

1889.
NEW ZEALAND.

ANNUAL REPORT

OF THE

GOVERNMENT INSURANCE COMMISSIONER

FOR THE YEAR ENDED 31st DECEMBER, 1888.

Presented to both Houses of the General Assembly pursuant to the Provisions of "The Government Insurance Amendment Act, 1874," "The Public Revenues Act, 1882," and "The New Zealand Government Life Insurance Act, 1886."

Government Life Insurance Office, Wellington, 1st July, 1889.

IN compliance with statutory provisions, I have the honour to submit the accounts of this department for the year ended the 31st December, 1888. Attached to the accounts are tabular statements, containing particulars of the policies issued and discontinued during the year, and also figures showing the progress of the department since its commencement, and the present position of its business.

NEW BUSINESS.

The proposals received and dealt with during the year numbered 3,933, representing the sum of £1,065,946 19s. 8d. The proposals which were completed and became policies were 2,957, insuring £785,092 15s., being £18,140 12s. 8d. in excess of the amount insured in 1887. Three hundred proposals were declined or deferred. The others failed of completion. The policies issued were classified thus: In the General Section, 2,546 assurance policies, amounting to £691,786 15s., and 15 endowment policies for £1,572; in the Temperance Section, 383 assurance policies, representing £91,734. Among the policies issued were 13 contracts for annuities, the consideration received for which was £2,795 13s. 7d., and the annual payments under them £312 10s. 8d. The new annual premiums payable under the assurance policies amounted to £21,853 15s. 1d. There was also the sum of £6,889 17s. 1d. received as single premiums and as the price of the annuities above specified.

During the year 1,793 policies for £524,830 were added to the Tontine Savings Fund Section, to the inauguration of which reference was made in my last annual report as giving promise of marked success. The number of Tontine policies existing at the end of the year was 2,182, assuring £656,230. These figures show that the popularity expected to attach to this method of insurance, under which the policies of longest duration will secure fullest benefits, has been fully realised. I may remark here that to the energy of the Inspector and Superintendent of branches, and of various active agents under his supervision, a large measure of the success attending the procuring of new business is attributable.

MORTALITY AND CLAIMS.

Death-claims arose under 216 policies through the decease of 196 insured persons, representing a sum assured, including bonus additions, of £69,435 8s. 4d. Claims on endowment assurances which had reached maturity numbered 24, and the amount payable, including bonus additions, was £6,612 4s. The number of children's endowments and investments matured was 16, covering the sum of £1,193 1s. 5d. Five annuitants, the annual payments to whom were £299 18s. 10d., died during the year. The amount paid as cash-value for reversionary bonuses surrendered was £2,697 10s. 4d.

Accidental deaths of assured persons were 33, equal to nearly 17 per cent. of the total mortality experienced, and representing £14,865, exclusive of bonuses, or nearly 23 per cent. of the total amount of sum assured paid for death-claims. This sum is, of course, included in the gross amount specified in the last-preceding paragraph. Of the 33 accidental deaths, 9 were caused by drowning and 5 by suicide.

ANNUAL INCOME AND INTEREST.

The accounts, which are certified by the Controller and Auditor-General, show that the total income for the year was £282,200 15s. 1d., which is an increase, as compared with the income of the preceding year, of £13,828 8s. 8d. Interest on funds invested amounted to £73,421 0s. 7d., which is £7,040 19s. 6d. more than the interest for the previous year. The average rate of interest on the funds is £5 5s. 7d. per cent., showing an advance on the rate realised in the previous year, and an increase of 5s. 10d. on the percentage obtained in 1886.

THE ACCUMULATED FUND.

On the 31st December, 1888, the Accumulated Fund amounted to £1,452,478 14s. 8d. This represents an increase of £123,985 8s. 6d. to the funds during the year.

GENERAL REMARKS.—PROGRESS OF LIFE INSURANCE.

It is now nearly twenty years since the establishment of this department in 1869, when the first Act was passed. The first policy issued from the office was dated 26th March, 1870. In June, 1871, the funds amounted to the comparatively small sum of £5,045; in June, 1875, the end of the first quinquennial period, they were £109,968; in June, 1880, after the second quinquennium, they had risen to £459,336; at the close of 1885 they reached £1,102,035; at the end of 1888, the year now reported on, they were, as the accounts show, £1,452,478; and at the date of this report, 1st July, 1889—the eleventh report I have had the honour to furnish—they exceed one and a half millions. This growth of the funds is eminently satisfactory, especially considered in relation to the cash surpluses which have periodically accrued, as shown by the last two quinquennial investigations, amounting to £73,670 in 1880, and £242,556 in 1885. Of these sums, reversionary bonuses were added to the policies of £124,552 for the period ended in 1880, embracing the first ten years of the department; and £319,391 as at the end of 1885, a period of five and a half years; while, in addition to ample reserves otherwise set apart by the investigating Actuaries, there was a further reserve of £92,556 in cash carried forward for future operations.

These figures prove that the establishment of the institution nearly twenty years ago has, in the interval, and particularly during the last decade, been duly appreciated by the people of this colony. It is not less gratifying to know that the department continues to grow in favour. With such funds and such profits the sound financial condition of the office is assured. But, in addition to these pecuniary benefits, there is the all-important circumstance that the security of the State attaches to all policies issued by this department. To this latter advantage, especially valuable to the assured, a large portion of its popularity is undoubtedly due. It engenders in the minds of the assured a confident feeling that nothing can possibly occur which will deprive them or those they leave behind them of the advantages which their prudence and forethought have provided.

My report on the business of the year 1886 contained a brief history of the rise and progress of the department. The reasons for the inauguration of the institution were fully narrated in Parliament at the time the first Bill was introduced. These were, *inter alia* and mainly, the disastrous failures in life insurance institutions in Great Britain, and the grave losses which these failures had inflicted on numerous heads of families and their dependents. The necessity for providing State security for the assured in this colony was strongly insisted on by Sir Julius Vogel in introducing the measure, and was readily acknowledged by the Legislature of the day. It would appear that the failures of British offices in past years are now beginning to form a topic of fresh discussion among English public writers, and the question of State guarantee, similar to that attaching to this office, is not unlikely to be agitated. An article entitled "Life Insurance in 1889," by Mr. Montagu Gattie, is published in the *Universal Review* of 15th April last. In his opening sentences the reviewer says,—

"The recent collapse of the Briton Medical and General Life Association, and the Sovereign Life Assurance Company, and the equivocal nature of the transactions revealed by the subsequent investigations, constitute a sufficient apology for directing public attention to the methods in which the business of life assurance is now carried on. There is reason to fear that these disasters, deplorable enough in themselves, are the forerunners of still more serious trouble; already rumours are afloat of other impending failures."

Making this his text, the reviewer examines at length the condition of various life assurance companies, into which it is not necessary here to enter; and he promises in a future article to discuss such remedies for existing conditions of life assurance in Great Britain as appear feasible. He concludes by observing that—

"In any inquiry of the sort the larger question, *whether the whole business of granting life policies should not be made a function of the State*, cannot be left out of consideration."

This is an important indication of what may prove a revolution in the methods of life insurance in the Home-country. Nearly fifty years ago the National Securities Savings Banks, and subsequently the Post Office Savings Banks, in Great Britain and Ireland, were established under statutory enactments because of the insufficient security previously afforded to depositors in numerous private savings-banks, and because of serious financial irregularities which had arisen in connection with such banks. Following a similar principle of State interference, and because of the many grave failures of life assurance companies, the British Parliament, under the Government of Mr. Gladstone, in 1853, passed an Act for establishing a Government system of life insurance in connection with the post-offices of the country. But, partly through the influence of vested interests, the maximum amount of individual policies was restricted to a small sum; and, by reason of this limitation, together with the total lack of external action by the postal authorities toward popularising the scheme, the Post Office insurance institution made very little progress, and its business, after thirty-five years' existence, is now quite insignificant.

Whether, in view of what would seem to be foreshadowed in the extracts above quoted, the Home Parliament will ultimately be moved to take steps to create a living and active insurance department which shall, under Government management, embrace the three kingdoms can only be vaguely conjectured. It is, however, a sign of the times that a question so far-reaching has been publicly mooted in a leading review. The marked success which has attended the New Zealand Government Life Insurance Department may be referred to as offering another of those instances in which the Legislature of a young colony has set an example for securing to its inhabitants improved social conditions not hitherto provided in any other dependency of the British Crown.

In his Financial Statement just submitted to Parliament the Hon. the Colonial Treasurer referred to the progress of life insurance in this colony and in other portions of the British dominions, and in America. It is considered desirable that the statistics on this subject, as contained in the Statement, should be reproduced in this report for the information of policy-holders and others. Regarding the policies issued by this department the Colonial Treasurer said, "During the past year the new assurances amounted to nearly £800,000, showing an increase on the average of recent years, and approaching in amount the whole of the new business effected by the foreign life offices having branches in New Zealand. The average amount of the individual assurances was larger than in previous years, being close on £270, which is an increase of fully £50 per policy as compared with the average of the three years immediately preceding. The average amount of the policies discontinued is smaller than that of any year since the initiation of the office, while the policies surrendered have been smaller in their total amount than in the preceding year. The accumulated fund has been augmented by £123,000 during the year. This fund at the present moment exceeds a million and a half sterling, having doubled in amount during the last six years."

The subjoined table contains the figures showing the existing condition of ordinary life insurance in New Zealand as compared with the other communities named :—

					Average Amount of Insurance per Head of Population.	Average Number of Policies per 1,000 of Population.	Average Amount insured per Policy.
					£		£
New Zealand	...	...	...	...	24	80	295
Australia	...	...	...	...	19	65	300
Canada	...	...	...	...	9	24	376
United Kingdom	...	...	...	...	12	26	487
United States	...	...	...	...	8	15	554

The Colonial Treasurer said, further, "It is gratifying to note that, while the average sum assured by each policy is less in New Zealand than elsewhere, the total number of policy-holders in this colony bears a larger proportion to its total population than is the case in any other English-speaking community; and that, though the individual policies average a less sum than elsewhere, the number is so much greater that the total sum assured divided amongst the whole population gives a larger sum per head here than anywhere else."

Investment of the funds in the direction of mortgages on real property is steadily extending under the supervision of the Board of Investment. It is true, however, that if the Board's power as regards the amount that can be advanced under any one mortgage were increased so as to permit a maximum of £10,000, instead of the present limit of £5,000, more advantageous investments could be secured. It is proposed to ask Parliament to amend the law by granting power to the Board to lend the larger sum. At present the funds are rapidly increasing, and will continue to grow, and it is plainly desirable that facilities should be afforded for more profitably investing the available portions of such increase.

D. M. LUCKIE,
Government Insurance Commissioner.

**REVENUE ACCOUNT of the GOVERNMENT LIFE INSURANCE DEPARTMENT for the Year ended
31st December, 1888.**

	£	s.	d.		£	s.	d.	£	s.	d.
Amount of Funds (Ordinary and Industrial) at 31st December, 1887 ..	1,328,493	6	2	Death claims under policies, Assurance, including bonus additions ..	..	..	..	69,435	8	4
Renewal premiums—Assurance, Annuity, and Endowment ..	181,224	18	11	Endowment Assurances matured, including bonus additions ..	..	..	..	6,612	4	0
New premiums on 2,944 policies, assuring £785,092 15s. 0d., and yielding an annual revenue of £21,853 15s. 1d. (including instalments of first year's premium falling due in the year) ..	20,625	7	1	Endowments matured ..	..	..	..	1,193	1	5
Single premiums—Assurance and Endowment ..	4,094	3	6	Premiums returned on Endowments ..	..	..	..	59	12	7
Consideration for annuities ..	2,795	13	7	Bonus surrendered for cash ..	..	..	..	2,697	10	4
Interest ..	73,421	0	7	Annuities ..	..	..	..	4,009	1	3
Fees ..	39	11	5	Surrenders ..	..	..	..	26,403	18	6
				Commission, new ..	9,772	14	7	..	..	..
				" renewal ..	1,278	6	2	11,051	0	9
				Property-tax ..	..	..	..	5,443	0	6
				Expenses of management,—						
				Salaries—Head Office ..	10,433	1	3			
				" Branch Offices and Agents ..	4,741	2	3			
				Extra clerical assistance ..	1,653	2	3			
				Medical fees ..	3,720	2	6			
				Travelling expenses ..	3,021	13	6			
				Advertising ..	542	8	9			
				Printing and stationery ..	1,906	5	1			
				Rent ..	906	7	10			
				Postage ..	1,150	0	0			
				Telegrams ..	819	9	6			
				Exchange ..	217	5	3			
				Office furniture depreciation ..	482	10	10			
				General expenses ..	1,716	19	11	31,310	8	11
				Amount of funds at 31st December, 1888 ..	1,452,478	14	8			
	<u>£1,610,694</u>	<u>1</u>	<u>3</u>					<u>£1,610,694</u>	<u>1</u>	<u>3</u>

BALANCE-SHEET of the GOVERNMENT LIFE INSURANCE DEPARTMENT on 31st December, 1888.

LIABILITIES.	£	s.	d.	ASSETS.	£	s.	d.
Total Assurance, Annuity, and Endowment Funds (as per Revenue Account) ..	1,452,478	14	8	Loans on policies ..	215,454	2	9
Claims announced not yet paid ..	14,399	8	9	Government securities ..	590,100	0	0
Surrenders ..	231	18	4	Railway debentures (guaranteed by Government) ..	79,850	0	0
Annuities ..	12	10	7	Municipal Corporation debentures ..	75,072	0	0
Commission (new and renewal) ..	2,099	0	5	County securities ..	1,000	0	0
Medical fees ..	482	9	6	Otago University debentures ..	15,000	0	0
Postage ..	300	0	0	Harbour Board debentures ..	10,000	0	0
Mortgage on property taken over by the Association not yet due ..	10,000	0	0	River Board debentures ..	435	0	0
Premium deposits ..	1,000	14	7	Landed and house property ..	93,190	6	3
Valuation-fee deposits ..	16	5	6	Office furniture (Head Office and Agencies) ..	2,602	10	6
Mortgage-moneys in suspense ..	1,290	10	1	Mortgages on property ..	304,299	1	3
Other sums owing by the Department ..	26	1	4	Overdue premiums on policies in force ..	8,123	10	4
				Outstanding premiums due in December, 1888 ..	20,318	7	7
					28,441	17	11
				Interest outstanding ..	1,998	6	0
				Interest accrued but not due ..	16,021	8	4
					18,019	14	4
				Agents' balances ..	1,047	6	1
				Sundry accounts owing ..	777	8	7
				Cash on current account ..	47,048	6	1
	<u>£1,482,337</u>	<u>13</u>	<u>9</u>		<u>£1,482,337</u>	<u>13</u>	<u>9</u>

Government Insurance Office, 28th May, 1889.

F. W. FRANKLAND,
Deputy-Commissioner.

Audited and found correct.

JAMES EDWARD FITZGERALD,
Controller and Auditor-General.

J. H. RICHARDSON,
Secretary.

D. M. LUCKIE,
Government Insurance Commissioner.

Wellington, 1st July, 1889.

STATEMENT of POLICIES ISSUED and DISCONTINUED during the Year ended 31st December, 1888.

	Assurances.												Simple Endowments and Investments.				Annuities.			TOTAL.																									
	Whole Life and Term Assurances.						Endowment Assurances.						No.				Sum Assured.		Annual Premium.		No.	Sum Assured.		Annual Premium.		Annuity.																			
	Annual Premium.		Extra.		Annual Premium.		Extra.		Ordinary.		Extra.													Ordinary.			Extra.																		
	No.	Sum Assured.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.																	
Total Policies in force at beginning of year	15,942	4,642,253	15	2122,564	16	114,186	12	0	9,222	2,154,548	0	0	77,879	13	7	805	6	4	79	19	19	24,527	5	425,439	6	831,933	6	0	202,139	3	0	4,991	18	44,537	5	4									
Add Policies issued during the year	2,081	613,631	0	0	15,276	18	4	299	16	8	848	169,829	15	0	6,148	16	6	70	9	6	15	1,572	0	0	57	14	1	13	..	312	10	8	2,937	785,092	15	0	21,433	8	11	370	6	2	312	10	8
Total ..	17,423	5,255,944	15	2137,841	15	34,486	8	8	10,070	2,324,377	15	0	84,028	10	1	875	15	10	92	19	19	24,839	16	0	28,396	7,617,025	1	0	223,622	11	11	5,362	4	64,839	16	0									
Deduct Policies discontinued during the year	1,253	355,336	4	0	9,727	3	9	358	6	1	820	179,783	0	0	6,550	8	9	82	8	4	150	5,654	7	4	317	9	7	5	..	299	18	10	2,238	540,773	11	4	16,595	2	1	440	14	5	299	18	10
Total Policies in force at end of year	16,170	4,900,608	11	2128,114	11	64,128	2	7	9,250	2,144,594	15	0	77,478	1	4	793	7	6	87	19	19	24,539	17	226,168	7,076,252	9	8	207,027	9	10	4,921	10	14,539	17	2										

PARTICULARS of POLICIES DISCONTINUED during 1888.

How Discontinued.	155	50,033	0 0	1,462	3 1	83	19 4	61	14,740	0 0	545	5 3	7 8	6	..	..	..	..	239	18	10	221	64,773	0 0	2,007	8 4	91	7	10	299	18	10
By Death ..	..	..	..	..	..	..	..	24	5,998	0 0	373	13 7	8 1	4	16	1,193	1 5	98	0 3	..	..	40	7,191	1 5	4,471	13	10	8 1	4	..	..
Maturity ..	251	87,837	0 0	2,245	7 7	82	9 2	208	54,178	0 0	1,905	0 1	27	2 11	89	3,307	19 7	166	3 4	..	..	548	145,322	19 7	4,316	11 0	103	12	1	..	..
Surrender ..	844	214,466	4 0	5,330	11 10	160	2 4	527	104,867	0 0	3,680	15 0	37	16 2	45	1,153	6 4	53	6 0	..	..	1,416	320,486	10 4	9,084	12	10	206	18	6	..	..
Expiry of Policy ..	3	3,000	0 0	61	17 4	4	0 0	..	..	..	..	..	..	..	..	..	..	..	..	..	..	3	3,000	0 0	61	17 4	4	0 0	..	..	..
Expiry of Premium..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Changes and other causes	..	..	..	..	..	..	..	..	..	..	..	..	1	19 5	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
1,253	355,336	4 0	9,727	3 9	358	6 1	820	179,783	0 0	6,550	8 9	82	8 4	150	5,654	7 4	317	9 7	5	..	..	2,228	540,773	11 4	16,595	2 1	440	14	5	299	18	10

PROGRESS OF BUSINESS OF THE GOVERNMENT INSURANCE DEPARTMENT since Date of Establishment to 31st December, 1888.

Total issued	..	25,912	8,024	833	6	224	863	13	78,843	16	6	116	124	11	85,916	5	4	44,145	12,079,903	19	10	362,473	3	7	10,807	1	45,916	5	4	
Total void	..	9,742	3,124	224	15	0	86,749	2	14,715	13	11	0	29	104	12	11,376	8	2	217,977	5,003,651	10	2	155,445	13	9	5,885	1	31,976	8	2
Total in force		16,170	4,900	608	11	2	128,111	11	64,128	2	7	87	19	19	24,539	17	2	26,168	7,076,252	9	8	207,027	9	10	4,921	10	14,539	17	2	

NOTE.—The Ordinary Premium is the premium at the real age; the extra, the additional premium imposed for any reason whatsoever.

73,421	0	7	Annual Income from Interest.
9285.370	0	6	Total Annual Income.

Approximate Cost of Paper.—Preparation, 111; printing (1,500 copies), £4 18s.

D. M. LUCKIE,
Government Insurance Commissioner.

Wellington, 1st July, 1889.

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