

# PRUDENTIAL ASSURANCE COMPANY LIMITED.

## SEVENTIETH ANNUAL REPORT,

FOR THE YEAR ENDING 31ST DECEMBER, 1918.

THE DIRECTORS have much pleasure in presenting their report and accounts for the year 1918.

ORDINARY BRANCH.—The number of policies issued during the year was 84,453, assuring the sum of £13,846,213, and producing a new annual premium income of £1,293,182. The premiums received were £6,770,839, being an increase of £1,275,634 over the year 1917.

The claims of the year amounted to £5,337,976, of which £405,078 was in respect of War Claims. The number of deaths was 16,276. The number of endowment assurances matured was 31,745, the annual premium income of which was £169,632.

The number of policies including annuities in force at the end of the year was 961,578.

INDUSTRIAL BRANCH.—The premiums received during the year were £9,736,403, being an increase of £359,545.

The claims of the year amounted to £4,982,416, of which £1,119,512 was in respect of 3,930 War Claims. The total number of claims and surrenders, including 30,279 endowment assurances matured, was 430,335.

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 55,374, the number in force being 2,014,311. The number of free policies which became claims was 50,935.

The total number of policies in force in this Branch at the end of the year was 22,256,570: their average duration is fourteen years.

The War Claims of the year, in both Branches, number 71,814 and amount to £1,524,590. The total paid up to the present on this account since the outbreak of War exceeds £4,900,000, in respect of over 230,000 claims.

GENERAL BRANCH.—Under the Sickness Insurance Tables the premiums received during the year were £6,168, and £3,777 was paid in Sickness claims. Sinking fund policies have been issued assuring a capital sum of £210,525 and producing an annual income of £5,064.

Attention is called to the fact that the Company is now transacting Trustee and Executor business. The securities on this account are held entirely apart from the Funds of the Company, and do not appear in the Balance Sheet.

The Aircraft (personal injury) policies provide insurance not only against the risk of air raids, but also against risks of injury which may be received from our own aeroplanes. There is thus a liability still to be provided for. The General Branch is also liable for over £7,000,000 for additional sums assured payable in case of death from accident arising from any cause to holders of Ordinary Branch War Bond policies. In these circumstances it has been found necessary to retain the whole of the General Branch Fund of £59,131 in reserve against liabilities.

The assets of the Company, in all Branches, as shown in the balance sheet, are £113,364,362, which after deduction of the balance of £4,237,500 owing in respect of the advance from our Bankers for purchase of War Loan shows an increase of £5,330,991 over 1917.

The Staff Provident Fund, which was founded in 1898 for the benefit of the outdoor staff, now amounts to £308,847.

The valuation has been made by Mr. JOSEPH BURN, F.I.A., C.B.E., and the following mortality tables have been used, namely, in the Ordinary Branch, the Institute of Actuaries (H<sup>M</sup>) Table of Mortality for the life risks, and British Offices' Life Annuity Tables 1893 for the annuities, the reserve 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 Accident insurances. 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 £1,311,546, including the sum of £178,41 brought forward from last year. Out of this surplus the Directors have added £250,000 to the Investments Reserve Fund, which stands as at 31st December, 1918, at £2,650,000, and £149,67 has been carried forward.

The Directors are pleased to be able to announce that a bonus of £1 6s. per cent. on the original sums assured will be allocated to participating policies in the Ordinary Branch which were in force on the 31st December, 1918. In view of the fact that normal peace conditions have not yet been restored the Directors have felt it imperative to proceed with the greatest caution in the matter of distribution of surplus. They have, however, every confidence that in the future the Company will enter upon a period of renewed prosperity which will enable them to distribute bonuses equal to, if not exceeding, those of pre-War days.

In the INDUSTRIAL BRANCH the surplus shown is £533,888, including the sum of £92,47 brought forward from last year. Out of this surplus the Directors have added £153,126 to the Investments Reserve Fund which, after deducting £53,126 representing realised loss on investment stands as at 31st December, 1918, at £1,800,000, and £70,885 has been carried forward.

The total surplus of the two branches as shown by the valuation is £1,845,434. Of this amount £250,000 has been added to the Investments Reserve Fund of the Ordinary Branch and £153,126 has been added to the Investments Reserve Fund of the Industrial Branch. £821,753 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 £220,555 to be carried forward, namely £149,670 in the Ordinary Branch and £70,885 in the Industrial Branch.

The provisions of the Courts (Emergency Powers) Act are still in force and continue to affect the Company's resources adversely. The reserve of £350,000 set aside last year has been absorbed to the extent of £250,000 in meeting the losses due to the operation of the Act, leaving £100,000 still reserved to meet losses from this cause to which the Company is still exposed.

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 shareholders. Moreover the shareholders as in the preceding three years will again suffer a diminution of £100,000 in their fixed dividend.

The close of the year was marked by the worst epidemic of influenza that has visited this Country for many years past. As in all matters which affect the health and well-being of the Nation, the effects of the epidemic were felt by the Company at once with extreme severity, and during the period from the 2nd November to the end of the year, a sum exceeding £650,000 was paid in the Industrial Branch alone on civilian claims due to this cause. The consequent strain on the Funds of the Company added to the heavy total paid in War Claims during the year is sufficient to explain the impossibility which has confronted the Directors of resuming the payment of bonus in the Industrial Branch under the profit sharing scheme of the Company.

The Company 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 of £500,000, and in addition to the reserves held against the liabilities shown by the valuation, an amount exceeding £4,770,000 has been reserved or carried forward and is available to meet depreciation of securities and other contingencies.

The four Prudential Approved Societies have during the year paid to their members, benefits amounting to approximately £1,492,000, making a total of over £8,500,000 paid since National Insurance was introduced. The number of persons admitted to membership of the Societies during the year was 293,126, of whom no less than 201,284 were women.

The loyal service rendered by the indoor and outdoor staff during the War was maintained throughout the year and the Directors wish to record their appreciation of the manner in which the work of the Company has been carried on in face of the increasing difficulties. The Directors rejoice that the period of unexampled strain on the Staff both male and female shows signs of coming to an end and hope that an amelioration of War conditions will follow on the return of their many comrades who have been serving with the Forces.

The London Ambulance Column of which the Prudential V.A.D. form one third of the bearer detachments have maintained a constant service night and day throughout the War and have cleared every train which has reached the London District, thus dealing with over 600,000 wounded and sick men and women.

The Directors deplore the loss of one of their colleagues during the past year, SIR PHILIP SPENCER GREGORY died on the 28th of October last. His exceptional legal knowledge and experience will be greatly missed by the Board. The vacancy in the Directorate caused by his death has been filled by the appointment of MR. GUY PHILIP HARBEN, O.B.E., a qualified shareholder. He now offers himself for election.

The retiring Directors are JOHN IRVINE BOSWELL, M.D., Mr. FREDERICK SCHOOLING and Mr. JAMES MOON, 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.

THOMAS C. DEWEY,  
*Chairman.*

HOLBORN BARS,  
18th February, 1919.



ASSURANCE COMPANIES ACT, 1909.—FIRST SCHEDULE.

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

FOR THE YEAR ENDING 31ST DECEMBER, 1918, IN RESPECT OF LIFE ASSURANCE BUSINESS.

		£	s.	d.			£	s.	d.
2	11	Amount of life assurance fund at the beginning of the year	£	49,349,826	9	10	Claims under policies paid and outstanding:—		
1	3	Amount transferred to the Industrial Branch, being proportion of profits...		211,833	0	0	By death		
3	8						By maturity		
0	11			49,137,993	9	10	£1,802,043		
3	6	Premiums		6,770,839	5	2	3,535,932		
6	0	Consideration for annuities granted		56,547	10	0	5,337,975		
8	0	Interest, discounts and dividends		2,478,356	9	0	128,730		
3	10	Less income tax thereon		460,078	4	1	29,335		
4	10			2,018,278	4	11	130,399		
		Amount transferred from Contingency Fund		1,000,000	0	0	448,870		
				£58,983,658	9	11	224,842		
							250,000		
							Amount of life assurance fund at the end of the year as per Third Schedule		
							£58,983,658		

NOTES.—During the year 84,453 policies were issued assuring £13,846,213. The amount received by way of single premiums was £48,949 17s. The yearly renewal premium income was £1,293,181 14s. 3d. No business is transacted out of the United Kingdom.

ASSURANCE COMPANIES ACT, 1909.—THIRD SCHEDULE.

BALANCE SHEET OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED  
(ORDINARY BRANCH) ON THE 31ST DECEMBER, 1918.

LIABILITIES.		£	s.	d.	ASSETS.		£	s.	d.
Life assurance fund	...	52,436,503	14	10	Mortgages on property within the United Kingdom	...	6,258,302	7	8
Investments reserve fund	...	2,650,000	0	0	Mortgages on property out of the United Kingdom	...	182,368	1	3
Contingency fund	...	500,000	0	0	Loans on parochial and other public rates	...	3,884,623	16	6
Claims under life policies intimated and in course of payment	...	625,354	6	4	Loans on Life interests	...	661,353	8	11
Annuities due and unpaid	...	4,010	14	9	Loans on Reversions	...	44,343	13	6
					Loans on stocks and shares	...	118,415	6	0
					Loans on Company's policies within their surrender values	...	2,339,384	13	10
					Loans on Personal security	...	nil		
					Loans to Educational Institutions secured on Income	...	35,882	1	8
					Investments:—				
					British Government securities	...	13,898,438	8	2
					Bank of England stock	...	319,152	0	1
					Municipal and county securities, United Kingdom	...	1,032,263	17	9
					Indian and Colonial Government securities	...	4,096,765	12	11
					Colonial provincial securities	...	812,181	10	8
					Colonial municipal securities	...	2,533,719	6	5
					Foreign Government securities	...	4,194,806	12	7
					Foreign provincial securities	...	188,301	6	2
					Foreign municipal securities	...	1,577,483	4	3
					Railway and other debentures and debenture stocks and gold and sterling bonds—Home and Foreign	...	6,703,229	15	4
					Railway and other preference and guaranteed stocks and shares	...	1,982,765	4	3
					Railway and other ordinary stocks and shares	...	2,897,835	10	7
					Rent charges	...	484,045	16	0
					Life interests	...	31,828	14	6
					Reversions	...	1,117,520	0	8
					Outstanding premiums	...	260,488	14	6
					Outstanding interest	...	154,909	13	8
					Interest and dividends accrued but not payable	...	296,331	6	2
					Bills receivable	...	nil		
					Cash in hand and on current accounts	...	158,330	11	11
							£56,215,868	15	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 unearned 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, 1918, 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.

C. THOMPSON, General Manager. J. BURN, Actuary. THOMAS C. DEWEY, Chairman. W. EDGAR HORNE, J. H. LUSCOMBE, } 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, 1918, 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, 1918.

18th February, 1919. DELOITTE, PLENDER, GRIFFITHS & CO., Chartered Accountants.

## ASSURANCE COMPANIES ACT, 1909.—FIRST SCHEDULE.

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

FOR THE YEAR ENDING 31ST DECEMBER, 1918, IN RESPECT OF LIFE ASSURANCE BUSINESS.

Amount of life assurance fund at the beginning of the year ... ..	£47,061,486 7 2	£	s.	d.	Claims under policies paid and outstanding:—		£
Amount transferred from Ordinary Branch under Articles of Association of the company ... ..	211,833 0 0				By death ... ..	£4,678,942 5 10	
Balance of bonus under life policies reserved for distribution at the beginning of the year ... ..		47,273,319 7 2			By maturity ... ..	302,887 0 11	
Premiums ... ..			587	0	Bonus additions paid to 31st December ... ..	587 0 9	4,982,41
Interest, discounts, dividends and rents ... ..	£2,314,238 1 6	9,736,402 19 3			Surrenders ... ..		109.32
Less income tax thereon ... ..	351,705 4 2				Commission:—		
Amount received from General Branch for Approved Societies Expenses ... ..		1,962,532 17 4			Agency charges including salaries of 12,725 agents for the weekly collection of premiums from 20,242,259 policies ... ..	£1,756,610 18 3	
Amount received from Courts (Emergency Powers) Act reserve ... ..		432,075 3 0			Special new business charges ... ..	760,331 18 10	2,516,94
		250,000 0 0			Expenses of management:—		
					Policy, postage, and receipt stamps (Head Office only) ... ..	£76,236 0 1	
					Superintendency charges ... ..	400,649 4 2	
					Medical fees ... ..	37,817 5 4	
					Head Office expenses ... ..	1,030,283 1 2	1,544.98
					Dividend to shareholders ... ..		400,00
					Amount transferred to investments reserve fund ... ..		163,12
					Amount of life assurance fund at the end of the year as per Third Schedule ... ..		49,948,11
							£59,654,91
							£59,654,91

NOTES.—During the year 1,608,635 policies were issued, assuring a maximum sum of £30,843,639, exclusive of bonus. No business is transacted out of United Kingdom.

## ASSURANCE COMPANIES ACT, 1909.—THIRD SCHEDULE.

BALANCE SHEET OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED  
(INDUSTRIAL BRANCH) ON THE 31ST DECEMBER, 1918.

LIABILITIES.				ASSETS.	
	£	s.	d.		
Shareholders' capital ... ..	1,000,000	0	0	Mortgages on property within the United Kingdom ... ..	2,427,94
Life assurance fund ... ..	49,948,117	5	0	Mortgages on property out of the United Kingdom ... ..	nil
Investments reserve fund ... ..	1,800,000	0	0	Loans on parochial and other public rates ... ..	7,479,624
Courts (Emergency Powers) Act Reserve ... ..	100,000	0	0	Loans on Life interests ... ..	381,635
Advance by Bankers secured on £5,260,000 5% War Loan 1929-47 ... ..	4,237,500	0	0	Loans on Personal security ... ..	ni.
Claims under life policies intimated and in course of payment ... ..	3,007	10	0	Loans to Educational institutions secured on Income ... ..	295
				Investments:—	
				Deposit with the High Court (£17,122 14s. 0d. 5%) War Loan, 1929-1947) ... ..	16,080
				British Government securities ... ..	21,636,066
				Municipal and county securities, United Kingdom ... ..	1,034,432
				Indian and Colonial Government securities ... ..	1,200,808
				Colonial provincial securities ... ..	564,275
				Indian and Colonial municipal securities ... ..	1,001,236
				Foreign Government securities ... ..	2,182,504
				Foreign provincial securities ... ..	153,261
				Foreign municipal securities ... ..	988,535
				Railway and other debentures and debenture stocks and gold and sterling bonds—Home and Foreign ... ..	6,022,429
				Railway and other preference and guaranteed stocks and shares ... ..	1,320,904
				Railway and other ordinary stocks and shares ... ..	42,985
				Freehold ground rents and Scotch feu duties ... ..	4,792,776
				Leasehold ground rents ... ..	8,856
				House property ... ..	4,598,398
				Agents' Balances ... ..	10,104
				Outstanding premiums ... ..	615,337
				Outstanding interest and rents ... ..	220,284
				Interest, dividends and rents accrued but not payable ... ..	179,371
				Bills receivable ... ..	nil
				Cash:—	
				On deposit ... ..	20,000
				In hand and on current accounts ... ..	191,483
					£57,088,624
					£57,088,624

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 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 of the securities, compared with the book value, shows that the Investments reserve fund is much more than sufficient to meet any depreciation of the permanent securities 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 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.THOMAS C. DEWEY, Chairman  
W. EDGAR HORNE, } Director  
J. H. LUSCOMBE, }

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.

## ASSURANCE COMPANIES ACT, 1909.—FIRST SCHEDULE.

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

FOR THE YEAR ENDING 31ST DECEMBER, 1918, IN RESPECT OF GENERAL INSURANCE BUSINESS.

	£	s.	d.		£	s.	d.
Amount of insurance fund at the beginning of the year	38,244	1	10	Claims under policies paid	4,187	9	2
Premiums	29,244	16	2	Commission	4,713	19	5
Interest	£2,459	10	5	Expenses of management	1,178	10	10
Less Income Tax thereon	737	17	2	Amount transferred to Industrial Branch for Approved Societies expenses	432,075	3	0
Amount transferred from Approved Societies for expenses	432,075	3	0	Amount of insurance fund at the end of the year as per Third Schedule	59,130	11	10
	£501,285	14	3		£501,285	14	3

## ASSURANCE COMPANIES ACT, 1909.—THIRD SCHEDULE.

BALANCE SHEET OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED  
(GENERAL BRANCH) ON THE 31ST DECEMBER, 1918.

LIABILITIES.		£	s.	d.	ASSETS.		£	s.	d.
Insurance fund	59,130	11	10	British Government securities	53,820	0	0		
Reserve for Income Tax	737	17	2	Cash in hand	6,048	9	0		
	£59,868	9	0		£59,868	9	0		

The values of the Stock Exchange securities are 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 and 5 per cent. War Bonds, which have 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.

J. BURN, *Actuary.*THOMAS C. DEWEY, *Chairman.*A. C. THOMPSON, *General Manager.*G. E. MAY, *Secretary.*W. EDGAR HORNE,  
J. H. LUSCOMBE, } *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, 1918, 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, 1918.

18th February, 1919.

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

CONFIDENTIAL

Assurance Company Limited.

—•—  
DIRECTORS' REPORT  
AND  
STATEMENT OF ACCOUNTS

*At 31st December, 1918.*

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