

ACTUARY'S REPORT.

Expenses.—The total expenditure for the triennium (including taxes and commission) amounted to £161,203.

The triennial ratios of expenses to income have declined materially for some years past, as will be seen from the following table:—

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 "	

Attention has frequently been drawn to the heavy taxation to which the Department is subjected, and during the triennium under review the taxes have amounted to £20,106, being fully $2\frac{1}{2}$ per cent. of the total premium income for the period. Life insurance companies in New Zealand are in reality taxed on their liabilities, and as these increase from year to year with the duration of the policies while the premiums remain constant an increasing proportion of the premium income is annually absorbed in taxation. The taxation imposed upon this Department in 1893 amounted to £2 5s. 7d. per cent. of the premium income; in 1894 to £2 6s. 7d. per cent.; in 1895 to £2 9s. 9d. per cent.; and in 1896 to £2 15s. 11d. per cent.; from which it will be seen that the incidence of taxation forms a serious obstacle in the way of reducing the ratio of expenses to income.

THE BASIS OF VALUATION.

The rate of interest to be assumed in the valuation demanded the most careful consideration, in consequence of the decline in the rate of interest obtainable on investments and the uncertainty of the future in this respect. In the 1890 and 1893 valuations the nominal rate assumed was 4 per cent., but on each occasion special reserves were made in accordance with the recommendations of the Consulting Actuaries—Messrs. A. H. Bailey, R. P. Hardy, and George King—which brought the actual basis in each case to a point between H^m 4 per cent. and H^m $3\frac{1}{2}$ per cent. In 1890 the H^m 4 per cent. surplus for the quinquennium was £239,475, of which amount £39,475 was specially reserved. In 1893 the H^m 4 per cent. surplus for the triennium was £190,000, of which £50,000 was specially reserved, it having been ascertained, by means of a carefully prepared estimate, that such a course would make the valuation fully equal to one upon an interest basis of $3\frac{3}{4}$ per cent.

Before finally deciding upon the course to be adopted in the present instance two complete valuations of the Department's liabilities were made upon the bases of H^m 4 per cent. and H^m $3\frac{1}{2}$ per cent. respectively. The results of these valuations were submitted to Messrs. Ralph P. Hardy and George King, who recommended that the nominal basis of H^m 4 per cent. should again be taken, but that such a special reserve should be made from the resulting surplus as would make the valuation virtually equivalent to one by H^m $3\frac{3}{4}$ per cent. This course has been strictly followed, and in the Fourth Schedule which accompanies this report will be found a description of the methods employed in the valuation.

RESULTS OF THE VALUATION.

The full valuation schedule appears in Table C, of which the following is a condensed summary:—

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Value of £8,721,655, sums assured (participating)	4,316,505.9
Value of £660,886, reversionary bonus additions, and reduction of premiums	372,882.5
Reserve for extra premiums of £4,109 per annum	1,028.5
Reserve for loading on limited-premium and paid-up policies	13,577.5
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Deduct value of £209,081 per annum, future net premiums	4,703,994.4
	2,458,713.3
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Add value of annuities of £17,107 per annum	2,245,281.1
Add value of 379 miscellaneous policies (non-participating)	108,233.1
Add special adjustment reserve	12,321.6
	506.5
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Net liability	£2,366,342.3