

ACTUARY'S REPORT.

It will be seen from the Consolidated Revenue Account (Table D) that, after making a further reserve of £10,500 for possible depreciation of freehold and mortgage securities, the accumulated funds at 31st December, 1896, amounted to £2,591,342 5s. 1d. There is, therefore, a gross surplus of assets over liabilities of £225,000, as shown by the valuation balance-sheet given in Table E.

ALLOTMENT OF SURPLUS.

Of the total ascertained surplus of £225,000 the profit made during the triennium (in addition to interim bonuses amounting to £5,758) was £166,950, the balance of £58,050 being the special reserve of £50,000 made at the last valuation together with the interest accumulations. Having ascertained that a special reserve of £81,000 would be sufficient to bring the present valuation up to the standard of H^m 3½ per cent., I recommended in my interim report of the 20th March that a further reserve of £22,950 should be drawn from the profits of the triennium for that purpose. This recommendation was accepted, and, in the interval which has elapsed, the divisible surplus of £144,000 has been allotted to the participating policyholders, upon the principles explained in the Fourth Schedule, securing reversionary additions to policies amounting to £257,911.

The stringency of the special reserve which it has been considered judicious to make in consequence of the decline in the rate of interest, combined with a reduction of the rate assumed in converting the cash surplus into reversionary bonuses, necessarily has the effect of causing those bonuses to be somewhat smaller than they would otherwise have been; but in view of the fact that the direct consequences of this action will be to strengthen the financial position of the Department and to improve its prospects of future prosperity, it cannot be doubted that the steps now taken in this respect are in the best interests of the general body of the policyholders.

The net surplus was divided between the General and Temperance Sections in accordance with "The Government Life Insurance Acts Amendment Act, 1890," the result being that General policies received slightly higher bonuses than Temperance policies which were like them in all other respects. At the previous distribution the relative positions of the two sections were reversed, the temperance policyholders receiving bonuses somewhat larger than non-abstainers. As I remarked on that occasion no definite conclusions as to the future can be drawn from these results, for until the numbers in the Temperance Section are considerably increased fluctuations are certain to occur; a few more deaths, or claims for larger amounts than the average, causing variations in the rate of bonus.

GENERAL REMARKS.

As was suggested in my last report, the Department's surrender values and annuity rates have been revised during the triennium. A slightly increased scale of surrender values has been adopted, and a more liberal basis of commutation is now allowed to those policyholders who desire to take their bonuses in cash. On the other hand, as the result of an investigation into the mortality experience of the Department's annuitants, and in view of the general fall in the rate of interest, the old basis of the English Annuitants Experience (1860) with 4 per cent. interest was, as you are aware, discarded, and the English Annuitants Experience (1884) with 3 per cent. interest was, by Order in Council, substituted in calculating the rates now being used.

I would here suggest that it would be desirable to make an exhaustive investigation into the mortality experienced by the Department's policyholders before the next valuation date, more especially as between abstainers and non-abstainers, a great part of the data necessary for such an investigation having been already tabulated.

In view of the difficulty experienced in making remunerative investments at the present time I would recommend that the single premiums at present in use should be increased, and I understand the matter is receiving attention.

As to the prospective, or interim, bonuses on policies becoming claims during the present triennium, I recommend that 20s. per cent. per annum upon the sum assured and existing bonuses be allowed on temperance death claims, 21s. per cent. on general death claims, and 22s. per cent. on all claims by maturity.

In concluding, I desire to place on record my appreciation of the excellent manner in which the Bonus Clerk, Mr. J. W. Kinniburgh, has throughout performed the very laborious duties involved in superintending the heavy clerical work of the valuations; and I also wish to mention the valuable general assistance I have received from Mr. Percy Muter, F.I.A., during the investigation.

Respectfully submitted by

MORRIS FOX,

Actuary.

The Government Insurance Commissioner.