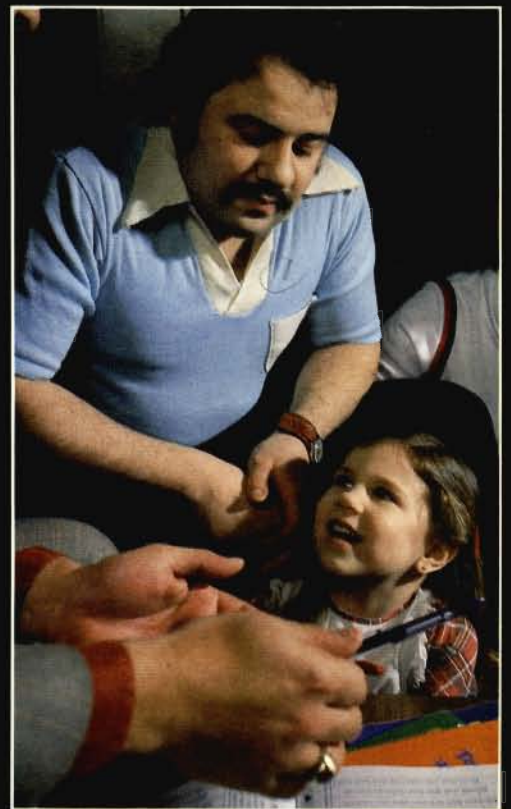


Prudential



Investor



Insurer



Employer



Corporate Citizen

On The Cover

Millions of people benefit from Prudential's wide-ranging activities. A multi-lines mutual insurance company, Prudential provides financial protection for millions, invests billions of dollars in business and real estate development, provides employment opportunities for tens of thousands, and contributes to the economic and social well-being of hundreds of communities.

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of America
Prudential Plaza
Newark, New Jersey 07101

The Year At a Glance

1977

1976

In Millions

Total life insurance sales	\$ 43,556 \$ 35,363
Life insurance in force	294,404 262,652
Total premium income	7,072 6,404
Net investment income	2,840 2,500
Paid or credited to policy- owners and beneficiaries	5,517 5,091
Benefits paid or credited on accident and health policies	1,639 1,436
Federal income taxes	286 279
Total assets	46,424 43,701
Yield on General Account portfolio	7.02% 6.69%
(after expenses, excluding capital gains and losses and before Federal income taxes)		

The Impact Of Prudential

For Prudential, 1977 was a year of exceptionally strong, well-balanced growth, one of the best years in our 102-year history.

We have grown dramatically in recent years as we have modified our products and organization to fit the changing times, broadened our operations, and expanded the services we offer. Our strong performance during the past year reflected our accelerating development as a multi-lines, increasingly diversified mutual insurance company.

Prudential is more than a business. It is also a social force of some consequence. As the country's largest insurer and one of its largest financial institutions, we serve a broad range of needs vital to the economy and the society in which we live. Our activities provide financial security for tens of millions, pump billions of dollars into the economy through loans to and investments in business and real estate developments, furnish employment opportunities for tens of thousands, and contribute to the prosperity of hundreds of communities.

What we do touches many lives, and the benefits of our accomplishments are shared widely. While this is a source of considerable pride, it also carries many heavy responsibilities. We believe our performance in 1977 demonstrates our determination to meet these obligations as fully and responsibly as possible.

Insurance Sales Strong

Sales of most of our insurance-related products were at record levels. The face amount of life insurance sold during 1977 reached a new high of \$43.6 billion, 23 percent above the previous year. Total life insurance in force at the end of the year was \$294.4 billion, up 12 percent.

Gross income was \$9.9 billion, up 11 percent. This income included insurance premiums and annuity considerations totaling \$7.1 billion and net investment income of \$2.8 billion.

Total assets rose from \$43.7 billion in 1976 to \$46.4 billion. Payments to policyowners and beneficiaries, including dividends, increased by \$500 million to \$5.6 billion.

Individual life insurance sales rose 16 percent to \$23.6 billion in face amount. New business premiums for individual life and health insurance policies were up significantly over 1976. For individual annuities, however, new business considerations were off somewhat because of increased competition from banks and savings and loan associations for the sale of Individual Retirement Accounts.

Group insurance sales again rose to new levels. The face amount of new life sales was \$20 billion, an increase of 33 percent over 1976. For the first time, the amount of Prudential group life insurance in force surpassed the amount of individual life insurance in force. New business premiums for group health insurance declined slightly. However, earnings from our overall group insurance business were up sharply.

Group pension sales, while below the previous year's record level, remained strong.

Investment Income Increases

Net income from Prudential's investment portfolio increased by \$340 million to \$2.8 billion, a significant increase over 1976. Earnings on the portfolio, excluding Separate Accounts, rose to 7.02 percent before Federal income taxes, a new high.

The generally favorable economic conditions, our outstanding sales results, and earnings from our investments generated \$5 billion for investment by our General and Separate Accounts, an amount equal to the previous year's record total. We authorized a record \$5.1 billion of investments in bonds, preferred stocks, and mortgages during 1977. The bulk of these funds are to be placed in bonds and preferred stocks acquired directly from corporations. The volume of bond authorizations, while below the record high of the previous year, far surpassed the level of earlier years.

Our investments in common stocks were curtailed. Throughout the year the stock market declined rather steadily, closing with an overall loss of 12 percent as measured by the Standard & Poor's 500 stock index. The market value of Prudential's common stock portfolios at year-end was \$4.9 billion, down \$508 million from 1976.

Donald S. MacNaughton (front), chairman and chief executive officer, and members of Prudential's Executive Office. Others from left are Robert A. Beck, president and chairman-elect; David J. Sherwood, executive vice president (Group and Diversified Operations); Frank J. Hoenemeyer, executive vice president (Investments); Duncan Macfarlan, executive vice president (Individual Insurance Marketing); and John K. Kittredge, executive vice president (Administration).

Conditions in the real estate market improved significantly, however, and our total mortgage loan and real estate equity authorizations rose during the year to slightly more than \$2 billion, double the level of the previous year.

Subsidiaries Achieve Gains

Prudential has 14 subsidiaries, including two in Canada and one in Belgium. One subsidiary, PruFunding, Inc., was added last year. It was formed as a subsidiary of PruLease, Inc., to provide a broader product line.

PruLease leases fuel, vehicles, and other equipment to industrial firms. During 1977, it increased its investment portfolio by nearly one-third. Pretax earnings of the subsidiary declined slightly to \$14.4 million as the average difference between its borrowing costs and the rates it charges for leases and loans narrowed.

Prudential Property and Casualty Insurance Company continued its rapid growth. Net written premiums for automobile and homeowners insurance were 51 percent above the previous year. In the seven years it has been in operation, this subsidiary has become a significant factor in the personal lines property and casualty insurance industry, with more than 1 million automobiles and 760,000 homes insured nationwide.

Underwriting results were significantly improved through more selective rate changes and underwriting programs. The personal lines combined ratio was 116 percent, compared with 137



percent for 1976. The net loss, after underwriting, investment income, and tax adjustments, was \$6.6 million, down sharply from a loss of \$55.8 million the previous year. The loss is primarily due to the problems of starting up a new company with an above-average proportion of new business, and our projections for the future are positive.

Prudential Reinsurance Company also showed continued growth. Premium volume rose 30 percent to \$237 million. Its investable funds totaled \$360 million at year-end, an increase of \$97 million. Its operating ratio of 100.1 percent was close to the industry average.

Social Efforts Extended

In our business operations we make a continuing effort to be responsive to social as well as economic considerations, and as a resident citizen of hundreds of communities we lend support to a wide variety of social and cultural programs.

Most of our affirmative action goals for the year were achieved. Twenty-one percent of the new employees hired by Prudential in 1977 were members of minority groups. To increase the number of minorities and women in our management ranks, we continued to conduct special recruitment and career development programs. Forty-six percent of all college graduates hired to fill home office positions were women; 19 percent were minority group members.

Our investment commitments during the year included many where social considerations were especially significant. These "social action investments," part of a continuing program, totaled \$55 million last year.

Every year the Company and its employees lend financial and volunteer support to hundreds of civic and charitable programs. In 1977, Prudential's cash contributions were increased to \$3.9 million.

Our concern over the high cost of medical care is reflected in our growing involvement in cost-saving Health Maintenance Organizations (HMOs), facilities which provide medical services to members for a predetermined monthly premium. In Houston, membership in Prudential Health Care Plan, Inc., our HMO subsidiary, more than tripled during the year. Prudential also manages an HMO in Rhode Island, and, in 1977, entered into agreements to manage two HMOs in New Jersey.

Outlook Promising

We are optimistic about the future. We expect the economy to continue to expand at a moderate rate during 1978, with some slowing late in the year. Unemployment will average well below last year's level, but the rate of inflation is climbing and will average slightly above 6 percent.

In the years ahead, Prudential is likely to face tougher competition in many product areas, increased government regulation, and the uncertainties that invariably accompany chronic inflation. In addition, there is still much to be done to strengthen our increasingly diversified, wide-ranging operations.

The growth of our economy and the changes occurring in our society present many exciting new opportunities for our business, and we are determined to maintain our momentum. We have every intention of continuing to broaden our operations and improve our performance.

Our success has come through the skills, the hard work, and the determination of the 67,000 men and women who make up the Prudential family — our sales force, employees, and management. They are as fine a business organization as exists anywhere, and we have every confidence in their ability to rise to whatever challenge the future may hold. The following pages provide, in somewhat greater detail, a record of their achievements during the past year and a measure of their contributions to the world around us.

Robert A. MacNaughton

Chairman and
Chief Executive Officer

Robert A. Beck

President and
Chairman-elect

More than 50,000,000 people have a stake in Prudential. They are people as diverse as America itself — young newlyweds and elderly pensioners, independent single persons and breadwinners with large families, hardworking wage earners and self-employed businessmen.

Their financial security needs are as varied as their lifestyles. They need to prepare for their children's education needs, to plan for their own retirement needs, to replace income cut off by death or disability, to pay for large medical and hospital bills, to protect their homes and automobiles.

Prudential fills these needs through a full range of insurance products, written on an individual or group basis. Many policyowners are protected by more than one type of Prudential policy.

For 102 years Prudential has pioneered many of the life insurance industry's best-selling policies. It has served health insurance and private pension needs for many years, and entered the property and casualty insurance field in the early 1970s.

With nearly \$295 billion of life insurance in force at the end of 1977, Prudential is the largest insurer in the country — tops in life insurance, among the leaders in health insurance, re-insurance, and pension-plan management, and a rapidly growing insurer of homes and automobiles.



One out of four insured Americans counts on Prudential for insurance protection.

Douglass and Jane Kondra and their two youngsters (right) in Parsippany, N.J., are among the millions with a stake in Prudential.



Protecting People And Property

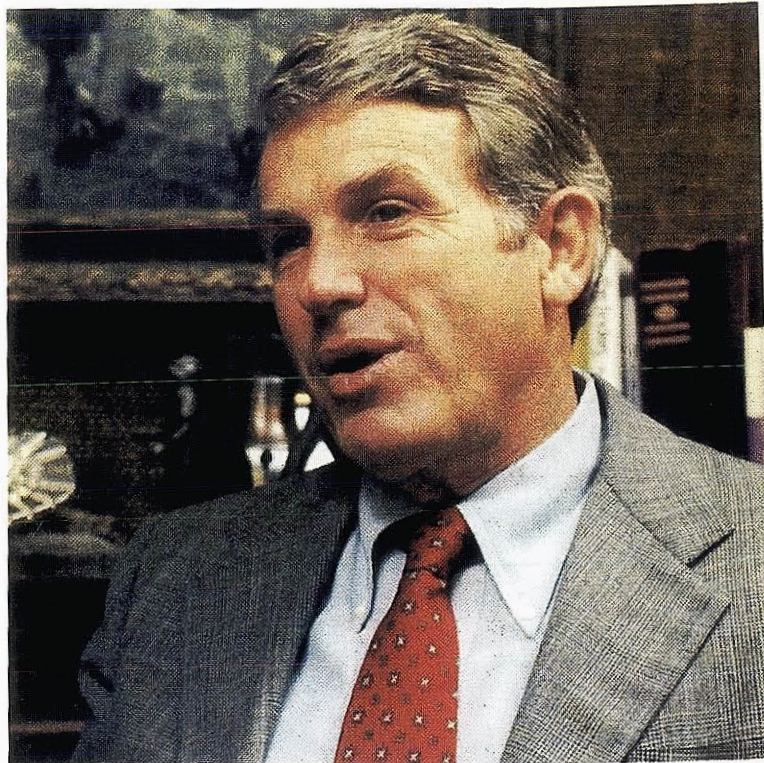
Top agents in 1977 were Jack Dulworth, CLU (right), of Port Cities Agency in Houston, and Herman Rosh (below) of Middletown District office in New York. For the second straight year, Dulworth was leading Ordinary Agencies sales representative, producing \$13,359,232 in sales and \$433,294 in new annual premiums. Rosh, of Monticello, N.Y., led District agents with \$9,118,424 in sales and \$159,799 in new annual premiums.



Sales Set New Records

Life insurance sales during 1977 reached an all-time high of nearly \$44 billion in face amount, with new records set in sales of both individual and group life insurance. As a result of the strong performance by the sales and marketing force, total life insurance in force rose 12 percent to nearly \$295 billion at year-end, an amount unequaled by any other insurer in this country.

Most other insurance lines in Prudential's broadly diversified insurance operations also continued to show good growth. New annual premiums from health insurance sales were 5 percent above the previous year. Net written premium from automobile and homeowners insurance increased by 51 percent as Prudential Property and Casualty Insurance Company, a subsidiary, continued its growth. Although sales of group pension plans failed to keep pace with the record volume of 1976, when new business rose by 74 percent, they were sufficient to keep Prudential among the leaders in this country in the amount of private pension and profit-sharing plan assets under its management.



Over 30,000 agents and management personnel are engaged in selling and marketing Prudential's financial security services. They are located in every state and province in the United States and Canada, and in parts of Europe and the Far East. Most agents now handle the full range of individual and personal insurance lines. The Company also has separate sales and service organizations which specialize in group life, health, and pension activities.

Special Marketing Efforts

Through the years Prudential has strengthened its position in the insurance industry not only by diversifying but also by continually striving to introduce marketing innovations and improvements in sales training and policyowner services. In 1977, the Company:

- Sold nearly 50,000 additional individual life policies, with face values amounting to \$582 million, to current policyowners in selected age groups and with certain types of policies, without requiring the usual evidence of insurability. This Guaranteed Life Issue Program will be expanded to other groups of policyowners in 1978.

- Launched special marketing programs to facilitate the selling of multiple insurance lines and to direct attention to the increased insurance needs of women today.

- Installed video-taping and monitoring equipment in nearly 700 District and Ordinary Agencies throughout the country for use in training agents and field service staff. Extensive tests have indicated that television-assisted training methods can improve both agent productivity and management effectiveness.

- Entered into agreements to manage two Health Maintenance Organizations in New Jersey, the Central Essex Health Plan in Orange and the Southshore Health Plan in Atlantic County. Both use cost-savings methods intended to curb health-care costs.



The future retirement income of millions of people in all walks of life depends in part on how well their pension funds are managed by Prudential today.

A pioneer in private pension plans, Prudential is one of the largest managers of assets of private pension and profit-sharing plans in America. Its more than 3,000 group pension clients include not only corporations of all sizes but also labor-management pension trusts, public employee retirement systems, nonprofit institutions, labor unions, and associations of self-employed individuals. The ultimate cost of these programs depends in large part on Prudential's investment performance.

Prudential also provides life and health insurance protection for employees of thousands of companies, large and small, and many other groups. In 1977, the amount of Prudential group life insurance in force exceeded the amount of individual life insurance in force for the first time.

These stewardesses at Miami International Airport (above) are among Eastern Airlines employees whose pension fund assets are managed by Prudential, one of the country's leading managers of pension assets.

Agricultural teacher in Houston (right) is member of Texas State Teachers Association covered by Prudential group life insurance.



Protecting People And Property

"They Need Me" was theme emphasized in new Prudential life insurance television commercials (right) and print advertising.

Agent Ina Liss practicing sales presentation (below) with aid of video-taping equipment at Pennypack District office in Pennsylvania. All District and Ordinary Agencies offices are now using television equipment as training aid.



Major Sales Goals Met

Most, if not all, major sales objectives of the Company were met or surpassed within very tight expense constraints. Statistical highlights of the year's sales activity:

- Individual life insurance policy sales in 1977 represented 54 percent of total life insurance sales. Face amount of sales rose from \$20.4 billion in 1976 to \$23.6 billion, an increase of 16 percent. New annual premiums rose by 9.8 percent in 1977 to \$322 million. Individual life insurance in force reached \$145.6 billion.

- New group life insurance business of \$20 billion in face amount was the highest ever, exceeding by one-third the 1976 results of \$15 billion. New annual premiums were \$106 million, compared with \$84 million in 1976. Group life insurance in force approached \$149 billion.

- Health insurance sales totaled \$388 million in new annual premiums, an increase of 5 percent over 1976. Group health sales amounted to \$290 million in new annual premiums, compared with \$266 million in 1976.

- Individual annuity sales were \$45 million, and Group pensions sales totaled \$210 million.

- Net written premium on individual personal lines of property and casualty insurance was \$378 million, compared with \$250 million in 1976.

- Life insurance in force reached a record high of \$294.4 billion, up 12 percent over 1976.



New Ad Theme Introduced

The Company introduced a new life insurance advertising theme supplementing its famous "piece of the Rock" slogan. The new theme, "They Need Me," points up how much a family needs the father and mother, who in turn need Prudential life insurance to help guarantee the family's financial security. For property and casualty lines, the "Hello Prudential" campaign continued to announce the availability of auto and homeowners insurance through Prudential agents and to emphasize prompt claim service by telephone.

Research by the Opinion Research Corporation showed further improvement in public recall of Prudential advertising, which is higher than its recall of advertising by the next four largest life insurance advertisers combined. Other research by Gallup and Robinson, Inc., showed that recall of Prudential television commercials was nearly twice the recall norms for commercials in general.

Network television remained the best means of achieving broad and frequent exposure for Prudential advertising. Prudential bought sponsorship positions on a variety of highly-rated television programs: The Mary Tyler Moore Show, Kojak, M*A*S*H, Lou Grant, the Prudential College Scoreboard, and the CBS Morning News. The Company also sponsored "The Pallisers," the popular British series presented on the Public Broadcasting Service.

Television sponsorship was supplemented with print advertising campaigns in a number of national publications. A prominent part of this effort is directed at the increasingly important women's market. The multi-lines theme was given print advertising support in *Sports Illustrated*, *Reader's Digest*, and *Ebony*, with each ad focusing on one of Prudential's basic product areas: life, health, or auto and home.



For business and industry, Prudential is an important source of capital.

Every year Prudential invests billions of dollars of premium and other income in business activities of nearly every description throughout the United States and Canada. It provides long-term loans to companies in virtually every industry — from modest concerns to the giants of American industry. These loans furnish the capital needed to build new plants, modernize and expand operations, and develop new products and technology — job-creating activities vital to the growth of the economy.

Prudential has nearly \$19 billion invested in long-term financing of some 1,400 companies. Many are loans of less than \$500,000; others range as high as \$100 million or more.

Prudential also has more than \$15 billion invested in real estate mortgages and properties and \$5 billion in corporate common stocks, primarily those of major corporations.

The total Prudential investment portfolio, valued at almost \$45 billion, is the largest in the insurance industry. The return on these investments enables Prudential to reduce the cost of the insurance and pension products it offers.

Firms using Prudential loans to finance expansion of operations range from International Harvester Corp. (above), the nation's leading manufacturer of farm machinery, to Marshall Pottery (right), which makes red clay and stoneware products in Marshall, Tex.



Putting Money To Work

Westlake Village in California (right) is being planned and developed by Prudential for construction of homes, commercial and industrial facilities, and schools and parks.

In regional Corporate Finance office in Chicago (below), Dean Proper, general investment manager, confers with Daniel Novack (right), investment manager.



Investment Highlights

Highlighting Prudential's favorable 1977 investment results were:

- Net investment income increased by \$340 million to \$2.8 billion.
- The yield on General Account invested assets was 7.02 percent excluding capital gains and before Federal income taxes. This was a new high for the Company.
- A record amount of \$5.1 billion in bonds, preferred stocks, and mortgages was authorized. The rate of return on these new investments averaged 9.21 percent before expenses and taxes.
- A near-record total of \$4.3 billion in bonds, preferred stocks, and mortgages was acquired. The combined rate on these acquisitions was 9.26 percent.

Economic Growth Continues

The Financial Environment — Economic activity continued to expand during 1977, although some slowing occurred in the second half. The moderate pace of real economic growth was, however, accompanied by substantial employment gains. Inflation gained momentum early in the year, eased off for a few months, and accelerated again as the year closed.

Financial markets came under increased pressures during the second half of the year as the result of private and government demands for credit, a more restrictive monetary policy, and worsening inflation prospects. Short-term interest rates began moving up in the spring and long-term rates rose significantly late in the year.

Investment Pace Brisk

Impact on Investment Activities — For Prudential, the generally favorable financial and economic conditions resulted in a large inflow of investable cash. Funds generated for investment by the Company's General and Separate Accounts in 1977 reached \$5 billion, equal to the record total of the previous year.

With this large volume of cash flow, the pace of investment outlays by the Company was brisk throughout the year. About three quarters of the Company's investable funds were placed in bonds and preferred stocks acquired directly from corporations; a small share went into common stocks; and, with the recovery in construction activity, the remainder was invested in mortgages and properties.

Authorizations Remain High

Bonds and Preferred Stocks — The level of investment activity by the Corporate Finance Department, although not as heavy as in 1976, was the second-highest on record by a wide margin. Investment authorizations amounted to \$3.6 billion, and acquisitions totaled \$3.3 billion. With interest rates in 1977 generally lower than in the previous year, the yield on authorizations was 9.04 percent; on acquisitions it was 9.15 percent.

Of the 229 loans authorized in 1977, nine were for \$75 million or more, and nine others fell into the \$50-\$74 million range. Together these large loans accounted for some 40 percent of the loan funds authorized. The Company also directed a substantial volume of its financing to medium-size and smaller companies. During the year Prudential authorized 103 loans for amounts under \$5 million, 40 loans between \$5 million and \$10 million, and 17 loans for amounts ranging from \$10 million to \$15 million.

About \$600 million of 1977 investment acquisitions were in energy-related enterprises in the United States and Canada. These included oil and gas companies, pipelines, hydroelectric projects, and public utilities.

At year-end the Company's General Account bond portfolio was valued at \$18.9 billion with an interest rate of 8.23 percent. About 90 percent of the corporate issues in this portfolio were direct placements to industrial and public utility companies. The quality of the overall portfolio remained excellent, with realized losses of only \$8 million compared with \$12 million in 1976.

Prudential's Private Placement Debt Investment Separate Account (PRIVEST), a commingled account invested in privately placed corporate issues, completed its second successful year of operation. During 1977 assets nearly doubled to \$300 million and the number of clients rose to 60 from 32. The account's unit value gained 6 percent, compared with a gain of 18 percent the previous year. The Corporate Finance Department also managed two marketable bond separate accounts. Their combined assets at year-end were \$137 million, up \$89 million during the year. Both accounts achieved rates of return comparable to indexes for long-term bonds.

Through its real estate loans and investments, Prudential supports a wide variety of important enterprises and plays a key role in meeting our society's changing needs.

Prudential finances massive urban renewal projects and large suburban shopping centers; towering office buildings in commercial centers and sleek, low-rise industrial parks; self-contained retirement villages and major hotel chains; urban apartment buildings and sprawling farms.

In 1977, Prudential investments included a sizable loan on the Irvine Ranch, the largest planned community in the country, at Newport Beach, Calif.; a major equity investment in the West Roads shopping center in Omaha, Neb.; acquisition of the 21-story Sun Oil office building in Houston; and a substantial loan on the Westward Hilton hotel, the largest hotel in Anchorage, Alaska.

In Hendersonville, N.C. (below), Carolina Village offers attractive apartments and cottages and wide array of recreational facilities for more than 300 senior citizens. Prudential provided \$4 million mortgage loan for the village. At Moffet Park in Sunnyvale, Calif. (right), Prudential is developing modern office, light manufacturing, and warehouse facilities for business and industrial concerns.



Putting Money To Work

New Sun Oil office building (right) in Houston area is among Prudential's major new property acquisitions.

Analyzing investment information from computer print-outs (below) are from left Phillip Grigg, William Bethke, and Santo Recchia, members of new data systems-econometrics group in Common Stock department.



Portfolio Down

Common Stocks — Except for a few intermittent surges, common stock prices declined fairly steadily throughout the year. The overall loss, as measured by the Standard & Poor's index of 500 stocks, was 12 percent, compared to a 19 percent gain in 1976.

The Company's General Account portfolio, excluding investments in subsidiaries, closed the year with a market value of \$1,741 million, down \$176 million from the previous year.

Prudential also managed 12 domestic and two Canadian separate common stock accounts. Their combined market value at year-end was \$3,342 million, a decline of \$299 million. The decline resulted from a reduction of \$481 million, or 13.3 percent, in market value partly offset by \$182 million in net new investment.

Volume Doubles

Real Estate and Mortgage Loans — Conditions in the real estate market improved significantly during the year. There was rising demand for mortgages on commercial and farm properties and new-development activity resumed in a number of markets. Reflecting this upturn, Prudential's total mortgage loan and real estate equity authorizations rose to slightly more than \$2 billion, double the previous year's figure.

The Company's General Account mortgage loan authorizations were \$1.5 billion with a yield of 9.60 percent. Some 15 percent of total mortgage loan authorizations originated in Canada, where interest rates were 1.3 percentage points higher than in the United States.

General Account mortgage acquisitions amounted to \$946 million at an average interest rate of 9.63 percent. With the dollar volume of acquisitions again exceeding portfolio attrition due to mortgage repayments and foreclosures, the Company's portfolio resumed its long-term growth after a one-year interruption in 1976. Total mortgage holdings at year-end were \$12.5 billion with an average interest rate of 7.78 percent.

The condition of the mortgage portfolio reflected the general improvement in real estate markets. The dollar volume of mortgage loans delinquent more than 90 days or in process of foreclosure was \$302 million at year-end, representing 2.43 percent of the portfolio. A year earlier the figure was 2.90 percent.

New-property development also picked up significantly, with 29 new projects authorized for a total equity investment of \$81 million. An additional \$126 million of equity funds were authorized for work on properties still under development.

Purchases of completed properties were restricted by strong investor competition and a limited availability of new investment quality properties. The Company's property purchase acquisitions amounted to \$124 million, bringing its General Account investment portfolio (excluding properties developed by Prudential) to \$1.4 billion.

Prudential's Property Investment Separate Account (PRISA), established seven years ago as a funding medium for group pension plans, also was forced to curtail its activities due to tightness in the investment property market. PRISA acquisitions were \$83 million and its portfolio increased to \$890 million from \$752 million. The net earnings rate on this portfolio, after payment of Prudential's management fee, was 10 percent, reflecting both operating income and increased market value. The condition of both the General Account and the PRISA property portfolios remained excellent.



Every year Prudential pays or credits billions of dollars in benefits to policyowners and beneficiaries.

These payments include health and disability payments, death benefits, annuity payments, matured endowments, and policy surrenders.

As a mutual insurance company, Prudential also returns as much money as it can to policyowners through dividend payments which reduce the cost of their insurance.

In 1977, Prudential paid out nearly \$5.6 billion in benefits, including \$1.7 billion for health insurance claims; \$1.2 billion for death benefits; and \$670 million for annuity payments. It paid policyowner dividends

amounting to \$1.2 billion. In addition, Prudential Property and Casualty Insurance Company incurred automobile and homeowners claims amounting to \$243 million.

Of the total payments, more than three-quarters went to living policyowners.

The flood (above) that struck Johnstown, Pa., in July took 77 lives and caused more than \$200 million in property damage. Thirty-eight of the victims, many of the flood-ravaged homes and automobiles, and two of the commercial buildings damaged were covered by insurance or reinsurance provided by Prudential or its subsidiaries.

Senior citizens stepping off special county bus (right) at Prudential's Governmental Health Programs office in Millville, N.J., where Medicare beneficiaries are furnished assistance with claims.



Serving Policyowners

Direct communication with Northeastern Home Office in Boston is provided by computer terminal (right) operated by Shirley Roginka, associate office manager in West Hartford District office in Connecticut. Field office use of computers is being expanded on a trial basis.

Cost manager Ann Toma of Comptroller's department (left, below) reviewing budget manual with manager Jeanette Marable of Corporate Services department as part of sophisticated cost-control program.



Staff Productivity Increased

Prudential has made significant progress in recent years in both reducing administrative expenses and improving services to policyowners and beneficiaries. These gains have been achieved primarily through the increased use of computers and the development of sophisticated new management control systems.

The Company's Advanced and Debit Ordinary Systems, used for keeping records and processing transactions for individual life and health insurance, have contributed greatly to an increase in regional home office staff productivity of 8 percent a year over the past six years. The administrative work load for individual life and health business — at least 14 percent larger than in 1972 — is being handled by a staff that is 28 percent smaller.

Prudential now has more than five times the number of computer terminals than it had three years ago. The major uses of terminals include claim processing — particularly group health and dental, automobile and homeowners, and Medicare and Medicaid claims — and the home office servicing of individual insurance policyowners. In 1977, an experimental program was begun to test the effectiveness of computer terminals in field sales offices. If the experiment is successful, terminals will be installed in field sales offices throughout the country.



Expenses Held Down

Expense control is one of management's most important functions. Timely, accurate cost information is needed for each manager to develop a budget reflecting his or her operating plans. Budgets for all parts of the Company are combined for a prospective expense limit that will provide good value to present policyowners and enable the Company to fund long-range programs necessary for its continued vitality.

In Prudential, this information is provided by the Expense Management Information System, a computerized system which has been refined over a number of years. The data provided by this system has facilitated a continuing, rigorous expense-control program keyed to Company objectives. This program has been successful in mitigating the impact of inflation so that Prudential's costs in key product lines have risen much less rapidly than those in the economy in general.

Services Monitored

Servicing policyowners involves the processing of millions of transactions each year — from issuing new insurance policies and accepting and recording premiums to disbursing dividends, loan values, and claim benefits.

To assure that these transactions are handled correctly, formal quality review programs have been established to cover substantially all insurance operations.

Sampling techniques are used to monitor the quality of service both by the type of transaction and by the individual processing transactions. This dual approach provides insight into overall quality performance, as well as identifying weakness in an individual's performance that can be corrected by training.

Over 67,000 men and women are employed by Prudential in a wide range of jobs.

The diverse functions that Prudential performs and its continuing growth provide a variety of challenging career opportunities — in management, sales, technical and professional fields, and clerical and other positions.

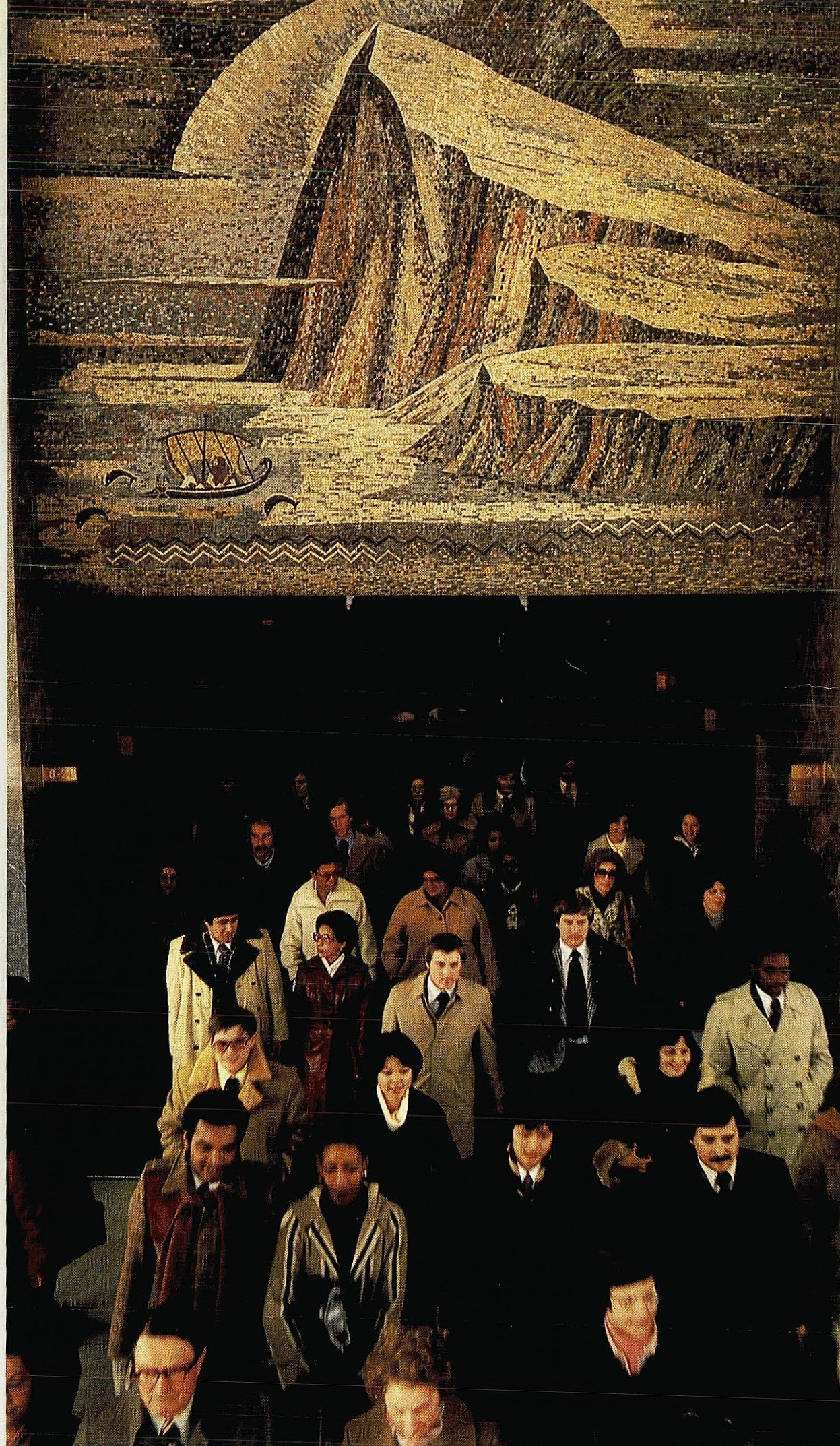
In 1977, over 3,000 college graduates were hired — two-thirds of them beginning careers in sales, the others entering home office administrative and technical positions.

More than 4,000 recent high school graduates began Prudential careers during the year.

Some 2,000 temporary jobs were made available to young people in schools and colleges through work-study and summer employment programs and to housewives with work experience who prefer to work less than full-time.



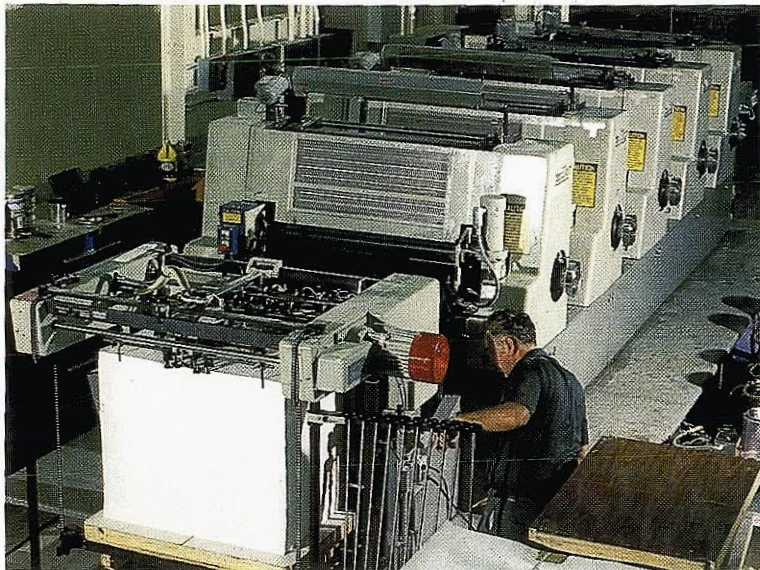
Employees streaming out of Prudential Plaza building (right) in Newark, N.J. Wilson Carley, Jr., associate employment manager (above), assists job applicants at South-Central Home Office in Jacksonville, Fla.



Putting People To Work

Dorothea Bozza, assistant general counsel in Law department, reviews sales promotion material (right) with Robert Keehn, associate director in Sales Promotion, to make certain all legal requirements are met.

New Printing Office (below) in New Providence, N.J., is one of the most modern facilities of its kind. Prudential saves about \$1 million a year by doing its own printing.



Affirmative Action Pressed

The Company's most important asset is its people, and the increased use of computers and expansion of job enrichment programs in the last few years have made Prudential a better, more interesting place to work.

Throughout Prudential, affirmative action plans have been established to enhance career opportunities for minority group members and women, and significant progress has been achieved. In 1977, 21 percent of all persons hired were minorities and 55 percent were women.

In an effort to increase the numbers of minorities and women in the management pipeline in the years ahead, extensive recruiting efforts are made to attract high-potential minority and female personnel. During 1977, Company recruiters visited over 100 colleges and universities, many of which have predominantly black or female enrollments. Nineteen percent of all college graduates hired into home office positions were minority group members, and 46 percent were women.

Van Pools Win Support

Prudential's commuter van pool program, the largest of any private employer in the United States, has proved to be an energy-efficient means of transportation which is very popular among employees. In addition to providing many employees with an economical and flexible means of transportation, commuter van pooling has fostered a camaraderie among those participating.

The Company's 110 operating van pools have reduced gasoline consumption, air pollution, and the need for parking facilities. Preliminary indications suggest that van pooling has also reduced absenteeism and tardiness.



Medicare/Medicaid Claims

Prudential continued to serve as an administrator of governmental health programs. It acts as intermediary for Medicare Part B (doctors and noninstitutional) claims in New Jersey, North Carolina, and Georgia, and as fiscal agent for a major part of New Jersey's Medicaid plan covering both physician and institutional services. The Company also processes Medicare Part A claims for half of New Jersey's health institutions.

In 1977, Prudential processed 12.4 million claims, an increase of 8 percent over 1976. It paid out almost \$700 million in benefits, a 19 percent increase. Most Medicare and Medicaid claims were paid within 10 calendar days at a cost that places Prudential among the most cost-effective government contractors.

New Facilities Occupied

Three new facilities were completed and occupied during the year. They are the new Southwestern Home Office in the Houston area, the Corporate Printing Office in New Providence, N.J., and the Corporate Headquarters of Prudential Property and Casualty Insurance Company in Holmdel, N.J.

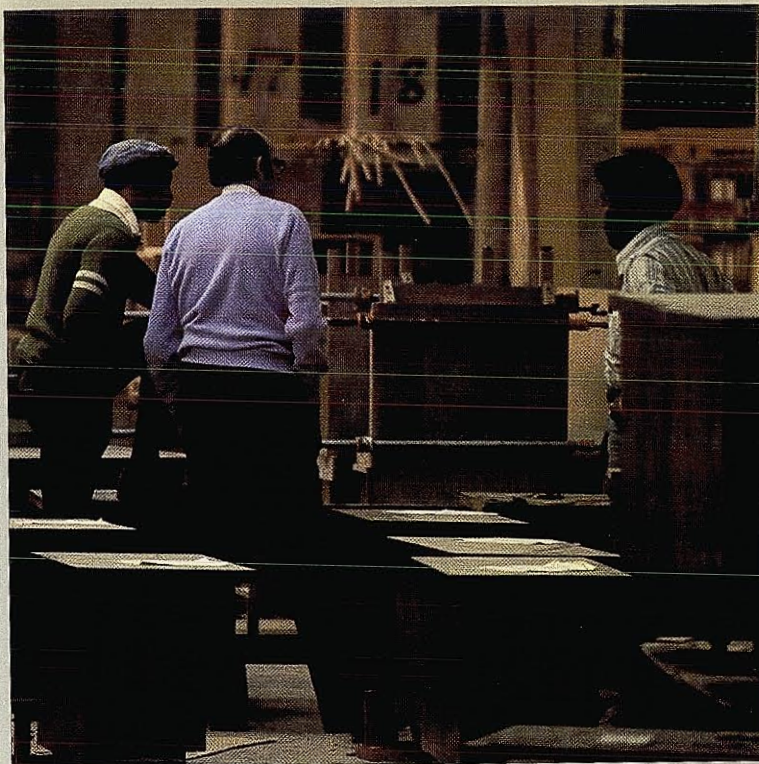
At the close of the year construction was underway at three other major facilities.

In myriad ways, Prudential has a social as well as an economic impact.

Through its primary business activity, Prudential protects millions of policyowners from risks and hazards, provides jobs to tens of thousands of people, and secures the jobs of many others through its investments. In all of these areas, the Company strives to be responsive to social as well as economic considerations.

Beyond this, Prudential and its people sponsor or support a wide range of activities — from cancer research and inner-city tutoring programs to ballet — whose chief purpose is to benefit the communities and society in which all of us live and work.

Prudential lent business support to minority-owned vendors such as this furniture manufacturer (right) in Los Angeles, and played key role in fund-raising drive for Kennedy Center for Performing Arts (below) in Washington, D.C.



Helping Meet Social Needs

Prudential employees take part in wide-ranging public service activities. Among them are Joseph Frankel (right), a Prudential lawyer who serves on part-time basis as mayor of Eatontown, N.J.; Leon Leach (lower right), a health programs manager on loan to U.S. Labor Department in Washington; and Conrad Davis (below), an Ordinary Agency manager helping to organize youth program in Portland, Maine.



Financial Aid Boosted

Through cash contributions, Prudential supports hundreds of education, health, urban affairs, and other programs in communities throughout the United States and Canada. It has doubled its contributions budget in the last five years. In fiscal 1977, these contributions were increased to \$3.9 million.

Included in the contributions were major gifts to Johns Hopkins Medical Center in Baltimore to fund cancer research; the New Jersey Center for Public Affairs at Princeton University to develop interest among students and faculty in public policy issues through courses focusing on New Jersey problems; the YMCA of Metropolitan Chicago for the establishment of community centers; the American Productivity Center in Houston to study causes for declining productivity; and Rutgers University to assist in the development of athletic facilities for the university's Newark campus.

About one-third of Prudential's cash contributions are disbursed to local agencies and institutions in regional home office cities. Throughout the country, Prudential and its employees gave strong support to federated fund-raising drives such as the United Way.

In December, the Prudential Foundation was established. Its main objective will be to increase the effectiveness and reach of the Company's contributions program. The foundation will be directed by a Board of Trustees comprised of four members from Prudential's Board of Directors and four officers of Prudential.

Volunteers Encouraged

Throughout the Company, employees are encouraged to support community and charitable activities, and many played key roles in organizations ranging from conservation groups to minority business enterprises, from public television stations to health and welfare agencies.

Several hundred volunteers served as instructors in tutoring programs across the country. In Los Angeles, more than 30 Prudential volunteers participated in a Youth Motivation Task Force encouraging junior high school students to stay in school and seek a college education. In many other cities and towns, Prudential people helped organize and run special "Olympics," craft programs at local schools, programs for senior citizens, visitation programs for inmates at local prisons, and safety classes for children.

To stimulate volunteerism and recognize outstanding community service by employees, the Company established in 1977 the Orville E. Beal Awards program



Around the country, Prudential provided leadership and varied support services for activities ranging from the Los Angeles Ballet to Theater Jacksonville in Florida, from performing arts groups in Boston to the Houston Symphony Orchestra.

The Company contributed significant sums to the Kennedy Center and the New Jersey Corporate Arts Council. Others receiving major financial contributions included the Lincoln Center for the Performing Arts in New York City, Toronto Symphony Orchestra, Franklin Institute in Philadelphia, Minneapolis Society of the Fine Arts, Institute of Contemporary Arts in Chicago, and the Houston Symphony.

Social Projects Sponsored

Prudential directly sponsors or administers a number of social benefit programs and supplies technical and administrative assistance to others. Some examples:

- In Minneapolis, Prudential lent support to the Neighborhood Center School, most of whose students are Indian youngsters. The Company provided a major grant and the Employee Community Service Committee of the North Central Home Office raised several thousand additional dollars. The employee committee also aided in furnishing a local Indian health clinic.

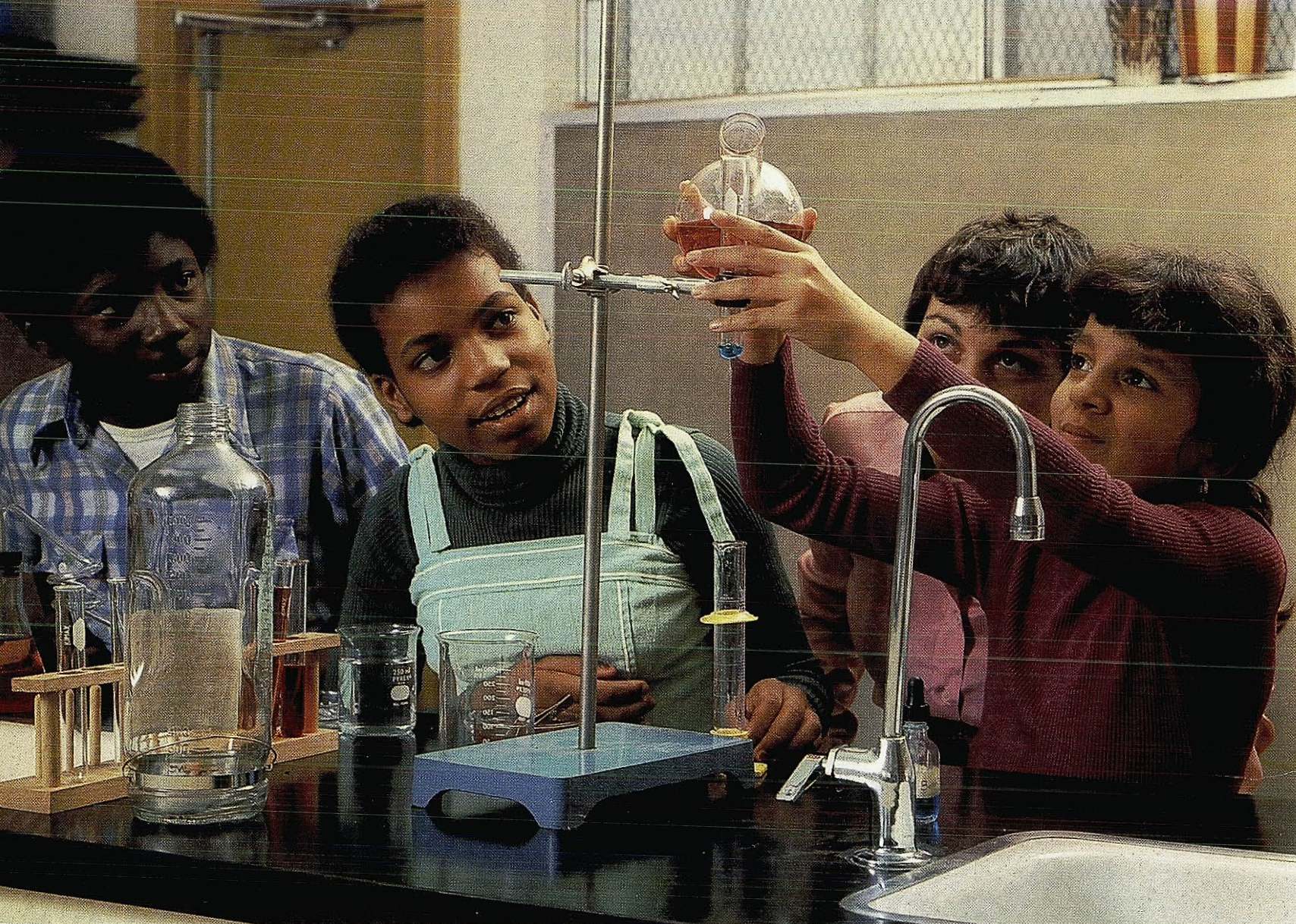
- The Kids Corporation, which Prudential supports with financial grants and a variety of support services, provides a summer recreational and educational program for Newark children. In 1977, with Prudential assistance, the Kids Corporation opened a full-time school at St. Charles Church in Newark.

for community leadership, an outgrowth of an earlier community service awards program. Thirty-eight employees below the rank of manager received the award, which includes a \$500 contribution by Prudential to the charity of the recipient's choice.

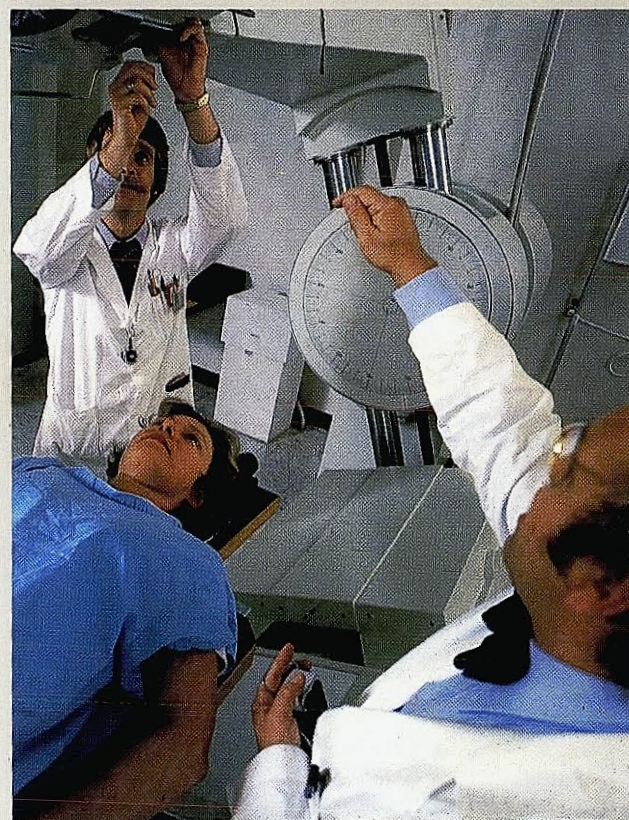
Arts Supported

Prudential and its people continued to give strong support to the arts and cultural activities through volunteer services, financial contributions, and personal patronage.

At the national level, Donald S. MacNaughton, Prudential chairman and chief executive officer, headed a successful drive by major corporations to raise \$1 million for the John F. Kennedy Center for the Performing Arts in Washington, D.C. Some 120 corporations participated.



Youngsters at International Children's School (above) in Los Angeles, which Prudential supported with loan for construction of facilities. One of Prudential's major cash contributions went to Johns Hopkins Medical Center (right) in Baltimore for cancer-related research.



Helping Meet Social Needs

Students in an English class at Newark's University High (right) receive instruction in remodeled building acquired with Prudential assistance.

Preschool youngsters in South Plainfield, N.J. (below), learn safety precautions through community project co-sponsored by Eastern Home Office.

Prudential mortgage loan helped finance construction of minority-owned shopping center (below right) in Minneapolis.



Social Projects Sponsored

- A new and permanent home for University High in Newark, formerly known as the School Within A School, was acquired with Prudential assistance. The school is a small four-year high school that provides a special atmosphere encouraging academic excellence by its college-bound students.

- With employees serving as panelists and moderators, Prudential sponsored two seminars, "Women in Management" and "Planning Your Personal Financial Security," which were presented to conferences of the National Association of Negro Business and Professional Women's Clubs in New Jersey and California.

Investment Funding Provided

As part of its commitment to serving social as well as economic needs, Prudential provides loans which might not be made if economic factors were the only consideration. Some examples:

- John Knox Retirement Village at Lee's Summit, Mo., a self-contained, 290-acre community which is home for 2,600 senior

citizens. Prudential provided financing with a \$26.5 million loan.

- Rhode Island Group Health Association in Providence, R.I., a federally qualified Health Maintenance Organization. Prudential, managing the organization under contract, authorized a \$2.3 million loan for facilities.

- International Children's School in Los Angeles, which serves 200 minority youngsters. Prudential, in partnership with Lloyds Bank of London, provided a \$307,000 loan to finance construction of the building.

- Plymouth Avenue Development Corporation in Minneapolis, a minority-owned business which operates an inner-city shopping center. Prudential provided a \$300,000 mortgage loan.

Public Services Offered

Prudential sponsored one of the most acclaimed productions of the year on public television, "The Pallisers."

Based on the nineteenth century novels of Anthony Trollope, the 22-episode series was produced by the British Broadcasting Corporation. It was shown on more than 250 television stations in this country, beginning in



and civic groups. The Company's syndicated column on child safety was carried by 1,500 newspapers, and more than 1.5 million copies of Prudential's health and education pamphlets were distributed in 1977.

Consumer Aid Given

Every year Prudential agents and clerical staffs handle millions of transactions with policyowners and beneficiaries. At every level emphasis is placed on providing prompt, courteous service. In addition, consumer affairs personnel in the corporate office and regional home offices monitor policyowner service, investigate complaints, provide information requested by policyowners, and propose changes in policies and procedures to avoid consumer problems.

In 1977, consumer affairs and other personnel handled 4,026 complaints made directly to Company executives and 4,850 referred through state or provincial insurance departments.

During the year Prudential became one of the first insurance companies to provide new customers with a Buyer's Guide developed by the National Association of Insurance Commissioners and a cost-disclosure letter. The Company also developed a new booklet, *Helpful Hints on Settling an Estate*, to assist claimants submitting death claims.

January. The series was widely praised by critics and won a large audience.

In cooperation with the National Council on Alcoholism, Prudential produced a series of six one-minute public service television features on alcoholism problems. These short features, mostly interviews with well-known entertainers who are recovered alcoholics, were distributed during the year to 500 television stations across the United States.

An eight-minute feature on the insurance needs of women also was produced. It, too, is being distributed to television stations throughout the country.

Prudential films on child safety and physical fitness continued to be popular. During the year they were aired more than 500 times by television stations and shown more than 80,000 times by clubs

By constantly breaking new ground, Prudential has had a significant impact on the insurance industry.

The Company was formed more than 100 years ago to make life insurance available for the first time to the masses of working people in this country. Ever since, it has pioneered in the development of new financial security products, repeatedly broadening the types of services it offers — from individual life insurance to group life and health insurance, pension plans, and other insurance lines.

Prudential was the first large mutual insurance company to establish a property and casualty insurance subsidiary, writing protection for automobiles and homes nationwide. It was also the first to form a property and casualty reinsurance subsidiary — one that now ranks among the leaders not only in the United States but all over the world.

It has expanded its real estate activities, operates its own clinical laboratory, and leases fuel and a variety of equipment to corporate clients.



Field adjuster William Hill (above) appraises accident damage to a policyowner's automobile.

A policyowner in Minneapolis receives assistance (right) from claims representative of Prudential Property and Casualty Insurance Company at one of six new field claim offices opened during 1977.



Breaking New Ground

PRUCO, Inc.

All of the outstanding stock of the following United States companies is owned by PRUCO, Inc., Prudential's wholly owned holding company.

The Prudential Property and Casualty Insurance Company

The property and casualty insurance industry, after three years of heavy losses, returned to profitability in 1977. With this return to profitability came a tempering of the number and size of premium increases, especially on automobile insurance.

The market became increasingly competitive during 1977 as Prudential Property and Casualty Insurance Company continued to bring high-loss-ratio areas under control through more selective rate changes and underwriting programs. As a result, its sales of new automobile policies decreased from the previous year, but sales of new homeowners insurance continued to climb.

However, total premium income for automobile and homeowners insurance continued to show substantial growth. Net written premium for these lines increased 51 percent to \$378 million. Prudential agents wrote 296,000 new applications for automobile insurance in 1977, compared with 420,000 the previous year, and 346,000 new applications for homeowners insurance.

By the end of 1977, its seventh year of operations, the subsidiary insured 1,013,000 automobiles and 760,000 homes. It is believed to be the seventeenth-largest insurer of private passenger cars in the United States and the thirteenth-largest writer of homeowners insurance, with sales operations in 47 states and the District of Columbia.

Comprehensive care by team of health-care professionals (right) is available to members of PRUCARE, a Prudential subsidiary in Houston area.

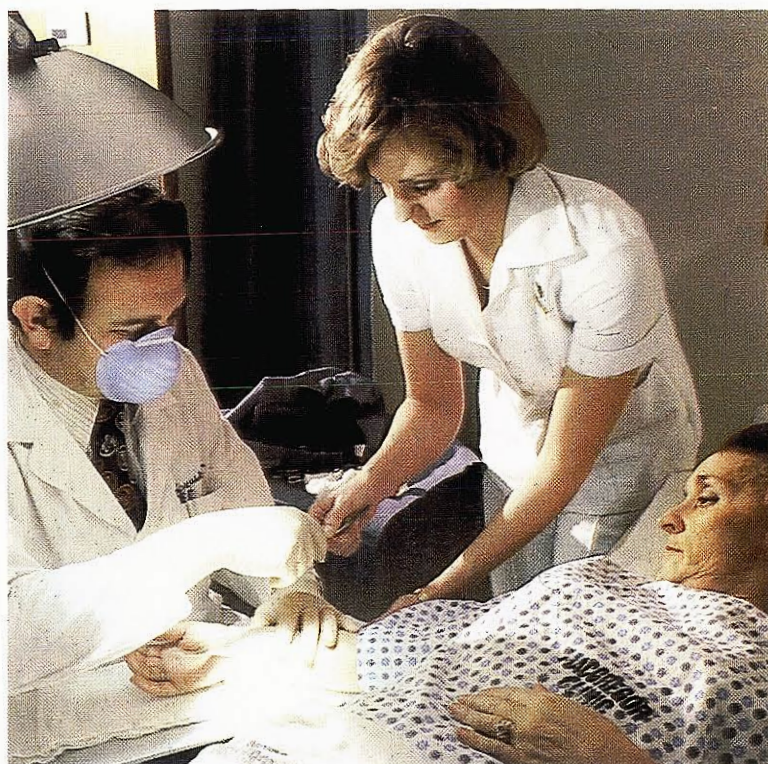
To keep pace with this growth, Prudential Property and Casualty Company opened a fifth regional service office in April. Six new field claim offices were opened during the year to provide local claims services to policyowners and claimants, bringing the total number of such offices to fourteen. Ten of these offices also handle other service needs of policyowners.

Underwriting results showed considerable improvement in 1977, but loss and expense ratios were still above industry averages, mainly because the company continues to insure a high proportion of new business. First-year auto policies not only incur higher expenses than other policies but frequently incur higher losses as well. In 1977, 36 percent of the company's premiums were for first-year policies. This is a substantial reduction from 57 percent in 1976, but still well above the industry average of 20 percent.

In 1977, Prudential Property and Casualty Insurance Company's combined ratio for personal lines losses and expenses was 116 percent, a considerable improvement over the 137 percent combined ratio of the previous year. The net personal lines underwriting loss was reduced from \$93 million in 1976 to \$64 million. The net loss after return on investments (including realized and unrealized capital gains) and other income was \$7 million.

PRUCARE

Membership in Prudential Health Care Plan, Inc. (PRUCARE) more than tripled during the year, rising to 10,500 persons. PRUCARE is a federally qualified Health Maintenance Organization, which provides members a broad range of health-care services on a pre-paid basis. At year end the program was being offered to employees through 85 Houston area employers. Premium income exceeded \$2 million in 1977, compared to \$83,000 the previous year.



During the year PRUCARE and its associated medical group, MacGregor Medical Clinic Associates, established a satellite health-care center — its third facility — in a suburb northwest of Houston as part of its effort to provide health-care services at convenient locations.

GIB Laboratories, Inc.

In its seventh year of operation, Prudential's clinical laboratory subsidiary reached new highs in both the volume of laboratory tests performed and sales income. Several new laboratory procedures were introduced during the year. The high quality of the services provided by GIB Labs received special recognition in a scientific paper presented in March by a prominent physician at a meeting of the Council on Epidemiology of the American Heart Association.

GIB Laboratories plans to open a branch facility in 1978 in Toronto for Canadian business. In addition facilities in Newark will soon be expanded and modernized.

PIC Realty Corporation

Activity in PIC Realty Corporation was reduced in 1977, reflecting an earlier policy decision to conduct most property development activities within Prudential. Nine new development projects, all joint ventures, were authorized in PIC Realty during the year. The joint ventures involve \$13.9 million in PIC Realty equity and Prudential mortgage loans of \$39 million.

An additional \$10.1 million of equity and \$13 million of Prudential mortgage financing were authorized for eight existing wholly owned and joint venture projects. Two wholly owned properties were sold for \$8.7 million.

At the end of 1977, 57 properties remained in PIC Realty, of which 54 are completed and three are still under development. These properties represent a net equity investment of \$151.6 million and total Prudential mortgage investments of \$377 million.

Accounting profits, after taxes, amounted to \$2.9 million in 1977, compared with a loss of \$12.8 million in 1976. Operating cash flow was \$13.1 million, up from \$5.9 million in the previous year. These improvements in operating results reflect both a pick-up in general market conditions and the further maturing of a major portion of PIC Realty's property portfolio.

Innovation is a tradition at Prudential:

- It was the first major insurance company to decentralize its operations, beginning shortly after World War II to establish regional home offices across the United States and in Canada.
- It was the first major insurance company to develop its own field staff of real estate specialists to initiate and service real estate loans and investments, and the first to decentralize its direct placement loan activities to improve service to medium-size businesses around the country.
- It pioneered in the development of separate common stock accounts for pension fund clients, and created PRISA (Prudential Property Investment Separate Account), the nation's largest pooled real estate investment fund, to offer

pension clients the opportunity to invest in high quality real property.

- It continues to decentralize operations through the development of home office satellites, convinced that smaller units offer the best working climate for employees.

Rita Zablovsky, supervising laboratory technician (right), monitors results of tests performed by GIB Laboratories for government-sponsored study aimed at curbing heart disease.

Prudential Reinsurance Company provides both treaty and facultative coverage for offshore oil exploration and production facilities (below) and for other commercial and industrial organizations throughout the world.



Breaking New Ground

In Jackson, Mich., a bulldozer is used to move coal at power plant of Consumers Power Company, which leases bulldozers and many other vehicles from PruLease.



Pru Re

For Prudential Reinsurance Company, 1977 was a year of solid growth. At year-end, investable funds — cash, bonds, stocks, and short-term investments — totaled \$360.4 million, an increase of \$97.2 million from 1976. Total assets reached \$433.2 million and stockholders' equity reached \$103.7 million on a GAAP (generally accepted accounting principles) adjusted basis.

Total net income, GAAP-adjusted and after taxes, was \$15.9 million, compared with \$10.8 million the previous year. Net premium volume was \$237 million, up 30 percent from 1976. The operating ratio was 100.1 percent, quite close to the industry average.

In April, Pru Re opened its New York facultative branch office. It already has branch offices in Los Angeles and Chicago and plans to open an additional office in Houston in early 1978.

Development of Pru Re's foreign operations continued. Total premium income from foreign sources in 1977 was about \$15 million, half of which came from its new European subsidiary, Le Rocher, Compagnie de Réassurance, S.A. Organized in 1976, this Brussels-based company strengthened its treaty reinsurance underwriting operations for Europe and expanded its individual risk operations in the Middle East and Northern Africa. Pru Re is now handling property and casualty insurance, including marine, in over 70 countries around the world.

Pru Re's International Department also manages Prudential's minority interest in a Brazilian holding company, Atlântica-Prudential Participações S.A., whose principal asset is ownership of about 94 percent of the

share capital of a Brazilian property and casualty insurance company — Prudential-Atlântica Companhia Brasileira de Seguros. Operations of Prudential-Atlântica were profitable, with net income, pretax, of \$1.4 million in 1977.

In its four and one-half years of operation as a subsidiary, Pru Re has risen to seventh in premium volume among the 45 principal reinsurers in the United States. By providing reinsurance to American companies who might otherwise have to go overseas to secure a market, Pru Re helps this country's balance-of-payments. It also brings foreign currency into the United States through reinsurance of foreign companies.

By allowing domestic insurers to provide increased coverage to American businesses, large and small, Pru Re reduces the need for these businesses to hold aside substantial amounts of money to meet losses which might arise, freeing up capital which they can invest in their own operations.

PruLease, Inc.

PruLease, in its fourth year of operation as a subsidiary of Prudential, substantially increased its investment portfolio in 1977. Its portfolio reached \$549 million at year-end, a 30 percent increase over 1976. However, pretax earnings declined by 5 percent to \$14.4 million as the average difference between PruLease's lease and loan rates and its borrowing costs fell below that of the previous year.

PruLease is a leading lessor of nuclear fuel, vehicles, and other equipment — principally to the public utility industry — and seeks balanced growth by offering a broad range of lease, loan, and supply agreements to corporations of high credit standing.

Competing for business with major financial institutions throughout the country, PruLease has concentrated on new program development and product innovation to meet the complex and changing capital needs of its customers. This policy has served the company well, especially during 1977, when it encountered severe price competition for short- and intermediate-term leases and loans.

PruFunding was organized as a subsidiary of PruLease late in 1977 to offer longer-term leases, longer-term loans, and operating (non-payout) leases of certain equipment with predictable residual values. These new programs, to be financed through the issuance of commercial paper, are expected to contribute to PruLease's future earnings and to permit it to supply a wider range of its customers' short- and intermediate-term credit needs.

Pruco Life Insurance Company

Pruco Life Insurance Company, a stock insurance company, was incorporated in Arizona in 1971 to sell life and disability insurance. It was activated in early 1976 with the issuance of two group health insurance policies. Pruco Life is presently licensed to do business in 26 states and the District of Columbia.

Pruco Securities Corporation

Pruco Securities Corporation was virtually inactive during 1977, as has been the case since the advent of fully competitive commission rates in May, 1975.

Canadian Subsidiaries

Prudential Fund Management Canada Limited

This wholly owned subsidiary manages the affairs of Prudential's two mutual funds in Canada.

Prudential Income Fund, largely bond and debenture based, enjoyed a record year. Its sales were more than double those of 1976. Assets climbed from \$4.2 million to \$10 million. Net realized yield on shares held from the beginning of the year was 7.8 percent. Sales of Prudential Growth Fund shares declined, reflecting a continuing lack of confidence in the Canadian stock market. Assets remained nearly unchanged at \$12.9 million. The investment performance of the Growth Fund over the year was reflected in a dividend of 3.9 percent and an increase in share value of 4.2 percent.

PIC Realty Canada Limited — Les Immeubles PIC Canada Limitée

The company assumed bilingual identification late in the year in recognition of its first investment in the province of Quebec — the purchase of the Maison du Commerce House in Montreal. This is a 22-story office building, completed in 1968, in the heart of the city's business district.

Assets of the company now consist of a \$950,000 mortgage and three wholly owned investment properties, all fully occupied and with a gross value of \$27 million.



Across the country there are more than 1,600 Prudential offices — regional home offices, field sales offices, claim service offices, real estate investment offices, subsidiary offices, home office satellites, and many others.

They are scattered from coast to coast, in every state and major city. The regional and field offices range in size from the 2,600-employee South-Central Home Office in Jacksonville, Fla., to the many detached agencies sales offices where there is only a single clerk on the job.

Prudential believes in keeping its people close to the markets they serve, in building strong ties with the communities where its people live and work.

Its regional home offices — nearly autonomous management centers — are located in Boston and Los Angeles; in Minneapolis and Houston; in Jacksonville, Fla., and Chicago; in South Plainfield, N.J., and Fort Washington, Pa., and Toronto. (Prudential has nearly 90 offices in Canada — and several offices overseas.)

As *Business Week* put it, "Whatever the territory, the Pru has a staff around that knows it well."

In Los Angeles (above), the Company's new Woodland Hills office building, which was fully occupied in 1977.

In New Jersey (right), the South Plainfield offices, one of four locations of Prudential's decentralized Eastern Home Office.



Serving Communities

Graduate students of Northwestern University at seminar led by Donald S. MacNaughton (right), Prudential chairman and chief executive officer, and other top Company executives.

Employees of South-Central Home Office (below) enjoy newly refurbished lounge area.

Supervising engineer Joseph Robinson directs inspection (lower left) of electrical power system at Central Atlantic Home Office.



Eastern Home Office (EHO) South Plainfield, New Jersey

EHO completed its first year as a fully decentralized regional home office, the first one in Prudential. With four New Jersey locations, its central services and Ordinary Agencies operations are located in South Plainfield; District Agencies operations are in Woodbridge; and Group Insurance operations are temporarily located in Wayne and Parsippany.

In both sales and services, EHO demonstrated excellent performance. In all sales areas, it exceeded objectives, and in measurements for services such as issuing policies and paying claims, it attained its highest index to date.

During the year emphasis was placed on programs designed to help all home office employees work together more efficiently. Direct Line, a new internal communications program, was established to provide information to, and receive feedback from, all home office employees.

Career development workshops, designed to increase career-consciousness and to develop management skills, were attended by 113 women.



Western Home Office (WHO) Los Angeles, California

Full occupancy of the new Woodland Hills office building in Los Angeles was reached in September with the addition of the Mortgage Loan Service Operation, which services Prudential mortgage loans throughout the entire country. The building also houses all WHO individual life, health, and small group insurance personnel. An Open House, held in April, was attended by nearly 4,000 persons.

Design work went forward on both the Woodland Hills East building and the new WHO headquarters building in Westlake Village, near Los Angeles. The new headquarters building will house the executive staff, group insurance and group pension operations, district and ordinary agencies staff support, and such functions as financial and general services, law and medical services, and public relations. The Woodland Hills East building will house WHO's data processing, systems, office services, supply, and filing functions. The occupancy objective for each building is late 1980.

Central Atlantic Home Office (CAHO) Fort Washington, Pennsylvania

The Central Atlantic Home Office moved quickly last July to aid victims of the crippling Johnstown flood. Even before the flood waters had completely receded, policyowners were advised



through local news media of special emergency services provided by the Company.

In addition, supply trucks loaded with bottled water, food, and clothing, began round-trip service from the CAHO office in Fort Washington to the flood area some 260 miles away. Deliveries were made almost daily for two weeks. Cleaning materials were distributed by Prudential agents to several hundred people.

Energy conservation achieved a significant reduction in Central Atlantic's use of electricity. The home office, Prudential's first all-electric regional headquarters, cut consumption by reducing or eliminating decorative lighting, cutting back on hot water temperature, moderating building temperatures, and rescheduling after-dark jobs. As a result, consumption of electricity in 1977 was 27 percent less than in 1973, the first full year the building was in operation.

South-Central Home Office (SCHO) Jacksonville, Florida

Thirty-four South-Central employees earned the designation of Fellow, Life Management Institute, in 1977 from the Life Office Management Association. This was the largest number of fellows in one year from a single office, regional or corporate, in the history of the association.

A refurbishing program was begun at the 22-story SCHO building. During the year the cafeteria, lounge and auditorium, and two large clerical floors were refurbished. An exercise room for employees was completed, and 400 employees participated in physical fitness classes held during nonworking hours.

The Coral Gables (Florida) District, under the leadership of Manager Joseph P. Stingone, won its second consecutive President's Trophy for outstanding sales and service.

South-Central received its second Governor's Award from the Florida Fine Arts Council for outstanding contributions to the arts in Florida.

Mid-America Home Office (MAHO) Chicago, Illinois

For the twenty-first time in 22 years, the Mid-America District Agencies sales organization won the President's Trophy for leading the Company in sales and service accomplishments.

In cooperation with Prudential, Northwestern University's Graduate School of Management presented a 10-week seminar on "Current Issues in Insurance Management." The entire guest faculty was provided by Prudential.

Ten executives from the Corporate Office, including Chairman Donald S. MacNaughton, President Robert A. Beck, and Executive Vice President John K. Kittredge, came to Evanston, Ill., to share their experiences and insights with 150 students. Moderator for the seminar was William Ingram, Mid-America's senior vice president, who was named by the university as Martin C. Remer Visiting Distinguished Professor of Finance.

In hundreds of cities and towns Prudential is an important part of the community.

It provides jobs, pumps money into the local economy, pays taxes, buys supplies and services, supports community programs, furnishes civic leadership.

In 1977, Prudential's taxes amounted to \$570.5 million. These included Federal income, payroll, state premium, and local and state property taxes which help pay for basic public services and programs.

The Company spends many millions of dollars each year on supplies and equipment, excluding construction materials. It purchases these materials from vendors and suppliers numbering in the thousands.

In Merrillville, Ind. (above), construction of Mid-America Regional Operations Office nears completion.

In Houston area (below), dedication ceremonies for new Southwestern Home Office were attended by hundreds of employees and guests.



Serving Communities

A record number of runners (below) entered the annual Boston Marathon, which Prudential helps sponsor.

Gordon Gheysen and wife Margaret received their Fellow, Life Management Institute designations (near right) at Canadian Operations Office; Grace Stuart (at their right) received a college degree under Prudential tuition-refund plan.

Stenographers' work areas (far right) and procedures were redesigned at North Central Home Office.



Northeastern Home Office (NEHO) Boston, Massachusetts

Computer terminals were installed in five field offices, linking them directly with computer systems in the Northeastern Home Office and the Company's computer center in Roseland, N.J. The field terminals are being used to service policy inquiries and process sales information in the first phase of an experimental program. Initial results were very positive. If the system is successful, it will be extended to field offices in other parts of the country.

"Where's Boston?," the widely-acclaimed show produced by NEHO at Prudential Center in Boston for the Bicentennial, attracted more than 200,000 people during its "encore" year.

A record number of long-distance runners crossed the finish line last year in the annual Prudential-sponsored Boston Marathon. More than 2,300 men and women ran the full 26-mile distance, from Hopkinton to Prudential Center in Boston's Back Bay, within the three-hour time limit.

North Central Home Office (NCHO) Minneapolis, Minnesota

For the North Central Home Office, 1977 was a banner sales year. A record \$3.9 billion of individual and group life sales — a 39 percent increase over 1976 — was achieved. Net written premium for property and casualty insurance was 70 percent above the previous year.

Cost-saving procedures and equipment introduced in recent years made it possible to handle the greatly increased sales volume with virtually no change in administrative staff. The restructuring of centralized dictation functions, for example, produced marked improvements in both production and service.

A 60,000-square-foot addition to the North Central Records Center in New Hope, Minn., neared completion and was expected to be occupied in early 1978. Plans for the new Plymouth satellite facility continued to be developed. The building, which will contain many energy-saving features, will house computer facilities and related service functions.



Southwestern Home Office (SWHO) Houston, Texas

The Southwestern Home Office achieved an outstanding sales year. Its Ordinary Agencies won five President's Trophies for top performance in Company-wide competition, including awards for top agent, leading agency, and top region. In its District Agencies, a President's Trophy was won for top sales manager and number two rankings were achieved in the district and agent competition. In Group Insurance, SWHO led Prudential in volume of new group life insurance from new cases and finished second in both total new business volume and premium.

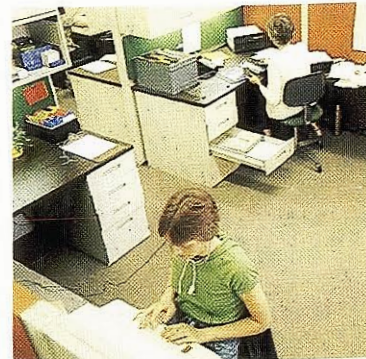
After the Labor Day weekend, 1,600 employees moved from the old SWHO building, near the Texas Medical Center, to a new five-story facility four miles away. Dedication ceremonies were attended by dozens of Houston area community and business leaders.

The move to the new building has given new impetus to the SWHO commuter van pool program, one of the largest in Houston. The number of commuter vans, which are owned by the Company, is expected to increase to 21 in 1978.

Canadian Operations (CDNO) Toronto, Canada

Although Canada continued to be buffeted by severe economic, social, and political pressures throughout 1977, the year was one of exceptional achievement for Canadian Operations. Individual life insurance sales were a record \$872 million, up 4 percent over 1976, and group life sales reached an all-time high of \$1.38 billion, up 29 percent.

Despite the continuing climate of uncertainty resulting from the election of the pro-separatist Parti Québécois government in 1976, Prudential's sales and in-



vestment operations in Quebec remain strong and healthy. The Company has complied with the legislative and regulatory policies concerning business in the province, and the Quebec government has publicly praised Prudential as being "an excellent corporate citizen." Purchase by PIC Realty Canada Limited of the well-known Maison du Commerce office building in downtown Montreal will permit the consolidation in one location of our existing Quebec operations, which will create a more visible presence for Prudential.

A program of meetings between CDNO executives and key opinion leaders was begun, and the resulting interchange of views proved extremely beneficial. The program will be continued and expanded.

Major emphasis was also placed on the professional development of CDNO staff during 1977. Thirteen employees, a record number, earned the designation of Fellow, Life Management Institute.

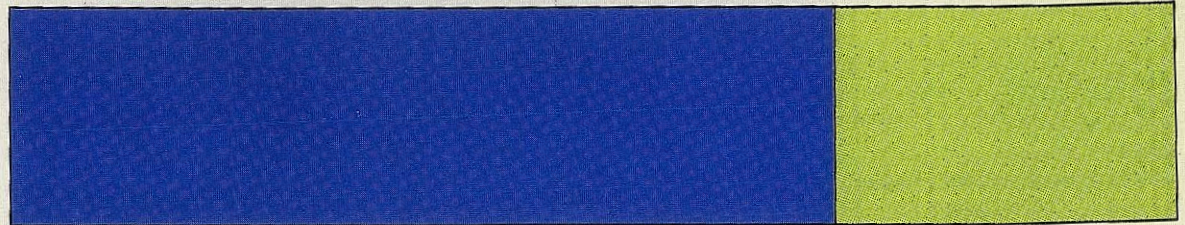
Financial Statements

Income Dollar
Statement of Financial Condition
Summary of Operations
Statement of Changes
Investment Yields
Notes to Financial Statements
Accountants' Report

Income Dollar Sources and Applications

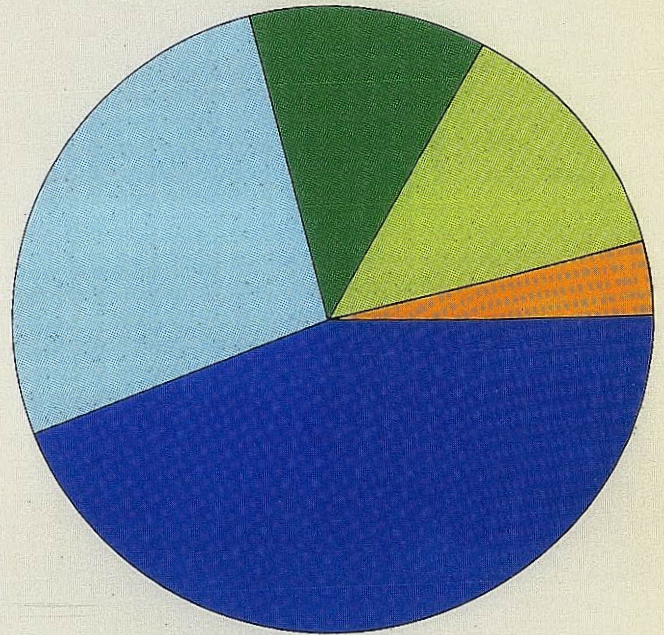
Income Dollar:

- Investment income (after investment expenses and taxes). . . . 29¢
- Insurance premiums and annuity considerations 71¢



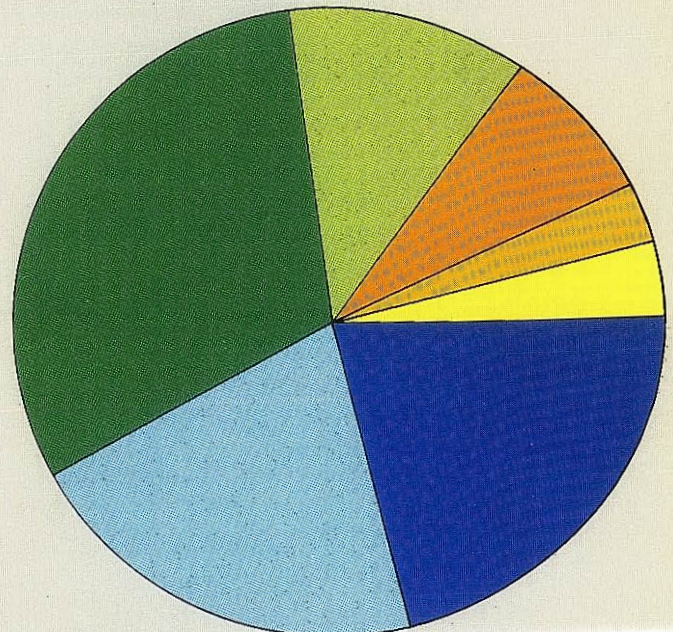
And How it Was Used:

- Insurance and income taxes 4¢
- Operating expenses 13¢
- Dividends to policyowners 12¢
- Added to reserves for protection of policyowners 27¢
- To policyowners and beneficiaries (excluding dividends) 44¢



Percentage Distribution of Benefits Paid:

- Interest and other 4%
- Matured endowments 3%
- Surrenders 8%
- Annuity payments 12%
- Health claims 31%
- Dividends 21%
- Death claims 21%



Statement Of Financial Condition

	December 31,	
	1977	1976
	(In Millions)	
Assets		
Bonds	\$18,761	\$16,523
Preferred stocks	1,326	1,161
Common stocks	1,741	1,917
Investment in stock of subsidiaries	656	718
Mortgage loans on real estate	12,466	12,315
Real estate { Investment	1,408	1,433
Occupied by Company	216	198
Loans on policies	2,221	2,071
Other loans and investments	651	546
Cash and temporary investments	232	339
Net premiums secured by policy reserves	1,474	1,351
Investment income due and accrued	623	532
Separate Account assets { Common stocks	3,125	3,454
Real estate and other assets	1,469	1,094
Other assets	55	49
	<u>\$46,424</u>	<u>\$43,701</u>
Liabilities and Surplus		
Insurance and annuity reserves	\$37,142	\$35,249
Other policy reserves	499	480
Policy and contract claims	671	617
Reserved for policy dividends	928	841
Other policy liabilities	4,577	3,980
Accrued taxes	105	120
Other liabilities	134	111
Mandatory securities valuation reserve	423	494
Margin for protection of policyowners { Special contingency reserve	\$ 625	
Unassigned surplus	1,320	
	<u>1,945</u>	<u>1,809</u>
	<u>\$46,424</u>	<u>\$43,701</u>

Statement Of Changes

	Year ended December 31,	
	<u>1977</u>	<u>1976</u>
	(In Millions)	
Source of Funds		
From application of income	\$ 280	\$ 90
Increase in insurance and annuity reserves	1,880	2,740
Net change in other non-cash items	1,056	588
From investments sold, matured or repaid { Bonds and stocks	1,346	1,085
{ Mortgage loans and real estate	1,011	835
{ Separate Account assets	199	224
	<u>\$5,772</u>	<u>\$5,562</u>

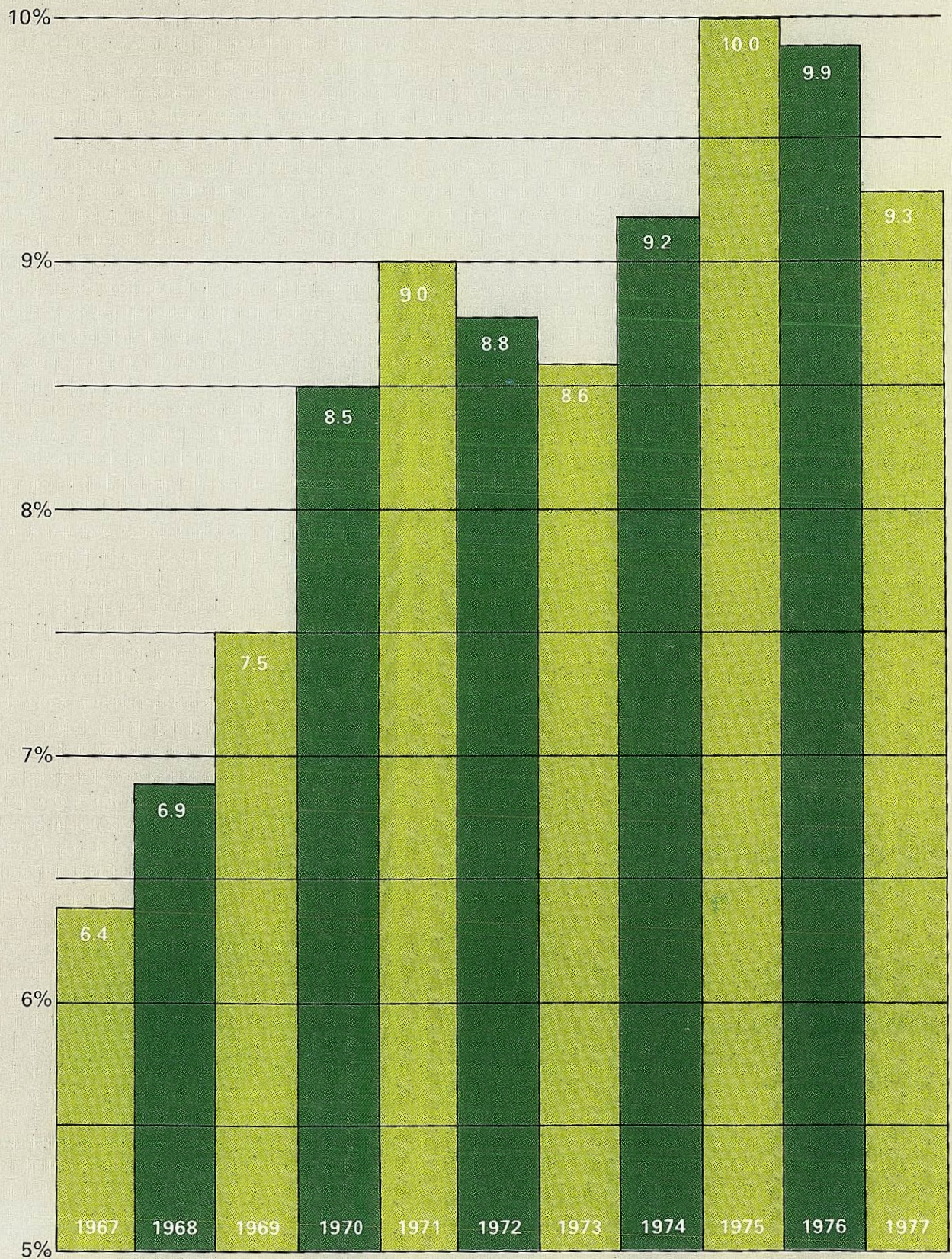
Summary Of Operations And Margin For Protection Of Policyowners

	Year ended December 31,	
	1977	1976
	(In Millions)	
Income		
Insurance premiums and annuity considerations	\$7,072	\$6,404
Investment income (net of related expenses of \$419 million in 1977 and \$341 million in 1976)	2,840	2,500
Net realized and unrealized capital gains (losses) on Separate Accounts	(465)	554
	<u>\$9,447</u>	<u>\$9,458</u>
Application of Income		
Paid or credited to policyowners and beneficiaries (including dividends of \$1,192 million in 1977 and \$1,115 million in 1976)	\$5,577	\$5,091
Increase in insurance and annuity reserves to provide for future payments to policyowners and beneficiaries	1,880	2,740
Addition to the margin for protection of policyowners	280	90
Total paid to or set aside for the protection of policyowners and beneficiaries	<u>7,737</u>	<u>7,921</u>
Insurance operating expenses	1,280	1,132
State premium and other insurance taxes	144	126
Income taxes (including foreign taxes of \$12 million in 1977 and \$16 million in 1976)	286	279
	<u>\$9,447</u>	<u>\$9,458</u>
Change in the Margin for Protection of Policyowners		
From application of income (see above)	\$ 280	\$ 90
Net realized and unrealized capital losses on other than Separate Accounts of \$215 million (\$239 million gain in 1976) less decrease in mandatory securities valuation reserve of \$71 million (\$320 million increase in 1976)	(144)	(81)
Margin for protection of policyowners, beginning of year	1,809	1,800
Margin for protection of policyowners, end of year	<u>\$1,945</u>	<u>\$1,809</u>

In Financial Position

	Year ended December 31,	
	1977	1976
	(In Millions)	
Application of Funds		
Investments acquired { Bonds and stocks	\$3,657	\$4,114
{ Mortgage loans and real estate	1,256	948
{ Separate Account assets	636	568
Net increase in miscellaneous assets	330	69
Increase (decrease) in cash and temporary investments	(107)	(137)
	<u>\$5,772</u>	<u>\$5,562</u>

Gross Yield on New Fixed Income Acquisitions



Notes To Financial Statements

Years Ended December 31, 1977 And 1976

Accountants' Report

- The financial statements have been prepared in accordance with accounting practices prescribed or permitted by insurance regulatory authorities except as modified by the inclusion in application of income of certain items which have the net effect of increasing application of income by \$84 million in 1977 and \$76 million in 1976 and which otherwise would have been shown as changes in the margin for protection of policyowners. Such modifications include:

	1977	1976
	(In Millions)	
Adjustment to policy and contract reserves due to changes in valuation bases	\$140	\$ 98
Funding of The Prudential Foundation	(50)	—
Federal income tax and interest thereon applicable to prior years	42	1
Contribution to Company pension plan for prior service cost	(29)	(18)
Other	(19)	(5)
	<u>\$ 84</u>	<u>\$ 76</u>

A. Asset values are stated principally as follows: bonds and mortgage loans at amortized cost; preferred stocks at cost; common stocks at market value; real estate at cost less accumulated straight-line depreciation (\$394 million in 1977 and \$375 million in 1976) and encumbrances (\$154 million in 1977 and \$109 million in 1976); investments in stock of subsidiaries at equity in net assets, (the changes in net assets, excluding amounts invested, are included in net realized and unrealized capital gains); Separate Account assets at market value. Mortgage loans on real estate include \$1,175 million in 1977 and \$890 million in 1976 outstanding with joint ventures of a subsidiary and with partnerships in which the Company has invested.

B. Foreign exchange gains and losses, which result principally from the translation of the financial statements of Prudential's Canadian operations into U.S. dollars, are included in net realized and unrealized capital gains and losses.

C. A mandatory securities valuation reserve is provided out of the margin for protection of policyowners based upon statutory formula.

D. Reserves for life insurance policies and individual annuity contracts are maintained on the net level annual premium method except for certain individual life policies sold since 1974 which are on a modified reserve valuation method which reaches the net level premium reserve by the end of the tenth policy year. Reserves for group annuity contracts are maintained on the net single premium method.

E. Premiums are recognized as income over the premium paying period of the policy whereas expenses, including acquisition costs such as commissions in connection with acquiring new business, are charged to operations as incurred.

F. Federal income taxes, under provisions of the Internal Revenue Code relating to life insurance companies, are based upon taxable investment income (\$642 million in 1977 and \$569 million in 1976) consisting of investment income less related expenses, exclusions (primarily interest on policy and other contract liability requirements) and deductions. Investment tax credits are used as they occur to reduce Federal income taxes.

- Assets in the amount of \$1,244 million at December 31, 1977 and \$1,197 million at December 31, 1976 were on deposit with governmental authorities or trustees as required by law.
- The Company has a pension plan covering substantially all employees. The cost of the plan, including amortization of prior service cost, is funded currently and amounted to \$78 million in 1977 and \$64 million in 1976 and is included as part of the insurance and investment expenses.

*To the Board of Directors of
The Prudential Insurance
Company of America*

We have examined the statements of financial condition of The Prudential Insurance Company of America as of December 31, 1977 and 1976, and the related summaries of operations and margin for protection of policyowners and statements of changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial condition of The Prudential Insurance Company of America at December 31, 1977 and 1976, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Touche Ross & Co.
Certified Public Accountants*

*Newark, New Jersey
February 28, 1978*



Members of Prudential's Board of Directors at monthly meeting. At far left end of table are Donald S. MacNaughton, chairman and chief executive officer, and Robert A. Beck, president and chairman-elect (at MacNaughton's right). Several other members of top management also are seated at table.

Board Of Directors

As of December 31, 1977

The business of the corporation is managed by a Board of Directors of 24 members, all of whom are policyowners. Six, called Public Directors, are appointed by the Chief Justice of the Supreme Court of New Jersey. Sixteen are elected by the policyowners. The Chairman of the Board and Chief Executive Officer and the President are ex-officio directors.

Orville E. Beal
Former President, The Prudential Insurance Company of America

Robert A. Beck, CLU
President, The Prudential Insurance Company of America

William T. Cahill
Counselor at Law – Partner, Cahill, McCarthy and Hicks

C. Malcolm Davis
Chairman of the Board, Fidelity Union Bancorporation

John E. Deitrick, M.D.
Former Dean, Cornell University Medical College

Fairleigh S. Dickinson, Jr.
Former Chairman of the Board, Becton, Dickinson & Company

Adrian M. Foley, Jr.
Counselor at Law – Partner, McElroy, Connell, Foley & Geiser

Margery S. Foster
University Professor of Economics, Rutgers University

Paul A. Gorman
Former Chairman of the Board and President, International Paper Company

Robert R. Herring
Chairman of the Board and Chief Executive Officer, Houston Natural Gas Corporation

Frank J. Hoenemeyer
Executive Vice President, The Prudential Insurance Company of America

Donald S. MacNaughton
Chairman of the Board and Chief Executive Officer, The Prudential Insurance Company of America

James P. McFarland
Former Chairman of the Board, General Mills, Inc.

Roger H. McGlynn
Counselor at Law – Partner, Lum, Biunno & Tompkins

Robert B. Meyner
Counselor at Law – Senior Partner, Meyner, Landis & Verdon

Albert G. Mumma
Former Chairman of the Board, Worthington Corporation

Samuel R. Pierce, Jr.
Counselor at Law – Partner, Battle, Fowler, Lidstone, Jaffin, Pierce & Kheel

Donald E. Procknow
President and Chief Executive Officer, Western Electric Co.

Robert M. Schaeberle
Chairman of the Board and Chief Executive Officer, Nabisco, Inc.

Sydney G. Stevens
Former Chairman of the Board, New Jersey National Bank

Richard M. Thomson
President and Chief Executive Officer, The Toronto-Dominion Bank

E. Hornsby Wasson
Former Chairman of the Board and Chief Executive Officer, Pacific Telephone & Telegraph Co.

Lloyd B. Wescott
Former President, New Jersey State Board of Control, Department of Institutions and Agencies

David L. Yunich
Former Chairman, Metropolitan Transportation Authority – State of New York, and Former Vice Chairman of the Board, R.H. Macy & Company, Inc.

Committees Of The Board *

Executive Committee

Robert B. Meyner, *Chairman*
William T. Cahill
John E. Deitrick
Fairleigh S. Dickinson, Jr.
Roger H. McGlynn
Albert G. Mumma
Lloyd B. Wescott

Two other members of the Board rotate on this Committee. Chairman of the Finance Committee is a member ex-officio.

Finance Committee

Sydney G. Stevens, *Chairman*
Orville E. Beal
C. Malcolm Davis
Margery S. Foster
Paul A. Gorman
Samuel R. Pierce, Jr.
David L. Yunich

Two other members of the Board rotate on this Committee. Chairman of the Executive Committee is a member ex-officio.

Committee on Dividends

C. Malcolm Davis, *Chairman*
Margery S. Foster
Paul A. Gorman
Robert B. Meyner
Sydney G. Stevens
David L. Yunich

Committee on Nominations

E. Hornsby Wasson, *Chairman*
Orville E. Beal
C. Malcolm Davis
John E. Deitrick
James P. McFarland
Albert G. Mumma
Donald E. Procknow

Committee on Salaries

David L. Yunich, *Chairman*
Orville E. Beal
Fairleigh S. Dickinson, Jr.
James P. McFarland
Roger H. McGlynn
Samuel R. Pierce, Jr.
Robert M. Schaeberle
Richard M. Thomson
E. Hornsby Wasson
Lloyd B. Wescott

Auditing Committee

Albert G. Mumma, *Chairman*
John E. Deitrick
Paul A. Gorman
James P. McFarland
Robert B. Meyner
Robert M. Schaeberle
Sydney G. Stevens
Lloyd B. Wescott

*The Chairman of the Board and Chief Executive Officer is ex-officio a member of all standing committees except the Auditing Committee.

Senior Officers

As of December 31, 1977

Donald S. MacNaughton
Chairman and Chief Executive Officer

Robert A. Beck, CLU
President

Frank J. Hoenemeyer
Executive Vice President (Investments)

John K. Kittredge, CLU
Executive Vice President (Administration)

Duncan Macfarlan, CLU
Executive Vice President (Individual Insurance Marketing)

David J. Sherwood
Executive Vice President (Group and Diversified Operations)

Floyd H. Bragg, CLU
Senior Vice President (North Central Home Office)

John D. Buchanan, Jr., CLU
Senior Vice President (South-Central Home Office)

Edgar F. Bunce, Jr.
Senior Vice President (Common Stock)

Raymond A. Charles
Senior Vice President (Corporate Finance)

E. Carroll Gerathy, CLU
Senior Vice President (Corporate Services)

James R. Gillen
Senior Vice President and Associate General Counsel

William Ingram
Senior Vice President (Mid-America Home Office)

James B. Jacobson, CLU
Senior Vice President (Western Home Office)

Donald R. Knab
Senior Vice President (Real Estate Investment)

W. James D. Lewis, FSA
President (Canadian Operations)

William P. Lynch, CLU
Senior Vice President (District Agencies)

John J. Marcus, CLU, FSA
Senior Vice President (Insurance Services)

Meyer Melnikoff, FSA
Senior Vice President and Actuary (Group Pension)

Joseph J. Melone, CLU
Senior Vice President (Public Affairs)

Richard G. Merrill, CLU
Senior Vice President (Southwestern Home Office)

A. Douglas Murch, CLU, FSA
Senior Vice President (Computer Systems and Services)

E. William Nash, Jr., CLU
Senior Vice President (Ordinary Agencies)

Kenneth C. Nichols, CLU
Senior Vice President (Eastern Home Office)

Lesley L. Ralson, CLU
Senior Vice President (Group Insurance)

Robert J. Scales, CLU
Senior Vice President (Northeastern Home Office)

Robert W. Smith, CLU
Senior Vice President (Personnel)

John B. Stoddart, Jr.
Senior Vice President and General Counsel

Julius Vogel, FSA
Senior Vice President and Chief Actuary

Clifford H. Whitcomb
Senior Vice President and Comptroller

Robert C. Winters, FSA
Senior Vice President (Central Atlantic Home Office)

Isabelle L. Kirchner
Vice President and Secretary

Bryan Wilson, CLU
Vice President and Treasurer

Notice Of Election

The Prudential Insurance Company of America is a mutual life insurance company incorporated under the Laws of the State of New Jersey with its principal office in the City of Newark, New Jersey. By statute, Prudential's Board of Directors consists of twenty-four persons including the Chairman and President, who are ex-officio directors. There are six public directors who are appointed by the Chief Justice of the Supreme Court of New Jersey, and sixteen directors who are elected by Prudential policyholders for terms of four years. The policyholders elect four directors each year in an election held at the principal office at the address below on the first Tuesday in April from 10 a.m. to 2 p.m. A policyholder whose contract has been in force for one year and who, if an individual, is at least 18 years old, may vote either in person or by mail. Mail ballots may be obtained by writing to the Secretary, The Prudential Insurance Company of America, Prudential Plaza, Newark, New Jersey 07101 no later than 60 days prior to the date of the election. The law requires that the request for a ballot must contain the policyholder's name, address, contract number and, if an individual, the date of birth.

MacNaughton To Retire



Donald S. MacNaughton, chairman and chief executive officer of Prudential for the past nine years, will retire on September 1.

Under his strong and farsighted leadership, Prudential has grown significantly. Life insurance sales have tripled. The amount of life insurance in force has more than doubled, and the Company's total assets have increased by nearly \$20 billion.

He has led Prudential into new fields, broadening our operations and expanding the services we offer. Today, as a result of the new directions he set for the Company, Prudential is a true multi-lines insurance company, with 14 subsidiaries and an increasingly diversified and international business.

Much that Prudential has done to help meet the social needs of our communities and nation reflects his own deep personal concern and his outspoken commitment to the larger responsibilities of business.

He will be succeeded as chairman and chief executive officer by Robert A. Beck, president of Prudential since 1974.

