fund parity or central rates of exchange for overseas currencies have been used at 31st December 1971 where applicable instead of market rates.

9 The aggregate amount of the Directors' emoluments for the year, including emoluments from subsidiary companies was £99,564 (*£77,916*). In addition a contribution of £25,000 (*£25,000*) has been made to the pension scheme for Directors.

The emoluments of the Chairman in the financial year amounted to £20,000 (*£15,000* of which Sir J. S. P. Mellor *£5,852* and Mr. K. A. Usherwood *£9,148*).

The emoluments of all Directors were as follows:

Over	Up to	Number of Directors	
£	£	1971	*1970*
—	2,500	1	*1*
2,500	5,000	1	*9*
5,000	7,500	8	—
7,500	10,000	—	*3*
10,000	12,500	2	*1*
17,500	20,000	1	—

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

Over	Up to	Number of Employees	
£	£	1971	*1970*
10,000	12,500	10	*7*
12,500	15,000	1	*2*
15,000	17,500	2	*1*
20,000	22,500	1	*3*
22,500	25,000	3	—
25,000	27,500	—	*1*
32,500	35,000	1	—

11 The remuneration of the auditors for the year was £92,040 (*£81,701*) of which £54,540 (*£49,701*) related to that payable to local auditors overseas.

12 Investment income is shown less amounts written off terminable securities and after payment of interest of £2,460,000 (*£1,325,000*), £130,000 (*nil*) and £5,000 (*nil*) in the Ordinary and Industrial branches and Profit and Loss account respectively, on bank loans, promissory notes and unsecured loans.

The 1970 figures in the Profit and Loss account do not include net investment income of £192,000 accruing to the Special Contingency fund prior to the changes following the capital reorganisation on 5th June in that year.

13 Taxation, as detailed below, has been charged on all profits and income earned to date at the appropriate rates (corporation tax 40%, income tax 38·75% and 41·25%) less reliefs. The amounts charged in 1970 under Schedule F include in the Ordinary branch £1,300,000, Industrial branch £900,000 and General branch £300,000 attributable to the special distribution paid in that year.

	Ordinary branch		Industrial branch		General branch		Profit and loss	
	1971	*1970*	1971	*1970*	1971	*1970*	1971	*1970*
	£000	*£000*	£000	*£000*	£000	*£000*	£000	*£000*
Corporation tax	1,263	*435*	955	*2,276*	1,694	*1,325*	66	*146*
Less Double taxation relief	—	*137*	150	*194*	343	*554*	—	—
	1,263	*298*	805	*2,082*	1,351	*771*	66	*146*
Income tax—Schedule F	1,600	*2,500*	560	*1,500*	50	*310*	30	*60*
—Other	4,732	*4,745*	7,724	*7,396*	531	*526*	430	*260*
Overseas tax	2,489	*2,383*	161	*270*	375	*593*	—	—
Adjustment for prior years	– 438	*38*	– 127	*– 139*	22	*– 89*	– 80	—
	9,646	*9,964*	9,123	*11,109*	2,329	*2,111*	446	*466*

The close company provisions of the Income and Corporation Taxes Act 1970 do not apply to the Company.

14 The Company is committed to capital contracts for settlement after 31st December 1971 of £2,850,000 (*£3,600,000*) and expenditure authorised but not contracted for of £60,000 (*£35,000*). Also, certain guarantees have been given by the Company in respect of retirement benefits for the Staff and benefits for their relatives and dependants.

Report of the Auditors
to the members of
The Prudential Assurance Company Limited

In our opinion the accounts set out on pages 16 to 28 comply with the provisions of the Companies Acts 1948 and 1967 applicable to insurance companies.

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 examined 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 & CO.,
Chartered Accountants.

London

13th April 1972

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 1971 of the life assurances and annuities and other insurance contracts of the Company.

Ordinary Branch

The number of contracts in force was 2,659,942 producing an annual premium income of £164,369,939. Sums assured with bonuses amounted to £7,699,122,986; deferred and contingent annuities with bonuses amounted to £244,250,767 per annum including amounts of annuity to be purchased by future recurrent single premiums. Annuities in course of payment amounted to £20,049,301.

The interest earned in 1971 represents a gross rate of £6·97 per cent on the Ordinary branch fund.

The methods of valuation used for the main classes of assurance business other than investment linked business 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.

For income and other temporary benefits the net liability was based on the premiums paid.

The tables of mortality used for assurances were:

Business issued in:	
United Kingdom, the Channel Islands, the Isle of Man, Australia, New Zealand and Canada without-profits issued after 31st December 1960	A1949/52 Ult
South Africa and Rhodesia	SA56/62 Ult
Kenya, Tanzania, Uganda and Zambia	A1924/29 Ult
Canada: Without-profits issued before 1st January 1961 and with-profits	A1924/29 Ult
Other territories	A1924/29 Ult 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:	
With-profits	2¾%
Without-profits	3%
Australia and New Zealand:	
Second Series	3%
Other	3¼%
Canada:	
Without-profits issued after 31st December 1960	3½%
Other	3%

Ordinary Branch *continued*

South Africa, Rhodesia and Zambia:	
With-profits: 1st Series	3½%
2nd Series: Retirement Fund	3¾%
Other	3¼%
Without-profits	4%
Kenya, Tanzania and Uganda:	
With-profits	3½%
Without-profits	3¾%
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 Ult 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) Ult tables of mortality with additions to the values of the annuities of 3½ per cent for those issued in the United Kingdom, the Channel Islands and the Isle of Man and of 3 per cent for those issued in other territories as provision for future expenses of paying annuities and for the increasing longevity of annuitants.

The rates of interest assumed for annuities were:

	United Kingdom, Channel Islands and Isle of Man	Australia and New Zealand	South Africa, Rhodesia, Zambia, Kenya, Tanzania and Uganda	Other territories (with the exceptions stated below for certain business issued in Canada)
Deferred annuities:				
With-profits:				
Individual	3¾%	—	—	3%
Group	2¾%	—	3%	3%
Pension-unit schemes	4½%	—	—	—
Without-profits:				
Pension business:				
Individual	4¼%	—	—	—
Group	4½%	—	—	—
General business: Individual (except UK deferred annuity bonds) and group:				
During deferment	3¼%	3½%	3¾%	3¼%
After deferment	4 %			
Immediate annuities	6%	3½%	5%	3½%
Annuities certain	3½%	—	—	—

For United Kingdom individual deferred annuity bonds the cash option was valued at 6 per cent during deferment.

The exceptions for certain business issued in Canada are:	Issued or vested in 1967 and 1968	Issued or vested in 1969 and subsequent years
Deferred annuities without-profits secured by single premium		
Individual without surrender values and group		
During deferment	5½%	6¼%
After deferment	4%	4%
Immediate annuities		
Purchased or vested from with-profit group business	5½%	6¼%

Ordinary Branch *continued*

For individual deferred annuities and for pension-unit schemes the net premiums valued were calculated on the valuation bases. For group deferred annuities secured by recurrent single premiums and for United Kingdom non-profit group deferred annuities (associated with with-profit schemes) secured by annual premiums, the benefit valued was the amount of annuity purchased by premiums paid to date. For other group deferred annuities secured by annual premiums the net premiums valued were 95 per cent of the office premiums.

For investment-linked benefits the net liability was based on the value at the 31st December 1971 of the units allocated. Assurance benefits included in investment-linked contracts were valued as temporary benefits.

The equivalents in sterling of liabilities in other currencies have been calculated at the rates of exchange ruling on 31st December 1971.

The foregoing bases of valuation incorporate a change in the rate of interest used for immediate annuities issued in the United Kingdom, the Channel Islands and the Isle of Man from 5½ per cent to 6 per cent and also changes in the rates of interest used for certain deferred and immediate annuity business issued in Canada. There was a change in the method of valuation for United Kingdom non-profit group deferred annuities (associated with with-profit schemes) secured by annual premiums. There were also some other changes of bases and method of lesser importance.

The net effect of these changes and of the basis used to value United Kingdom deferred annuity bonds was to increase the surplus by £5,900,000. I consider that the Additional reserve should be decreased from £22,500,000 to £21,500,000. This reserve is held in respect of revivals, options and general contingencies for which provision is not otherwise made and as a stabilising fund to facilitate the declaration of equitable bonuses 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 1971		£1,512,573,525
Net liability under assurance policies	£839,938,310	
Net liability under annuity contracts	578,182,201	
Additional reserve	21,500,000	
Total net liability		1,439,620,511
Surplus emerging at 31st December 1971		72,953,014
Add cost of bonuses allocated during 1971 in anticipation out of surplus for that year		4,063,022
Total surplus, including £1,289,769 brought forward from last year		£77,016,036

I consider that for 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 terminal bonuses varying with the duration of the policies, that the rates of terminal bonus should be increased and that the years of issue to which they apply should be extended to include the year 1970. Although these terminal bonuses relate only to policies which become claims in the ensuing year, I am of the opinion that, other than in exceptional circumstances, terminal bonuses at these increased rates can be maintained on claims arising in later years on such policies issued prior to 1971. The discounted cost of maintaining these bonuses calculated on the bases used in the valuation is £82,000,000.

Ordinary Branch *continued*

I also consider that terminal bonuses should be declared for participating assurances issued in Australia, New Zealand, South Africa, Cyprus and Malta.
I recommend that the following bonuses should be declared on participating policies:

(A) For assurance policies which become claims by death or maturity between 1st April 1972 and 31st March 1973 inclusive terminal bonuses of which the following are examples:

(1) Policies issued in 1970 or earlier in the United Kingdom, the Channel Islands, the Isle of Man and Malta.

Year of Issue:	1970	1962	1952	1942	1932	1923 or earlier
Rate per cent of sum assured:	0·30	12·80	38·90	57·30	69·60	79·00

(2) Policies issued in 1969 or earlier in Australia

Year of Issue:	1969	1962	1952	1942	1932 or earlier
Rate per cent of sum assured:					
Superannuation					
First series	0·10	1·20	5·20	8·80	14·00
Second series	0·10	1·20	1·60	1·60	1·60
Other than Superannuation					
First series	0·06	0·72	5·20	8·80	14·00
Second series	0·06	0·72	0·96	0·96	0·96

(3) Policies issued in 1969 or earlier in New Zealand

Year of Issue:	1969	1962	1952	1942	1932 or earlier
Rate per cent of sum assured:					
First series	0·05	0·60	5·20	8·80	14·00
Second series	0·05	0·60	0·80	0·80	0·80

(4) Policies issued in 1966 or earlier in South Africa

	Whole Life Assurances				Other Assurances			
Year of Issue:	1966	1962	1952	1940 or earlier	1966	1962	1952	1940 or earlier
Rate per cent of sum assured:	0·20	1·80	8·00	20·00	0·30	2·70	12·00	30·00

(5) Policies issued in 1970 or earlier in Cyprus

Year of Issue:	1970	1962	1952	1945
Rate per cent of sum assured:	0·10	9·40	33·20	46·20

(B) For assurance policies, except those of Ceylon class, reversionary bonuses at the following rates:

For policies issued in:			per cent of sum assured	per cent of existing bonuses
(*a*) the United Kingdom, the Channel Islands, the Isle of Man and Malta			3·30	—
(*b*) Australia:	First series:	Superannuation	3·30	—
		Other	2·75	—
	Second series:	Superannuation	2·30	2·30
		Other	1·95	1·95
	Third series:	Superannuation	1·80	1·80

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Ordinary Branch *continued*

			per cent of sum assured	per cent of existing bonuses
(*c*) New Zealand:	First series		2·40	—
	Second series:		1·55	1·55
(*d*) Canada:	Registered		2·20	2·85
	Other		2·10	2·75
(*e*) South Africa:	First series		3·00	1·40
	Second series:	Retirement Fund	2·425	4·70
		Other	2·125	4·20
(*f*) Rhodesia:	First series		2·75	—
	Second series:	Retirement Fund	2·425	2·425
		Other	2·125	2·125
(*g*) Kenya:	Kenya class		2·30	1·25
	Other		2·30	—
(*h*) Pakistan			NIL	—
(*i*) Malaysia and Singapore			3·00	1·25
(*j*) Cyprus			2·80	—

Bonuses at the same rates as last year are recommended for closed classes in Zambia, Tanzania, Uganda, Sudan and Palestine.

(C) For assurance policies of Ceylon class (a closed class) a bonus on policies which become claims by death or maturity between the 1st April 1972 and 31st March 1973 inclusive at the rate of 1·4 per cent of the sum assured for each of the years 1966, 1967 and 1968 and 1·2 per cent of the sum assured for each of the years 1969, 1970 and 1971.

(D) 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	4·60 simple
(*b*) Canada	2·00 compound

(E) For group pension policies, reversionary bonuses on pensions not yet commenced, at the following rates per cent of the pension secured, for policies issued in:

(*a*) United Kingdom:	Pension business	5·30 compound
	General annuity business	5·00 compound
(*b*) Channel Islands and the Isle of Man		5·00 compound
(*c*) Canada		2·80 compound
(*d*) South Africa		4·60 compound
(*e*) Rhodesia, Kenya, Tanzania and Uganda		3·00 compound

(F) 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: 3·00 simple

An allocation of £71,909,630 to policyholders will be necessary to provide the cost of the recommended bonuses and of those declared in anticipation out of the surplus for 1971.

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 1972:

(A) For individual retirement annuity policies issued in:

(*a*) United Kingdom, on annuities commencing between 15th March 1972 and 14th March 1973 inclusive	38 compound
(*b*) Canada, on annuities commencing between 1st July 1972 and 30th June 1973 inclusive	24 compound

Ordinary Branch *continued*

(B) For group pension policies on pensions commencing between 15th March 1972 and 14th March 1973 inclusive issued in:

(*a*) United Kingdom, the Channel Islands and the Isle of Man	45 compound
(*b*) Canada	25 compound
(*c*) South Africa	36 compound
(*d*) Rhodesia, Kenya, Tanzania and Uganda	25 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 1972 and 14th March 1973 inclusive	24 compound

Industrial Branch

The number of policies in force, including 5,550,616 free or paid-up policies, was 22,126,707 producing an annual premium income of £95,719,043. The maximum sums assured with bonuses amounted to £2,066,364,132. The interest earned in 1971 represents a gross rate of £7·75 per cent on the Industrial branch fund.
The table of mortality used for the valuation of all assurances was the English Life Table No. 12, Males. The net rate of interest assumed in the valuation was 2¾ 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.

I consider that the Additional reserve should be reduced from £32,000,000 to £28,200,000. This reserve is held in respect of revivals, options and general contingencies for which provision is not otherwise made and as a stabilising fund to facilitate the declaration of equitable bonuses.

The result of the valuation is as follows:

Industrial branch fund, subject to transfers out of surplus, on 31st December 1971		£772,293,946
Net liability under Industrial assurance policies	£695,745,123	
Additional reserve	28,200,000	
Total net liability		723,945,123
Surplus, including £1,797,548 brought forward from last year		£48,348,823

As in the case of the Ordinary branch, I consider that part of the surplus should again be distributed by way of terminal bonuses varying with the duration of the policies, that the rates of terminal bonus should be increased and that the years of issue to which they apply should be extended to include the year 1970. Although these terminal bonuses relate only to policies which become claims in the ensuing year, I am of the opinion that, other than in exceptional circumstances, terminal bonuses at these increased rates can be maintained on claims arising in later years on such policies issued prior to 1971. The discounted cost of maintaining these bonuses on the bases used in the valuation is £136,000,000.

I recommend that the following bonuses should be declared:

(A) A terminal bonus on policies issued in 1970 or earlier which become claims by death or maturity between 1st April 1972 and 31st March 1973 inclusive at the same rates as those for Ordinary branch policies issued in the United Kingdom examples of which are shown on page 33.

(B) A reversionary bonus at the rate of 2·60 per cent of the sum assured.

An allocation of £44,186,063 to policyholders will be necessary to provide the cost of the recommended bonuses.

General Branch

In respect of fire and accident contracts (other than long term sickness and accident contracts) the unearned premium reserve has been calculated on a proportionate basis having regard to the premiums written each month with a deduction of 20 per cent for acquisition costs. In addition, an unexpired risk reserve of £200,000 has been set up for motor vehicle contracts.

The interest earned in 1971 represents a gross rate of £5·99 per cent on the General branch fund.

Individual long term sickness contracts issued in the United Kingdom have been valued by a gross premium method assuming 70 per cent of the Manchester Unity 1893/97 (AHJ) sickness experience and the A1949/52 Ultimate table of mortality with interest at 4 per cent and taking credit for 60 per cent of the future office premiums. In addition, a reserve of £15,000 is held for contingencies.

Individual long term sickness contracts issued in Canada, some of which are attached to life policies, have been valued by a net premium method, using the 1964 Commissioners Disability table and the Commissioners 1958 Standard Ordinary table of mortality with interest at 3 per cent. The reserves were increased by 5 per cent for waiver of premium benefits and by 10 per cent or more, depending on occupation class, for monthly income benefits.

Long term accidental death benefits attached to life policies issued in Canada have been valued using the 1959 Accidental Death Benefits table and the Commissioners 1958 Standard Ordinary table of mortality with interest at 3½ per cent. The reserves were increased by 25 per cent or, if combined with dismemberment benefits by 75 per cent.

For other long term accident or sickness benefits the reserve is based on the premiums paid and has been calculated to take account of the liability arising from the right of renewal. In the aggregate the provision so calculated is 55·5 per cent of the premium income for the year.

The marine and aviation fund of £3,201,279 is, in my opinion, a sufficient provision for the liabilities pending under the accounts.

The sinking fund policies in force provide for the payment of capital sums amounting to £426,700 at the end of fixed terms of years, and produce an annual premium income of £1,175. They have been valued by a gross premium method assuming interest at 3 per cent or the rate of interest employed in the calculation of the premiums, if less, and taking credit for 98 per cent of the future office premiums.

The equivalents in sterling of provisions in other currencies have been calculated at the rates of exchange ruling on 31st December 1971.

The result of the valuation is as follows:

General branch fund, subject to transfers out of surplus, on 31st December 1971		£42,433,665
Provision for fire and accident insurances	£25,699,541	
Provision for long term sickness and accident insurances	2,560,431	
Provision for marine and aviation insurance	3,201,279	
Provision for sinking fund insurance	346,481	
Additional reserve fund	7,900,000	
Total provisions and reserves		39,707,732
Surplus		£2,725,933

I recommend that £1,750,000 be transferred to the General branch Additional reserve fund.

R S SKERMAN,

22nd March 1972 — *Chief Actuary*

Supplementary Information

Sources of Investment Income received during the year

		1970
	£000	£000
Ordinary Branch		
British Government and British Government guaranteed securities	11,334	*8,056*
Other fixed income securities, including subsidiaries	24,671	*24,299*
Ordinary stocks and shares, including subsidiaries	23,399	*21,432*
Freehold and leasehold properties, rent charges and ground rents	20,908	*18,907*
Mortgages on property	13,602	*13,706*
Other sources	3,528	*3,893*
Total revenue account income	97,442	*90,293*
Industrial Branch		
British Government and British Government guaranteed securities	9,668	*10,337*
Other fixed income securities	11,083	*11,316*
Ordinary stocks and shares, including subsidiaries	20,528	*19,431*
Freehold and leasehold properties, rent charges and ground rents	12,049	*11,072*
Mortgages on property	2,655	*2,377*
Other sources	831	*850*
Total revenue account income	56,814	*55,383*
General Branch		
British Government and British Government guaranteed securities	777	*483*
Other fixed income securities	1,849	*1,726*
Ordinary stocks and shares, including subsidiaries	853	*747*
Mortgages on property	139	*130*
Other sources	196	*319*
Total revenue account income	3,814	*3,405*

Claims and Surrenders—Life Branches

	Ordinary branch		Industrial branch	
	1971	*1970*	1971	*1970*
	£000	*£000*	£000	*£000*
Claims under policies paid and outstanding:				
By death	23,569	*22,546*	25,929	*25,910*
By maturity	41,207	*36,777*	34,105	*31,751*
	64,776	*59,323*	60,034	*57,661*
Surrenders	20,861	*20,215*	27,313	*27,659*
Bonuses surrendered for cash	3,039	*2,916*		
Payments under occupational pension schemes:				
Transfers to Prudential Pensions Ltd.	753	—		
Other transfers and payments on withdrawal (including amounts re-applied as further premiums)	12,178	*11,840*		
Total revenue account claims and surrenders	101,607	*94,294*	87,347	*85,320*

Investment Portfolios

The distribution of the investment portfolios, on a market value percentage basis, held on Chief Office account in the three branches was as follows:

	Ordinary branch		Industrial branch		General branch	
	1971	*1970*	*1971*	*1970*	*1971*	*1970*
Fixed interest investments	31	*32*	29	*31*	49	*50*
Ordinary stocks and shares	46	*40*	50	*46*	51	*50*
Property investments	23	*28*	21	*23*	—	—

The Ordinary and General branches also operate overseas where in many territories investment policy is restricted by legislation, with the result that overseas portfolios are concentrated more in fixed interest investments.

Supplementary Information *continued*

Analysis of General Branch Insurance Business for the year ended 31st December 1971 (comparative figures for 1970 in italics)

Income	Property		Motor Vehicle		Sickness and Accident		Pecuniary Loss		Liability	
	£000		£000		£000		£000		£000	
Amount of fund at beginning of year:										
Unearned premiums	8,271	_7,189_	8,371	_6,927_	786	_726_	502	_370_	1,550	_1,324_
Provisions	—	—	‡500	—	*2,346	_*2,055_	—	—	—	—
Exchange adjustment	− 152	_109_	− 197	_124_	− 70	_51_	− 6	_2_	− 51	_34_
	8,119	_7,298_	8,674	_7,051_	3,062	_2,832_	496	_372_	1,499	_1,358_
Premiums	20,878	_18,120_	26,625	_20,539_	5,531	_5,138_	1,293	_1,143_	4,352	_3,800_
	28,997	_25,418_	35,299	_27,590_	8,593	_7,970_	1,789	_1,515_	5,851	_5,158_
Amount of fund at end of year:										
Unearned premiums	9,635	_8,271_	10,893	_8,371_	843	_786_	560	_502_	1,832	_1,550_
Provisions	—	—	‡200	_‡500_	*2,561	_*2,346_	—	—	—	—
	19,362	_17,147_	24,206	_18,719_	5,189	_4,838_	1,229	_1,013_	4,019	_3,608_
Investment income allocated to long term funds	—	—	—	—	215	_200_	—	—	—	—
Total (A)	19,362	_17,147_	24,206	_18,719_	5,404	_5,038_	1,229	_1,013_	4,019	_3,608_
Outgo										
Claims	8,667	_8,343_	16,738	_14,228_	2,517	_2,199_	452	_483_	2,483	_2,181_
Commission	2,715	_2,367_	3,097	_2,371_	715	_677_	43	_41_	603	_522_
Expenses including taxation other than on profits	5,871	_5,052_	5,963	_4,665_	1,404	_1,315_	426	_369_	1,035	_924_
Total (B)	17,253	_15,762_	25,798	_21,264_	4,636	_4,191_	921	_893_	4,121	_3,627_
Gross underwriting profit (A—B)	2,109	_1,385_	− 1,592	_−2,545_	768	_847_	308	_120_	− 102	_−19_

Income	Treaty Reinsurance Accepted		Marine, Aviation and Transport: Current Year		Marine, Aviation and Transport: Last Preceding Year		Marine, Aviation and Transport: Previous Years		Marine, Aviation and Transport: Total		Sinking Fund		Total	
	£000		£000		£000		£000		£000		£000		£000	
Amount of fund at beginning of year:														
Unearned premiums	1,602	_1,407_	—	—	—	—	—	—	—	—	—	—	26,497	_22,899_
Provisions	—	—	—	—	1,052	_746_	1,142	_922_	2,194	_1,668_	375	_1,233_		
Exchange adjustment	− 31	—	—	—	—	—	—	—	—	—	—	—	−507	_320_
	1,571	_1,407_	—	—	1,052	_746_	1,142	_922_	2,194	_1,668_	375	_1,233_	25,990	_23,219_
Premiums	4,218	_4,032_	2,017	_1,431_	284	_178_	85	_23_	2,386	_1,632_	1	_1_	65,284	_54,405_
	5,789	_5,439_	2,017	_1,431_	1,336	_924_	1,227	_945_	4,580	_3,300_	376	_1,234_	91,274	_77,624_
Amount of fund at end of year:														
Unearned premiums	1,736	_1,602_	—	—	—	—	—	—	—	—	—	—	31,808	_26,497_
Provisions	—	—	1,479	_1,052_	674	_609_	1,048	_533_	3,201	_2,194_	347	_375_		
	4,053	_3,837_	538	_379_	662	_315_	179	_412_	1,379	_1,106_	29	_859_	59,466	_51,127_
Investment income allocated to long term funds	—	—	—	—	—	—	—	—	—	—	22	_50_	237	_250_
Total (A)	4,053	_3,837_	538	_379_	662	_315_	179	_412_	1,379	_1,106_	51	_909_	59,703	_51,377_
Outgo														
Claims	2,342	_2,207_	361	_330_	636	_514_	287	_312_	1,284	_1,156_	38	_894_	34,521	_31,691_
Commission	1,532	_1,483_	—	—	—	—	—	—	—	—	—	—	8,705	_7,461_
Expenses including taxation other than on profits	80	_60_	177	_99_	26	_1_	17	—	†220	_†100_	—	—	14,999	_12,485_
Total (B)	3,954	_3,750_	538	_429_	662	_515_	304	_312_	1,504	_1,256_	38	_894_	58,225	_51,637_
Gross underwriting profit (A—B)	99	_87_	—	_−50_	—	_−200_	− 125	_100_	− 125	_−150_	13	_15_	1,478	_−260_

Note
The above statement analyses the General branch insurance figures in the Department of Trade and Industry classification except that the figures for Sickness and Accident business include long term business and the Transport business written in the Accident department has been included in the Property account.

‡Unexpired risk reserve.
*For long term business.
†After adding £51,000 loss on exchange (*deducting £1,000 profit on exchange*).

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Ten Year Review

	1962 £m.	1963 £m.	1964 £m.	1965 £m.	1966 £m.	1967 £m.	1968 £m.	1969 £m.	1970 £m.	**1971 £m.**
Ordinary Branch										
New annual premium income	11·6	12·3	14·2	15·6	17·8	19·6	20·9	22·9	24·3	**28·7**
Total premium income and considerations	87·2	92·4	101·0	111·1	122·3	138·1	147·1	155·1	166·5	**189·7**
Investment income	39·1	43·3	49·6	56·9	62·0	69·7	76·2	83·7	90·3	**97·4**
Surplus to policyholders	24·8	28·3	32·0	36·5	39·5	45·0	51·6	57·8	64·1	**71·9**
Balance sheet value of assets	661·6	729·7	814·4	899·7	985·2	1,116·9	1,228·1	1,332·2	1,456·7	**1,584·0**
Market value of assets	784·5	909·9	954·1	1,045·5	1,079·8	1,303·1	1,580·9	1,533·5	1,604·6	**1,983·7**
Industrial Branch										
New annual premium income	9·2	8·8	9·3	10·6	11·4	12·3	12·7	13·8	14·8	**15·0**
Total premium income	66·4	65·1	67·8	70·7	74·2	77·5	81·2	84·4	88·2	**92·2**
Investment income	35·1	37·4	41·2	46·0	47·4	49·3	51·4	53·8	55·4	**56·8**
Surplus to policyholders	20·5	24·5	26·0	29·3	29·9	32·3	36·9	40·0	41·7	**44·2**
Balance sheet value of assets	560·8	585·5	615·6	648·2	672·1	698·6	730·2	754·9	772·8	**812·1**
Market value of assets	734·4	822·9	801·9	852·3	827·9	951·0	1,137·7	1,029·1	1,017·9	**1,308·1**
General Branch										
Premium income	20·9	22·5	25·7	29·1	31·7	37·3	41·5	47·0	54·4	**65·3**
Gross Underwriting profit	0·1	−0·5	0·3	0·2	0·5	1·0	0·2	0·6	−0·3	**1·5**
Investment income	1·2	1·2	1·4	1·7	1·8	2·2	2·5	2·8	3·2	**3·6**
Trading profit net of tax	0·6	0·4	0·8	1·0	1·2	2·0	1·7	1·5	0·8	**2·7**
Retentions	0·1	−0·1	—	0·4	0·6	1·3	1·0	0·7	—	**1·7**
Balance sheet value of assets	28·4	28·6	31·7	35·0	38·3	44·9	51·4	58·1	65·5	**79·2**
Market value of assets	31·1	33·0	34·6	38·0	40·0	49·6	60·4	62·8	68·4	**91·7**
***Profit and Loss Account**										
Surplus from Ordinary branch	1·6	1·9	2·1	2·4	2·5	2·8	3·1	3·3	3·5	**3·9**
Surplus from Industrial branch	1·4	1·6	1·7	1·9	1·9	2·0	2·2	2·3	2·3	**2·4**
Surplus from General branch	0·5	0·5	0·8	0·6	0·6	0·7	0·7	0·8	0·8	**1·0**
†Dividend on shares 5p	2·84p	3·24p	3·61p	3·96p	3·96p	4·10p	4·24p	5·00p	5·31p	**5·88p**

*This statement follows, for the years 1962 to 1969 inclusive, the form of presentation of the accounts in subsequent years.

†Gross equivalent of dividend declarations. Declarations on the A and B share capital for 1969 and previous years have been combined and adjusted for scrip issues where appropriate so as to be directly comparable with those for subsequent years. The figure for 1970 excludes the special distributions made in that year.

1. Market values of assets are based on market quotations where available (allowing 75% of $ premium where appropriate) and in all other cases on values estimated by the Directors.
2. No allowance has been made for any tax on capital gains that would arise if the assets were realised at the values shown.
3. The margin between Market values and Balance sheet values is proportionately greater in the Industrial branch than in the Ordinary branch mainly for two reasons:
   (i) the more rapid growth of the Ordinary branch funds over recent years
   (ii) overseas currency assets in the Ordinary branch are held to cover overseas currency liabilities, now about 26% of the total liabilities of the branch. The Market value of these assets has not increased to the same extent as that of U.K. assets, particularly in territories where there are local investment restrictions.
4. The margins between Market values and Balance sheet values of assets are not in themselves a guide to the strength of a life assurance fund.

W. & S. (5926) 2/72