

MINUTES OF EVIDENCE.

FRIDAY, 28TH SEPTEMBER, 1894.

Mr. Bevan, the first witness, gave evidence with regard to the first allegation: "That up to the present time 13s. 6d. per share has been called up on 145,956 shares, amounting to £98,520 6s., which sum, together with £14,221 18s. 11d., profits disclosed in balance-sheets (1883 to 1886 inclusive), making a grand total of £112,742 4s. 11d., have been absolutely lost during the period 1887 to 1894."

Mr. Bevan: I produce the copy of the share-register, which was very difficult indeed to obtain, for, though I tried repeatedly to obtain a copy of the document, it was always denied me. I obtained one at last. I say that the first allegation is true. Discrepancies from unpaid calls may have occurred, which it is impossible for an outsider to ascertain without reference to the books. We were kept in total ignorance of the affairs of the company for many years. When the alarm was first taken as to the position of this company, I was appointed permanent chairman to represent the interest of the Hokitika shareholders. We formed a sub-committee to make full inquiries, to examine every balance-sheet, and take steps to procure every information possible, so that we could be better informed as to what was going on, as we could get no information, and there were many things in the balance-sheets that wanted explanation. With reference to allegation No. 3, "That your petitioners have been greatly deceived by the directors' and manager's reports from time to time on the improving prospects of the association, when, as a matter of fact, the losses were multiplying, and the nature of the business was of a most unsound and disastrous character": Here is a summary of the whole business before they went into liquidation [Appendix A]. Under the first heading during that period, net premiums, interest, and transfer-fees received amounted to £163,824 17s. 11d. The preliminary expenses continued for seven years, and included office furniture, stationery, and bad debts, the whole amounting to £9,383 3s. 3d. Now we come to charges, salaries, licenses, rent, agency, and other expenses, £61,531 17s. 9d. Now we come to total cost of management, £70,915 1s.; losses paid in addition, £135,683 15s. Now, we will show the profits on the first four years' business amounted to £17,394 18s. 11d.; deduct dividend, £3,173, left £14,321 18s. 11d. to deduct from the losses, which show a total loss of capital of £42,693 18s. 1d. I produce their last balance-sheet, which shows that same amount of capital lost. The losses, you observe, commence in 1887, when we have a premium income of £25,284 16s. 6d.; the following year £20,624 6s. 8d.; in the third year, £16,072 16s. 2d.; and in the fourth year, £17,094 11s. 4d. I desire particularly to direct attention to the increase of charges on the reduced income. In 1887 the cost of management was £9,299; losses paid, £32,047 6s. in addition. In 1888, the cost of management £17,036 15s. 5d., and losses paid in addition £22,410 10s. 7d. In 1889, the cost of management was £11,937 3s. 8d.; losses paid in addition, £20,990 15s. 8d. In 1890 the cost of management was £9,714 7s. 8d., with losses paid £11,254 18s. 10d., with a further appropriation for losses of £2,201 9s. 10d. I wish to draw your attention to the fourth annual report, dated 7th March, 1887. The chairman says, "We might say, with regard to fire losses, that every effort had been made by the directors to keep the risks within reasonable limits; the largest single loss was £500, and the greatest loss in a block fire was £550; the average loss was £75 12s. The shareholders would see that great care had been exercised in not taking too large risks. In the marine department the heaviest loss was £891, and the average £45 5s. 9d. A very considerable lot of these fire losses arose from insurances on cottages and houses, which was a most difficult class of risk. The directors had adopted a system of close inspection for risks and of the sites of the fires, and by this means he thought the losses would be less in the future than they had been in the past. He could assure the shareholders that the business was well conducted. From a memorandum which had been put in his hands, he found that the aggregate result of underwriting during the four years the company had been in existence was a credit of £9,911; of this sum £7,380 8s. had gone into a reserve fund, and the balance, £2,530 12s., remained in open account. He thought, all things considered, that to show this result for the first four years' underwriting must be regarded as very satisfactory. He was quite sure that the shareholders had got a property in the business of that company of very considerable value indeed, and it was only a question of time as to the company taking first rank amongst insurance companies. As to the life department, it involved great expense at the first; the figures he would put before them would show that they had done exceedingly well. The total annual income at December last was £4,520 10s. 10d.; since the closing of the books the sum of £783 15s. 7d. had been added to the trust fund, and there was now a sum of £3,287 19s. 9d. in trust for policyholders."

Now comes the first allusion to having taken over the business of the Australian Mercantile Union, which had been doing a good deal of business in this colony. "They were unfortunate in regard to the Wellington fire, as they had several of the Australian Mercantile's risks in the block destroyed."

The circular of the 5th April reads as follows: "In view of the largely-increasing volume of the company's business, the directors have decided to call up additional capital. According to returns already to hand on the 5th April, the gross premium for the current year is estimated at about £65,000." The absolute total receipts for that year amounted to £47,319 3s. 5d., whilst the reinsurance of that volume of business is £22,501 16s. 8d., leaving a net revenue of £24,817 6s. 9d., instead of £65,000.