

PRUDENTIAL ASSURANCE COMPANY

LIMITED.

SIXTY-NINTH ANNUAL REPORT,

FOR THE YEAR ENDING 31ST DECEMBER, 1917.

THE DIRECTORS have much pleasure in presenting their report and accounts for the year 1917.

ORDINARY BRANCH.—The number of policies issued during the year was 56,502, assuring the sum of £6,951,269, and producing a new annual premium income of £567,472. The premiums received were £5,495,205, being an increase of £265,035 over the year 1916.

The claims of the year amounted to £4,852,409, of which £398,385 was in respect of War Claims. The number of deaths was 14,629. The number of endowment assurances matured was 28,430, the annual premium income of which was £152,559.

The number of policies including annuities in force at the end of the year was 934,075.

INDUSTRIAL BRANCH.—The premiums received during the year were £9,376,858, being an increase of £479,135.

The claims of the year amounted to £4,352,031, of which £1,109,240 was in respect of 65,665 War Claims. The bonus additions included in the claims amounted to £38,710. The total number of claims and surrenders, including 22,078 endowment assurances matured, was 402,635.

The number of free policies granted during the year to those policyholders of five years' standing and upwards who desired to discontinue their payments, was 56,880, the number in force being 2,009,872. The number of free policies which became claims was 51,290.

The total number of policies in force in this Branch at the end of the year was 21,730,468: their average duration exceeds thirteen and three-quarter years.

The War Claims of the year, in both Branches, number 70,488 and amount to £1,507,625. The total paid up to the present on this account since the outbreak of War exceeds £3,400,000 in respect of over 160,000 claims.

GENERAL BRANCH.—Under the Sickness Insurance Tables the premiums received during the year were £6,721, and £3,744 was paid in Sickness claims. Sinking fund policies have been issued assuring a capital sum of £134,850 and producing an annual income of £2,663.

The Company is now empowered to act as Trustee or Executor, and during the year has commenced to transact this business.

A very considerable amount of Aircraft (Personal Injury) Insurance has been undertaken with results which up to the present have been highly satisfactory. The total amount of premiums received on these contracts was £11,003, and the claims paid during the year amount to £627. In view of the difficulty of gauging the value of the unexpired risks on existing Sickness and Aircraft Policies it has been decided to retain the whole of the General Branch Fund of £28,244 in reserve against liabilities.

The assets of the Company, in all branches, as shown in the balance sheet, are £107,283,371, which after deduction of the balance of £3,487,500 owing in respect of the advance from our Bankers for purchase of War Loan shows an increase of £4,672,125 over 1916.

The Staff Provident Fund, which was founded in 1898 for the benefit of the outdoor staff, now amounts to £300,662.

The valuation has been made by Mr. JOSEPH BURN, and the following mortality tables have been used, namely, in the Ordinary Branch, the Institute of Actuaries (H^M) Table of Mortality for the life risks, and British Offices' Life Annuity Tables 1893 for the annuities, the reserves being specially strengthened by assuming all annuitants to be select lives; in the Industrial Branch, Dr. Farr's English Life Table No. 3 has been employed for all assurances by weekly premiums for the whole term of life, the English Life Table No. 6 being employed for all other classes; in the General Branch for the Sickness Insurances all the premiums and interest received have been reserved, after deduction of claims and expenses, and a similar course has been adopted in regard to the Aircraft insurances, thus providing an additional reserve of over seventy-five per cent. above that required by the valuation basis adopted; for the Sinking Fund policies the net premiums received have been accumulated with interest at 3½ per cent. The net premiums only have been valued in all Branches, the rate of interest in each case with the exception of the Sinking Fund policies being three per cent.

In the ORDINARY BRANCH the surplus shown is £1,584,540, including the sum of £218,240 brought forward from last year. Out of this surplus the Directors have added £400,000 to the Investments Reserve Fund, which stands as at 31st December, 1917, at £2,400,000, and £178,412 has been carried forward.

During the past two years an interim bonus of £1 per cent. per annum has been paid on all participating policies which became claims either by death or maturity, and the Directors feel that the existing policyholders are equitably entitled to a bonus of equal amount on any distribution of profit. The Contingency Fund which stands at £1,500,000 was set up for the purpose of safeguarding the rights of holders of participating policies. The Directors now propose to transfer £1,000,000 from this fund which together with the amount available from the profits of the year will enable them to allocate a reversionary bonus in respect of the years 1915, 1916 and 1917 of £1 per cent. per annum on the original sums assured under all participating policies which were in force on the 31st December, 1917.

The bonus so allotted will not for the present carry the option of surrender for cash but facilities will be afforded enabling policyholders who desire to obtain National War Bonds by means of our special War Bond Policies, to apply such portion of the bonus as may be available towards payment of the necessary premiums. For this purpose the rate of discount adopted will be the British Offices' Table of Mortality with interest at 4½ per cent.

In the INDUSTRIAL BRANCH the surplus shown is £616,260, including the sum of £184,530 brought forward from last year. Out of this surplus the Directors have added £335,623 to the Investments Reserve Fund which, after deducting £35,623 representing realised loss on investments, stands as at 31st December 1917 at £1,700,000 and £92,470 has been carried forward.

The total surplus of the two branches as shown by the valuation is £2,200,800 and £1,000,000 will be transferred from the Ordinary Branch Contingency Fund, thus increasing the surplus to £3,200,800. Of this amount £400,000 has been added to the Investments Reserve Fund of the Ordinary Branch and £335,623 has been added to the Investments Reserve Fund of the Industrial Branch, £1,794,295 will be allocated to participating policies in the Ordinary Branch and £400,000 to the shareholders in accordance with the Articles of Association of the Company, leaving £270,882 to be carried forward, namely £178,412 in the Ordinary Branch and £92,470 in the Industrial Branch.

The provisions of the Courts (Emergency Powers) Act continue to affect the Company's resources adversely and the Special Reserve has been maintained at £350,000. The large increase in the outstanding premiums in the Industrial Branch is partly due to the inclusion of premiums outstanding on policies still in force by reason of the Courts (Emergency Powers) Act. It is impossible to estimate what portion of these outstanding premiums will be eventually received, and the fund of £350,000 is in the first place necessary to cover any loss which may be sustained on account of non payment. The fund however is also necessary to provide for future contingencies which include the payment of claims and the continued non-payment of premiums on all policies which may come under the Act. During the past year the losses due to the operation of the Act have been very considerable.

The profit-sharing scheme in the Industrial Branch provides that after payment of a fixed dividend to the shareholders any surplus profit shall be divided into six parts: one part being retained by the shareholders, one distributed among the outdoor staff of the Company, the remaining four parts being allotted by way of bonus to the policyholders of the Industrial Branch.

From the following Table it will be seen that the sum which has already been paid under this scheme by way of bonus to the Industrial Branch policyholders and outdoor staff amounts to £2,825,000.

YEAR.	SHAREHOLDERS.	OUTDOOR STAFF.	POLICYHOLDERS.
	£	£	£
1908	35,000	35,000	72,697
1909	50,000	50,000	176,401
1910	65,000	65,000	222,507
1911	75,000	75,000	277,083
1912	90,000	90,000	324,797
1913	100,000	100,000	359,572
1914	100,000	100,000	398,360
1915	50,000	50,000	276,721
1916	Nil.	Nil.	112,565
1917	Nil.	Nil.	38,710
1918	Nil.	Nil.	587
	<u>£565,000</u>	<u>£565,000</u>	<u>£2,260,000</u>

The Directors regret that as the amount of surplus shown does not permit of any increase being made to these sums, no bonus can be allotted to the Industrial policyholders or to the staff or to the shareholders. Moreover the shareholders as in the preceding two years will again suffer a diminution of £100,000 in their fixed dividend.

During the past year over £1,100,000 was paid in War Claims in the Industrial Branch, by far the greater part of which was in respect of policies which did not include war risk as a legal liability. In addition, the Company's resources have been subject to the severe strain of the Courts (Emergency Powers) Act. These two causes of loss together amount to a much greater sum than that allotted in the pre-war year 1913 under the profit sharing scheme of the Company.

The Company has also had to face the severe depreciation in the value of investments, and has continued to make up the difference between the Service and civilian pay of all members of the staff who are serving in His Majesty's forces.

Apart from the Ordinary Branch Contingency Fund and in addition to the reserves held against the liabilities shown by the valuation, an amount exceeding £4,720,000 has been reserved or carried forward and is available to meet depreciation or other contingencies.

The Balance Sheet includes over £27,250,000 in British Government Securities ; this represents an increase over last year of about £9,500,000.

The four Prudential Approved Societies have during the year paid to their members at their own homes benefits amounting to £1,303,380, making a total amount of £7,044,956 paid in this way since the commencement of our National Insurance work. A striking feature of the year has been the large number of women admitted to membership, the number being 232,787 as compared with 92,298 males.

The Directors wish again to record their appreciation of the manner in which the Staff, both male and female, have carried on the work of the Company, in face of the many difficulties caused by the War. In spite of the continued depletion of the Staff the Prudential Voluntary Aid Detachments of the Red Cross have maintained their excellent work and remain an important section of the Ambulance Column, London District.

The vacancy on the Board existing at the time of the last annual meeting was filled by the appointment of Mr. ALFRED CORDEROY THOMPSON under Article 87A, which was passed by the shareholders in order that he might, while General Manager of the Company, hold office also as a member of the Board. He now offers himself for election.

The retiring Directors are Sir WILLIAM LANCASTER, Mr. WILLIAM THOMAS PUGH, and Mr. DANIEL WINTRINGHAM STABLE, who offer themselves for re-election.

The Auditors, Mr. PHILIP SECRETAN and Mr. WILLIAM HENRY NICHOLLS, also offer themselves for re-election.

Messrs. DELOITTE, PLENDER, GRIFFITHS & Co. have examined the securities, and their certificate is appended to the balance sheets.

HOLBORN BARS,
19th February, 1918.

THOS. C. DEWEY,
Chairman.

**BALANCE SHEET OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED
(ORDINARY BRANCH) ON THE 31st DECEMBER, 1917.**

LIABILITIES.		ASSETS.	
	£ s. d.		£ s. d.
Life assurance fund	49,349,826 9 10	Mortgages on property within the United Kingdom	6,392,964 14 5
Investments reserve fund... ..	2,400,000 0 0	Mortgages on property out of the United Kingdom	311,340 12 7
Contingency fund... ..	1,500,000 0 0	Loans on parochial and other public rates	4,026,950 11 9
Claims under life policies intimated and in course of payment	388,810 19 6	Loans on Life interests	713,129 3 11
Annuities due and unpaid	4,111 0 0	Loans on Reversions	45,716 10 5
		Loans on stocks and shares	184,390 17 10
		Loans on Company's policies within their surrender values	2,651,642 1 7
		Loans on Personal security	Nil
		Loans to Educational Institutions secured on Income	37,764 14 9
		Investments:—	
		British Government securities	9,333,322 19 10
		Bank of England stock	299,779 5 9
		Municipal and county securities, United Kingdom	1,007,034 16 2
		Indian and Colonial Government securities	4,079,367 14 0
		Colonial provincial securities	812,232 16 3
		Colonial municipal securities	2,635,326 18 0
		Foreign Government securities	4,523,334 10 11
		Foreign provincial securities	226,609 6 10
		Foreign municipal securities	1,685,577 16 3
		Railway and other debentures and debenture stocks and gold and sterling bonds—Home and Foreign	6,758,349 19 8
		Railway and other preference and guaranteed stocks and shares	1,981,003 17 4
		Railway and other ordinary stocks and shares	2,890,817 11 10
		Rent charges	632,738 18 2
		Life interests	34,626 14 6
		Reversions	1,143,188 14 1
		Outstanding premiums	235,239 14 8
		Outstanding interest	112,381 1 11
		Interest and dividends accrued but not payable	289,159 1 5
		Bills receivable	Nil
		Cash in hand and on current accounts	298,757 4 6
	<u>£53,642,748 9 4</u>		<u>£53,642,748 9 4</u>

The values of Stock Exchange securities are determined under the Articles of Association of the Company, by the Directors. Due allowance has been made for accrued interest and the book value of these securities as set forth in the Balance Sheet stands considerably below cost price. A careful investigation as to the actual saleable value on 31st December, 1917, compared with the book value, shows that the Investments reserve fund is much more than sufficient to meet any depreciation of the permanent securities. Terminable securities have been valued on a basis, which with Sinking funds already established, provides for the equalisation of the book values and the redemption values at the date of maturity.

We certify that in our belief the Assets set forth in the Balance Sheet (having regard to the standards indicated) are in the aggregate fully of the value stated therein less the Investments reserve fund taken into account, and make ample provision for all the Liabilities of the Company.

A. C. THOMPSON, *General Manager.*

J. BURN, *Actuary.*

G. E. MAY, *Secretary.*

THOS. C. DEWEY, *Chairman.*

W. EDGAR HORNE, } *Directors.*
W. T. PUGH, }

We report that with the assistance of the Chartered Accountants as stated below we have examined the foregoing accounts and have obtained all the information and explanations that we have required and in our opinion such accounts are correct and the foregoing Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company.

PHILIP SECRETAN, } *Auditors.*
W. H. NICHOLLS, }

We have examined the Cash transactions (receipts and payments) affecting the accounts of the Assets and Investments for the year ended December 31st, 1917, and we find the same in good order and properly vouched. We have also examined the Deeds and Securities, Certificates, &c., representing the Assets and Investments, set out in the above account, and we certify that they were in possession and safe custody as on

ASSURANCE COMPANIES ACT, 1909.—THIRD SCHEDULE.

BALANCE SHEET OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED
(INDUSTRIAL BRANCH) ON THE 31ST DECEMBER, 1917.

LIABILITIES.		ASSETS.	
	£ s. d.		£ s. d.
Shareholders' capital	1,000,000 0 0	Mortgages on property within the United Kingdom...	2,519,418 7 4
Life assurance fund	47,061,486 7 2	Mortgages on property out of the United Kingdom...	nil
Investments reserve fund	1,700,000 0 0	Loans on parochial and other public rates	7,558,626 1 7
Courts (Emergency Powers) Act reserve	350,000 0 0	Loans on Life interests	381,633 12 0
Advance by Bankers secured on £5,250,000 6% War Loan 1929-47	3,487,500 0 0	Loans on Personal security	nil
Claims under life policies intimated and in course of payment	2,775 0 0	Loans to Educational Institutions secured on Income	325 11 3
Balance of bonus under life policies reserved for distribution	587 0 9	Investments:—	
		Deposit with the High Court (£17,122 14s. 5% War Loan, 1929-1947)	16,080 19 1
		British Government securities	17,375,324 1 5
		Municipal and county securities, United Kingdom	1,026,820 8 7
		Indian and Colonial Government securities	1,233,827 10 1
		Colonial provincial securities	564,731 2 5
		Indian and Colonial municipal securities	1,002,331 11 1
		Foreign Government securities	2,404,372 8 6
		Foreign provincial securities	163,261 18 2
		Foreign municipal securities	1,016,274 9 5
		Railway and other debentures and debenture stocks and gold and sterling bonds—Home and Foreign	5,981,240 4 3
		Railway and other preference and guaranteed stocks and shares	1,304,467 5 4
		Railway and other ordinary stocks and shares	42,769 3 4
		Freehold ground rents and Scotch feu duties	4,783,030 0 0
		Leasehold ground rents	9,206 14 0
		House property	4,546,453 12 9
		Agents' balances	8,371 13 8
		Outstanding premiums	705,927 9 4
		Outstanding interest and rents	150,869 17 1
		Interest, dividends and rents accrued but not payable	196,782 10 0
		Bills receivable	nil
		Cash:—	
		On deposit	20,000 0 0
		In hand and on current accounts	270,211 17 3
			£53,602,348 7 11

The values of Stock Exchange securities are determined, under the Articles of Association of the Company, by the Directors. Due allowance has been made for accrued interest, and the book value of these securities as set forth in the Balance Sheet stands considerably below cost price. A careful investigation as to the actual saleable value on 31st December, 1917, compared with the book value, shows that the Investments reserve fund is much more than sufficient to meet any depreciation of the permanent securities. Terminable securities have been valued on a basis, which with Sinking funds already established, provides for the equalisation of the book values and the redemption values at the date of maturity.

We certify that in our belief the Assets set forth in the Balance Sheet (having regard to the standards indicated) are in the aggregate fully of the value stated therein less the Investments reserve fund taken into account, and make ample provision for all the liabilities of the Company.

A. C. THOMPSON, *General Manager.*

J. BURN, *Actuary.*

THOS. C. DEWEY, *Chairman.*

G. E. MAY, *Secretary.*

W. EDGAR HORNE, } *Directors.*
W. T. PUGH, }

We report that with the assistance of the Chartered Accountants as stated below we have examined the foregoing accounts and have obtained all the information and explanations that we have required and in our opinion such accounts are correct and the foregoing Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company.

PHILIP SECRETAN, } *Auditors.*
W. H. NICHOLLS, }

We have examined the Cash transactions (receipts and payments) affecting the accounts of the Assets and Investments for the year ended December 31st, 1917, and we find the same in good order and properly vouched. We have also examined the Deeds and Securities, Certificates, &c., representing the Assets and Investments set out in the above account, and we certify that they were in possession and safe custody as on

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

ASSURANCE COMPANIES ACT, 1909.—FIRST SCHEDULE.

REVENUE ACCOUNT OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED
(GENERAL BRANCH)

FOR THE YEAR ENDING 31ST DECEMBER, 1917, IN RESPECT OF GENERAL INSURANCE BUSINESS.

	£	s.	d.		£	s.	d.
Amount of insurance fund at the beginning of the year	23,399	8	7	Claims under policies paid and outstanding... ..	4,401	3	9
Premiums	20,507	12	1	Commission	2,034	16	9
Interest and discount, etc.	1,653	17	9	Expenses of management	512	6	1
Less Income Tax thereon	368	10	0	Amount transferred to Industrial Branch for Approved Societies expenses	395,409	6	0
Amount transferred from Approved Societies for expenses	1,285	7	9	Amount of insurance fund at the end of the year as per Third Schedule	38,244	1	10
	395,409	6	0				
	£440,601	14	6		£440,601	14	6

ASSURANCE COMPANIES ACT, 1909.—THIRD SCHEDULE.

BALANCE SHEET OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED
(GENERAL BRANCH) ON THE 31ST DECEMBER, 1917.

LIABILITIES.			ASSETS.				
	£	s.	d.		£	s.	d.
Insurance fund	38,244	1	10	British Government securities... ..	33,820	0	0
Claims under policies intimated and in course of payment	30	10	0	Outstanding Premiums	2,132	18	8
	£38,274	11	10	Cash in hand	2,321	13	2
					£38,274	11	10

The value of the Stock Exchange securities is determined, under the Articles of Association of the Company, by the Directors. The British Government Securities as above consist of 5 per cent. War Loan 1929-1947, which has been taken at cost price.

We certify that in our belief the Assets set forth in the Balance Sheet are fully of the value stated therein.

A. C. THOMPSON, *General Manager.*

J. BURN, *Actuary.*

THOS. C. DEWEY, *Chairman.*

G. E. MAY, *Secretary.*

W. EDGAR HORNE,
W. T. PUGH, } *Directors.*

We report that with the assistance of the Chartered Accountants as stated below we have examined the foregoing accounts and have obtained all the information and explanations that we have required and in our opinion such accounts are correct and the foregoing Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company.

PHILIP SECRETAN,
W. H. NICHOLLS, } *Auditors.*

We have examined the Cash transactions (receipts and payments) affecting the accounts of the Assets and Investments for the year ended December 31st, 1917, and we find the same in good order and properly vouched. We have also examined the Deeds and Securities, Certificates, &c., representing the Assets and Investments, set out in the above account, and we certify that they were in possession and safe custody as on December 31st, 1917.

19th February, 1918.

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

PRUDENTIAL
Assurance Company Limited.

DIRECTORS' REPORT
AND
STATEMENT OF ACCOUNTS

At 31st December, 1917.

Printers: SIR JOSEPH CAUSTON & SONS, Limited, London, E.C.3.

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