1881. NEW ZEALAND.

GOVERNMENT INSURANCE COMMISSIONER

(REPORT FOR THE YEAR ENDED 30TH JUNE, 1881, 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, 27th August, 1881.

In accordance with the provisions of the statute, I have the honor to Report as follows on the business of this Department for the financial year ended 30th June, 1881, and to submit the annual accounts of the office for the same period.

NEW BUSINESS.

The new business completed during the year has been effected in the face of a more than usually keen competition on the part of foreign offices, and also of repeated misrepresentations to which the Department has been subjected with respect to its position and prospects. The report of the Consulting Actuaries, which has now arrived from London, showing the profits obtained in the first ten years of the existence of the Department, affords perhaps the best refutation of the mistaken statements alluded to.

New proposals for the twelve months to 30th June last, numbered 2,306 for a total sum of £735,920. Of these, 516 were either declined by the Department or were not completed by the proposers,

New proposals for the twelve months to 30th June last, numbered 2,306 for a total sum of £735,920. Of these, 516 were either declined by the Department or were not completed by the proposers, and the remainder, numbering 1,790 proposals, became policies insuring the sum of £550,351, and representing a new premium income of £19,288 12s. 10d. In the subjoined table the particulars of this new business will be found narrated:—

| Premiums. | Annual Premiums |
|--------------|----------------------------------|
| s. d. o 3 | £ s. d 17,502 0 10 13 0 10 |
| | 17,515 1 8 |
| • | |

MORTALITY AND CLAIMS.

Death-claims which accrued in the year embraced 80 policies, and arose from the death of 70 insured persons. They amounted in all to £28,425. Among the number of claims are included 14, which arose from 13 deaths by accident, 9 of which were deaths by drowning, and of this last-mentioned number 4 persons (holding policies for an aggregate amount of £2,000) perished in the wreck of the steamship "Tararua" in April last; 2 of the claims were caused by the suicide of the policy-holders. The ratio of mortality continues greatly under the average expectancy

Policies Discontinued,

The table given below shows larger numbers than in former years, partly as a consequence of the growth of the numbers insured, and partly owing to the general depression experienced in the colony, and the other causes already spoken of, producing a greater than usual proportion of lapses, chiefly through inability of policy-holders to maintain their policies in force.

| Mode of Termination. | Policies. | Assura | ince Policies. | Policies. | Endowm | ent Policies. | Policies. | Annuity | Policies, | Policies. | Industrial | Policies. |
|---|--------------------------------|-----------------|--|------------------|-----------------|---------------------------------------|-----------|-----------------------|---------------------|-----------|-----------------|--------------------|
| and or Termination. | No. of | Sum Assured, | Annual Premiums, | No. of | Sum Assured. | Annual Premiums. | Jo | Amount of Annuity, | Annual Premiums. | ō. | Sum Assured. | Annual Premiums |
| By death , maturity , surrender , lapse , expiry , reduction , cancellation , transfer to or- | 80 1 143 795 6 | 60,901 | £ s. d. 938 8 10 9 10 3 2,117 1 8 7,853 4 0 369 16 4 273 4 9 22 17 2 | 6 3 2 1 | 655 400 | £ s. d 50 14 8 19 0 10 10 16 6 12 5 0 | | £ | £ s. d | | £ s. d | . £ s, d |
| dinary branch Total decrease | 1,027 | 367,904 | 11,584 3 0 | 12 | 1,455 | 92 17 0 | | | | I 1 | | 39 0 |

TOTAL BUSINESS.

At the close of the year now reported on, there were in force 12,447 policies, assuring a sum of £4,355,777.

Accounts.

The accounts for the year in the form prescribed by regulation, and certified by the Audit Office, are appended to this report. These accounts show the income of the Department for the year from all sources (including £208 15s. 6d received in the Industrial Branch) to be £156,824 5s. 11d., giving an increase on the year's income of £10,371 14d. 8d. as compared with the year preceding.

ACCUMULATED FUNDS AND THEIR INCREASE.

The funds of the Department, which are promptly invested as they accrue, amounted at the end of the year to £557,230 11s. 10d., being an increase of £97,894 14s. 10d. since 30th June, 1880. The interest received on the invested funds for the twelve months amounted to £26,505 13s. 7d, or within £2,000 of the sum payable for the death-claims arising for the same period. The rapid advance of the accumulated fund year by year is a noticeable feature in the history of the office.

The following figures (which omit fractional parts of a pound) will show how these accumulations

have grown during the past six years :-

| Year ended 30th June. | | Amount of Funds. | | Increase on previous Year. |
|-----------------------|---|------------------|----|----------------------------|
| 1876 | • | £153,717 | | £43,750 |
| 1877 | | 219,394 | | 65,677 |
| 1878 | | 292,523 | •• | 73,129 |
| 1879 | | 371,889 | | 79,366 |
| 1880 | | 459,335 | | 87,446 |
| 1881 | | 557,230 | | 97,895 |

In the three years ended on 30th June, 1881, the Funds at the credit of the Department have risen from £292,523 to £557,230, being an increase of £264,707 or upward of 81 per cent. of an addition for the three years. These figures are exclusive of the Funds at the credit of the Industrial Branch, which amount to £829 13s. 9d.

EXPENSES OF MANAGEMENT

As heretofore, the expenses of management continue low, being for the year reported on slightly under 15 per cent. of the premium income, which is an extremely low ratio for an office that has existed less than twelve years.

THE QUINQUENNIAL INVESTIGATION, AND DIVISION OF BONUS.

Herewith will be presented the Valuation Report of the Consulting Actuaries, Mr. Bailey and Mr. Hardy, of London, to whom were submitted the official data on which their valuation is founded. These data were prepared and collated under the immediate superintendence of Mr Knight, the Actuary of the Department, and their accuracy was carefully verified and certified to by Mr F W Frankland, the Actuary in the Government Statist's Department, prior to their being transmitted to London.

The testimony borne by Messrs Bailey and Hardy, whose eminence in their profession is well known,

to the success and condition of this Department, is a circumstance that cannot fail to be gratifying. It is also satisfactory to learn that these gentlemen concur with the Actuary of the Department both as to the basis of the Valuation and the mode of distributing the surplus, the sum recommended for division by each Valuation being also nearly approximated the latter advising that £56,000 be divided, while the Consulting Actuaries recommend for division "a sum not exceeding £60,000." Section 45 of the Act, under which the Consulting Actuaries were appointed, provides that the sum recommended for division, or such less sum as shall be fixed by resolution of both Houses of the General Assembly as the amount for division, shall be divided amongst policy-holders according to such scheme as shall be approved by such resolution.

Immediately the amount to be divided has been determined, and the scheme of distribution approved by Parliament, the requisite calculations for allotment will be proceeded with. When these are completed, notices of the bonuses allocated will be sent to the respective policy-holders. As the latter are numerous, and the calculations laborious, some weeks must elapse before the work can be accomplished. It will, however, be pressed on with all possible speed.

GENERAL REMARKS.

The New Zealand Government Insurance Department is the first institution of the kind originated by a Government that has achieved a marked success. Causes similar to those which led to the establishment of Post Office Savings Banks in Great Britain induced the Home Government to set on foot a system of Government Life Insurance. A recent writer, referring to the action of the British Postmaster-General with respect to increasing facilities for inducing habits of provident saving among the people of Great Britain, speaks of the necessity for devising means for popularizing life insurance. He says,—

"The fault of the Post Office hitherto is that it has not been sufficiently enterprising in this direction. Its attitude towards insurers has been one of entire indifference—the indifference of a Government department. If something of the temper of an insurance office which has its way to make in the world could be infused into it some better result might perhaps be arrived at. If it is worth the while of the Government to invite insurers at all, it must be worth its while to secure them as well as to bid for them."

The spirit and temper here referred to have characterized the action of this Department, and, although that action has undergone antagonistic criticism,—all the less considerate because a Government department was deemed a fair mark for opposition,—the results, as displayed by the Valuations

now published, might fairly be left to bear their own unaided testimony

Evidences are not wanting to show the interest with which the success of such an experiment as that of the establishment of this Department is elsewhere regarded. Other Governments have heard of its progress, and from time to time official inquiries have been made with respect to its condition and working. Amongst these, were inquiries on behalf of the Government of the German Empire, the Dominion of Canada, and, more recently, of the Kingdom of Belgium and the sister Colonies of South Australia and Tasmania. Copies of the principal forms, the laws, regulations, tables, reports, and other documents of the Department have been supplied in response to these applications.

In the Actuarial Reports will be found full details of the business of the Department for the five years ended at the date of the last investigation, with all requisite tabular and other statements prepared in con-

formity with the provisions of the Act.

D. M. Luckie, Commissioner

REVENUE ACCOUNT of the GOVERNMENT INSURANCE DEPARTMENT (Ordinary Branch) for the Year ended 30th June, 1881.

| | £ | s. | d. | | £ | s. | d. | £ | s. | d. |
|--|-----------|-----|-----|----------------------------------|-------|----|----|---------|-----|----|
| Amount of funds on 1st July, 1880 | 459,335 | | | Claims under policies, Assurance | 9 | | | 28,425 | 0 | 0 |
| Renewal premiums Assurance, Annuity, | | • | | Endowments matured | | | | 755 | 0 | 0 |
| and Endowment | 119,570 | 3 | 2 | Annuities | | | | 2,086 | 0 | 6 |
| New premiums on 1,790 policies, assuring | | | | Surrenders | | | | 8,128 | 7 | 9 |
| £550,351, and yielding an annual revenue | | | | Commission, New | 5,068 | 17 | 8 | | | |
| of £17,515 is. 8d | 8,704 | 0 | 11 | ,, Renewal | 1,079 | 11 | 4 | | | |
| Single premiums-Assurance and Endow- | | | | | | | | 6,148 | 9 | O. |
| ment | 1,023 | | 2 | Expenses of Management,— | _ | | | | | |
| Consideration for Annuities granted | 750 | | | Salaries, Head Office | 4,871 | 10 | 6 | | | |
| Interest | 26,505 | | 7 | " Branch Offices | | | | | | |
| Fees | 62 | 1 | 7 | and Agents | 1,176 | 7 | 3 | | | |
| | | | | " Extra clerical | | | | | | |
| | | | | assistance | 421 | | | | | |
| | | | | Medical fees | 2,038 | | I | | | |
| • | | | | Travelling expenses | 479 | | | | | |
| | | | | Advertising | 216 | | 0 | | | |
| | | | | Printing and stationery | 842 | | | | | |
| | | | | Rent | 350 | | 0 | | | |
| | | | | Postage | 475 | 0 | 0 | | | |
| | | | | Telegrams | 132 | | | | | |
| | | | | Exchange | 93 | 16 | 0 | | | |
| | | | | Office furniture, depre- | 126 | _ | _ | | | |
| | | | | ciation | | | | | | |
| | | | | General expenses | 217 | 11 | 2 | | | |
| | | | | Compensation for loss of office | 4-0 | _ | _ | | | |
| | | | | | 559 | 5 | 9 | | | |
| | | | | Quinquennial valuation | | | | | | |
| | | | | expenses | 1,177 | 10 | | *** | . 0 | |
| | | | | Amount of funds on 30th June, | 1881 | | ; | 13,177 | | 10 |
| | | | | | | | - | | | _ |
| American Control | £615,951. | - 7 | - 5 | | | | F. | 515,951 | 7 | 5 |

BALANCE-SHEET of the GOVERNMENT INSURANCE DEPARTMENT (Ordinary Branch) on 30th June, 1881.

| LIABILITIES. | £ | s. | d. | Assets. | £ | s. | đ. |
|--|----------|-----|----|---|----------|----|----|
| Total Assurance, Annuity, and Endowment | | | | Loans on policies | 28,258 | 10 | 5 |
| Funds (as per Revenue Account) | 557,230 | 11 | 10 | Government securities | 470,500 | | ő |
| Claims announced, but not paid | 8,480 | 16 | 9 | Railway debentures (guaranteed by Govern- | /0 | | |
| Surrenders | 14 | 17 | ó | 1 5. | 40,000 | 0 | ٥ |
| Annuities (unclaimed) | 800 | | 0 | Municipal Corporation debentures | 2,500 | | ō |
| Commission (new) | 620 | 14 | 3 | | 1,328 | | ı |
| Medical fees | 88 | | ő | Overdue premiums on policies | -,5-0 | 3 | • |
| Sundry accounts owing | 96 | • | 2 | in force £6,143 7 3 | | | |
| Quinquennial valuation expenses (fees to | , | | | Outstanding premiums due in | | | |
| Consulting Actuaries) | 525 | 0 | ٥ | June, 1881 9,393 3 3 | | | |
| Premium deposits | 811 | | | 9,393 5 3 | 15,536 | | 6 |
| 2 Total Confession (1) | 0 | -9 | • | Interest accrued, not due | | | |
| | | | | Agente' balances | 2,993 | | |
| | | | | Cook on annuant account | 781 | | |
| | | | | Cash on current account | 6,769 | 14 | 3 |
| - | C-(0.((0 | | | | 0.60.665 | | |
| # | Ç568,668 | - 5 | 7 | 1 # | 568,668 | 5 | 7 |

Government Insurance Office, Wellington, 29th July, 1881.

D. M. Luckie, Commissioner.

Examined and found correct:

C. T BATKIN, Assistant Controller and Auditor. 13th August, 1881.

REVENUE ACCOUNT of the INDUSTRIAL BRANCH, 30th June, 1881.

| Amount of fu Renewal pres Interest | 1st July, | 1880 | £ 722 160 37 | • | | Surrenders Commission Amount of funds on 30th June | , 1881 | ••• | 76 | | 10 5 |
|--|---------------|----------|------------------|----|---|--|------------|-----|------|----|---------|
| | | | £921 | 10 | 0 | | | | £921 | 10 | 0 |

BALANCE-SHEET of the INDUSTRIAL BRANCH, 30th June, 1881.

| | | | | 1 | | | | |
|--------------------------------------|-----|--------|---|------|------------------|-----|----|----|
| LIABILITIES. | | £s | | | Assets. | £ | 8. | d. |
| Total funds (as per Revenue Account) | | 829 13 | 3 | 9 | Agents' balances | I | Q1 | 9 |
| Commission | ••• | 2 1 | 3 | | | 330 | 7 | ó |
| | | | | | - | | | |
| | | £832 € | 6 | 9 | £ | 832 | 6 | 9 |
| | | | _ | 4000 | | _ | | |

Government Insurance Office, Wellington, 29th July, 1881.

D. M. LUCKIE, Commissioner.

Examined and found correct:

C. T. Batkin, Assistant Controller and Auditor. 13th August, 1881.

By Authority: GEORGE DIDSBURY, Government Printer, Wellington.-1881.