

Expenses of Management.—The expenses of management (including commission £12,503, special triennial investigation expenses £2,024, and income-tax £7,566) amounted to £55,018. The ratio of expenses to premium income shows a slight advance upon 1895, but this is mainly due to the increased taxation and the special valuation expenses. In these circumstances a fairer comparison is obtainable by contrasting the expense ratio during the valuation period which has just expired with that during the two preceding triennial periods, from which it will be seen that a very marked reduction in expenses has been steadily effected during the last six years.

Period.	Percentage of Expenses on	
	Premium Income.	Total Income.
1888-1890	23·9 per cent.	17·4 per cent.
1891-1893	21·9 "	15·5 "
1894-1896	20·4 "	14·0 "

Accumulated Funds.—The increase in the funds has amounted to £173,597, of which amount £10,500 has been carried to the reserve for possible depreciation of freehold and mortgage securities, and the balance (£163,097) has been added to the Insurance Fund. The total addition to the funds exceeds any previous year's increment by upwards of £7,000, which I think all will recognise as a really solid ground for satisfaction and congratulation, especially having regard to the fact that our overdue interest on all accounts only amounts to £760, or a little over one-half per centum of our interest receipts. The total assets of the Department now amount to £2,648,158, and on the 31st December, 1896, were invested as follows:—

Class of Investment.	Amount.	Percentage of Total Assets.
	£	
Government securities	872,016	32·9 per cent.
Mortgages on freehold property	812,586	30·7 "
Loans on policies	464,829	17·6 "
Local bodies' debentures	167,068	6·3 "
Landed and house property	146,076	5·5 "
Cash on current account	109,990	4·1 "
Miscellaneous assets	75,593	2·9 "
	£2,648,158	100·0 per cent.

General Remarks.—During the year the question of lowering the rates of interest charged to policyholders in connection with loans on their policies received full consideration, and the rates have been materially reduced.

In view of the close of the valuation period and the consequent distribution of profits, a most searching investigation has been made into the freehold and mortgage investments of the Department, and as a measure of prudence a further amount of £10,500 has been carried to the reserve constituted on account of those investments. At the same time amounts aggregating £29,500 have been written off the fund, leaving a net balance of £24,000. The provision now made is believed to be of the most ample character, the lowest estimates of value having, in every instance, been adopted, and the reserve then framed to provide a further substantial margin. The office furniture at the Head Office and branches has been carefully valued by competent assessors, and upon the basis of their valuations an amount of £963 has been written off the items. In fact, the opportunity of the division of profits has been made the occasion of a most exhaustive examination of every asset, and it is confidently believed that every provision has been made which the most exacting prudence could suggest.

The triennial valuation of the Department's actuarial liabilities was completed in due course. As on the last occasion, the work has been promptly and well carried out under the supervision of the Department's Actuary, and the course suggested by the eminent Consulting Actuaries of the Department in London, Messrs. Ralph P. Hardy and George King, of making a special reserve in order that the effective rate of interest in the valuation should be equivalent to £3 12s. 6d. per cent., has been strictly followed. The surplus was again very considerable, notwithstanding the exceptionally low rates of premium charged, and, after taking every precaution to maintain the finances on a thoroughly sound footing by largely increasing both the investment reserve and the special reserve formed for the purpose of counteracting the universal fall in the rate of interest, the sum of £144,000 was divided amongst the policyholders, causing additions to be made to policies amounting to £258,000. The final outcome of the whole investigation has been to show clearly that the Department rests on an even stronger financial basis than at any previous period of its history; and in this connection it is pleasing to be able to add that Messrs. Hardy and King, in a letter dated 7th January last, state that "the test valuations of the Department's Actuary and the whole course of the business point to the gratifying fact that the Department is in a satisfactory condition and able to meet the strain that the fall in the rate of interest yield imposes upon all life assurance institutions."

J. H. RICHARDSON,
Commissioner.