

SESS. II.—1879.
NEW ZEALAND.

GOVERNMENT INSURANCE COMMISSIONER
(ANNUAL REPORT OF THE).

Prepared for presentation to the General Assembly in pursuance of Section 41 of "The Government Insurance and Annuities Act, 1874."

Government Insurance Office, Wellington, 6th September, 1879.
In submitting this, the Tenth Annual Report of the Government Insurance Commissioner, I have the honor to announce the continued and satisfactory progress of the Department. In the report of the immediately preceding year it was stated that the new business during that period had been greater than in any previous twelve months. I am gratified to be able to state that, notwithstanding the financial and commercial depression which has been experienced in the year now reported on, the new business of the office, which had shown a falling away during the first six months of the year, has in the whole period advanced even somewhat beyond the amount which marked the new business of the preceding and, in the commerce of the colony, much more prosperous year.

NEW BUSINESS.

The new proposals received during the year numbered in all 2,767 for the gross sum of £971,461. Of these, 696 were either declined or were not completed. New policies were issued to the number of 2,071, representing an assured amount of £686,283. The following tabular statement contains the particulars of these completed policies:—

Class.	No. of Policies.	Sum Assured.	Single Premiums.	Annual Premiums.
		£	£ s. d.	£ s. d.
Assurance	2,047	660,728	926 13 8	21,193 3 6
Endowment	20	25,555	...	154 12 0
Annuity	4	£263 10s. 1d. per ann.	3,049 0 7	...
Total	2,071	686,283	3,975 14 3	21,347 15 6
Add Single Premiums ... ..	...	...	...	3,975 14 3
TOTAL NEW PREMIUMS				£25,323 9 9

CLAIMS.

Death claims were made during the year under 82 life policies, amounting to £30,100. These claims arose through the death of 75 persons. This shows a larger mortality than has occurred in the experience of the department in any former year. At the same time it should be noted that the amount paid per claim is more than 10 per cent. under the average of preceding years, while the number of policies has very largely increased. Numerous as these deaths have been they are still considerably below the rate of mortality on which the insurance tables are calculated. One remarkable circumstance in relation to the claims which have arisen is the fact that, of the total number of deaths of assured persons (75 in all), no fewer than 17, or 22½ per cent., were caused by sudden and unexpected accidents. Seven of these casualties were deaths by drowning, and five arose from accidents connected with horses. The sums which became payable by the department to the representatives of the victims of these accidents amounted to £6,400, or fully a fifth of the whole amount payable for death claims in the period reported on. The provision made by the persons assured has in many of these cases saved their representatives from the pressure of poverty.

POLICIES DISCONTINUED.

The subjoined table shows the number of policies discontinued during the year. These have been more than usually large—especially in the number of lapsed policies—a circumstance due chiefly to the stagnation in business, and the consequent scarcity of money which marked the year:—

How Discontinued.	No. of Policies.	ASSURANCE BRANCH.		No. of Policies.	ENDOWMENT BRANCH.		No. of Policies.	ANNUITY BRANCH.		No. of Policies.	INDUSTRIAL BRANCH.	
		Sum Assured.	Annual Premiums.		Sum Assured.	Annual Premiums.		Amount of Annuity p annum.	Annual Premiums.		Sum Assured.	Annual Premiums.
		£	£ s. d.		£	£ s. d.		£	£ s. d.		£ s. d.	£ s. d.
By death ...	82	30,100	1,016 7 4	...	...	...	1	40	...	1	100 0 0	4 6 8
" maturity ...	...	...	...	2	200	11 17 4	...	...	...	...	...	...
" surrender ...	60	30,150	1,016 5 5	2	300	26 7 0	...	...	...	21	2,353 4 0	81 13 8
" lapse ...	404	138,639	4,200 17 3	5	1,000	58 2 7	...	...	...	11	1,047 6 0	36 12 4
" expiry ...	...	...	...	1	100	7 3 0	...	...	...	...	...	...
" reduction ...	...	1,650	39 11 3	...	...	...	...	...	...	...	...	...
" cancellation ...	1	425	13 2 10	...	...	...	...	...	...	...	...	...
" transfer to ordinary branch ...	...	...	...	...	...	...	...	...	...	27	3,028 19 0	108 19 8
Total ...	547	200,964	6,286 4 1	10	1,600	103 9 11	1	40	...	60	6,529 9 0	231 12 4

TOTAL BUSINESS.

The policies issued for the nine and a half years during which the department has been in operation number 12,896, assuring the sum of £4,533,733. Of these policies, 2,582 have been discontinued by lapse, surrender, death of the assured, or otherwise; and there were at the close of the financial year 10,314 existing policies, assuring £3,744,997.

ACCOUNTS.

Appended to this report are the accounts for the year under review, in the form prescribed by law. The year's income, derived from all sources (including £450 12s. 5d. from the Industrial Branch), was £133,072 14s. 10d., showing an increase of £21,234 13s. 11d. over that of the previous year. The accumulated funds of the department, as at 30th June last, amounted to £372,654 14s. 5d., giving an increase during the period of £79,592 10s. 4d. In view of the trade depression already referred to, this increase cannot be deemed other than satisfactory, as showing the continued progress of the department and the spread of a prudent thrift among the inhabitants of the colony.

The ratio that the expenses of management for the year (including commission) bear to the premium income, shows a reduction of nearly one and a half per cent. as compared with that of the previous year.

INDUSTRIAL BRANCH.

From this branch the policies continue to be transferred to the ordinary branch, as occasion serves. A payment of £100 was made during the year, arising from the death of one policy-holder.

GENERAL REMARKS.

In one of his annual reports a former Commissioner (the Hon. Mr. Gisborne), after referring to the fact that the profits arising from the transactions of the department were thenceforward to be divided periodically among policy-holders, remarked that "the State is satisfied with the recompense which it derives from the increase of provident habits and the decrease of destitution among its people, while the insurer receives the more immediate advantage." Speaking of the success of the system, he viewed it as "a social object of inestimable worth," and one which should be "carefully cherished," inasmuch as "the whole community collectively, and members of it individually, are directly interested in that success, and directly share in the gain."

It has been my object to extend the sphere of these advantages, and arrangements have been made by which further facilities for assurance have been placed before persons employed on the railways of the colony and otherwise, many of whom have promptly availed themselves of the opportunities thus offered for providing for the future welfare of their dependents, and also for securing endowments for themselves in their later years.

I entertain strong hopes that the steady progress of life assurance—a progress greatly fostered and maintained by the feeling of security given to the assured by the inviolable guarantee of the Legislature of the colony—will produce social advantages further-reaching in their influence than even the beneficial growth of that provident forethought of which life assurance is both a cause and an effect. Of late years it has been steadily inculcated in the public mind among all classes, and is becoming now almost universally recognized, that life assurance is a duty incumbent on every man who now has or is likely to have persons dependent upon him.

When it is generally understood that among the conditions of successful entry into an assurance institution that of a temperate life is a prominent qualification, a further social reform will receive an important stimulating impetus. When it is known that a person of intemperate habits, or having a tendency in that unwholesome direction, will seriously imperil, and, in most cases, actually destroy, the chances of his acceptance by an assurance office, there will in time, I believe, be induced the practice of a higher self-control, springing from a growing self-respect and from the sacred claims of domestic affection.

Allusion has been made to the Act of Parliament by the provisions of which the profits arising from the business of the department shall be divided quinquennially among the policy-holders. The first division of profits will, after an actuarial investigation, take place on the close of the financial year now current; that is to say, after 30th June, 1880, in accordance with the statutory enactment. The attractiveness of such division is not unnatural, in view of the charm

which generally attaches to what may be termed speculative gains. With regard to the profits yielded by the Government Insurance Department there is an element of certainty that should not be overlooked. From the very moment of the entrance of a policy-holder he is practically the recipient of an annual bonus in the shape of an immediate saving. This arises from the very low rate of premiums, which in this respect are unequalled by any British or Colonial institution of the kind, with one single exception, a Scottish office. In order to illustrate this immediate saving, the subjoined figures, referring to Australasian institutions, are copied from an elaborate and instructive table compiled by Mr. Morrice A. Black, the accomplished actuary of the leading Australian assurance society. The table gives examples of the rates of premium charged by different offices at age 35 for an assurance of £100 for the whole term of life by even annual premiums. The "net premium" is £1 19s. 5d., being that for a healthy male according to the table of the Institute of Actuaries. What is termed the "loading," as levied by the various offices, and to which special allusion is now made, is set forth in the table as given below:—

Name of Institution.	Premium charged per £100 at age 35.	Loading contributed.	Percentage of Loading on Premium charged.
	£ s. d.	£ s. d.	
Australian Mutual Provident Society	2 15 4	0 15 11	28·7
Mutual of Victoria	2 14 9	0 15 4	28·2
National Mutual (Victoria)	2 13 3	0 13 10	26·0
Mutual Life Association of Australia	2 12 7	0 13 2	25·0
Colonial Mutual of Victoria	2 11 9	0 12 4	23·8
Australian Widows' Fund	2 11 6	0 12 1	23·5
New Zealand Government... ..	2 7 2	0 7 9	16·5

The loading, *per se*, in all the six foreign cases enumerated ranges from 56 to 105 per cent. above the very moderate loading which marks the tables of this Department. Hence, the average policy-holder in the New Zealand Government Insurance Office receives an immediate advantage, as compared with what is offered by other Australasian institutions, extending to so much as 8s. 2d. on the premium payable for every £100 insured. In other words, between the two most prominent examples enumerated in the foregoing table, there is a difference in the rates of premium to the extent of fully 17 per cent., that difference in the case referred to being in excess of the rates charged by the Government Department. The advantage thus arising to the policy-holder in this office continues yearly during the whole term of the policy, and is practically equivalent to an annual bonus, for the money, instead of being paid away, is retained in the pocket of the assured person. This, together with the comfortable security afforded by the Government guarantee, and the fact of the profits being secured by law to the policy-holders, will largely account for the rapid growth and present position of the Government Insurance Department.

. D. M. LUCKIE,
Commissioner.

STATEMENTS OF ACCOUNTS.

SECOND SCHEDULE.

REVENUE ACCOUNT of the GOVERNMENT INSURANCE DEPARTMENT (Ordinary Branch) for the Year ended 30th June, 1879.

£	s.	d.		£	s.	d.
Amount of funds at the beginning of the year (as per last published Revenue Account)	292,523	2	4	Claims under policies, Assurance	30,300	0 0
Renewal premiums—Assurance, Annuity, and Endowment	100,725	17	5	Annuitants	1,845	16 7
New premiums on 2,071 policies, assuring £686,283, and yielding an annual revenue of £21,347 15s. 6d.	11,156	13	0	Surrenders	3,553	7 3
Single premiums—Assurance and Endowment	926	13	8	Commission, New	£3,315	11 8
Consideration for Annuities granted	3,049	0	7	„ Renewal	934	6 2
Interest	16,737	9	11			4,249 17 10
Fees	26	7	10	Expenses of Management—		
				Salaries, Head Office	4,496	4 8
				„ Branch Offices and Agents	3,169	17 2
				Medical fees	2,617	9 0
				Travelling expenses, Agents	1,515	13 6
				„ Others	116	3 10
				Advertising	203	8 0
				Printing and stationery	403	1 7
				Rent	65	12 0
				Postage	475	0 0
				Telegrams	68	16 0
				Exchange	12	14 6
				Office furniture, depreciation	76	0 0
				General expenses	86	6 1
						13,306 6 4
				Amount of funds at the end of the year (as per Third Schedule)	371,889	16 9
						£425,145 4 9
						£425,145 4 9

THIRD SCHEDULE.

BALANCE-SHEET of the GOVERNMENT INSURANCE DEPARTMENT (Ordinary Branch) on 30th June 1879.

LIABILITIES.			ASSETS.		
	£	s. d.		£	s. d.
Total Assurance, Endowment, and Annuity Funds (as per Revenue Account) ...	371,889	16 9	Loans upon policies ...	6,455	9 2
Claims announced, but not paid ...	8,681	16 4	Investments—Treasury Bills ...	243,400	0 0
Annuities due, but not paid 62 2 10			Office furniture, Head Office and Agencies...	687	10 10
Annuities unclaimed ... 600 0 0			Overdue premiums on policies in force ...	7,951	18 0
			Outstanding premiums, June, 1879 ...	8,194	9 3
	662	2 10	Interest outstanding ...	319	2 0
Commission (new) ...	857	1 10	Interest accrued, not due ...	4,308	10 5
Travelling expenses (Agents) ...	67	13 4		4,627	12 5
Medical fees ...	589	1 0	Agents' balances ...	92	19 5
Advertising ...	82	18 0	Cash in hands of Imprestees ...	£245	10 11
Printing and stationery ...	28	15 6	Cash on deposit ...	73,000	0 0
Salaries ...	91	13 4	Cash on current account ...	*40,209	11 7
General expenses ...	18	16 8		113,455	2 6
Premium deposits ...	1,133	17 7			
Industrial Branch ...	761	8 5			
	£384,865	1 7		£384,865	1 7

REVENUE ACCOUNT of the INDUSTRIAL BRANCH, 30th June, 1879.

	£	s. d.		£	s. d.
Amount of funds at the beginning of the year ...	539	1 9	Claims ...	100	0 0
Renewal premiums ...	402	14 3	Surrenders ...	73	17 4
Interest ...	36	19 0	Commission ...	35	7 2
Fees ...	3	2 2	Travelling expenses ...	15	12 0
Medical fee deposits confiscated ...	7	17 0	Amount of funds at the end of the year (as per Balance-sheet) ...	764	17 8
	£989	14 2		£989	14 2

BALANCE-SHEET of the INDUSTRIAL BRANCH, 30th June, 1879.

LIABILITIES.			ASSETS.		
	£	s. d.		£	s. d.
Total funds (as per Revenue Account) ...	764	17 8	Agents' balances ...	8	1 8
Commission ...	4	12 5	Due by Ordinary Branch ...	761	8 5
	£769	10 1		£769	10 1

* £34,000 of this sum consisted of deficiency bills falling due on 30th June, and was reinvested, along with other amounts, on 1st July.

Government Insurance Office,
Wellington 6th September, 1879.

D. M. LUCKIE,
Commissioner.

Examined and found correct.

JAMES EDWARD FITZGERALD,
Controller and Auditor-General.
September 22, 1879.