

1898.
NEW ZEALAND.

ANNUAL REPORT
OF THE
GOVERNMENT INSURANCE COMMISSIONER
FOR THE YEAR ENDED 31ST DECEMBER, 1897.

Presented to both Houses of the General Assembly pursuant to the provisions of the Acts relating to Government Life Insurance.

Government Insurance Office,
Wellington, 19th July, 1898.

IN accordance with the provisions of the Acts regulating the Department I have much pleasure in presenting the following report of the transactions of the Department for the year ending 31st December, 1897, and of its position at that date.

New Business for the Year.—I am pleased to report that the new business shows a considerable increase upon the previous year. The number of proposals received was 4,351 for £933,488, of which 377 proposals, or nearly 9 per cent. of the total number, were deferred or declined. The number of policies actually completed was 3,136, insuring £665,898, and the new annual premiums amounted to £21,591, in addition to single premiums for £1,282. The new business was £59,912 in advance of the previous year's, both General and Temperance Sections sharing in the increase. Twenty-four immediate annuities, for which the purchase-money amounted to £8,852, were also granted, securing to their holders £822 per annum, and one deferred annuity was issued for £10 11s., the annual premium for which is £12 4s.

The following short summary classifies the new business of the year in the usual way :—

Description of Policy.	No. of Policies.	Sum assured.	Annual Premium.
Whole-life and term assurances	895	£ 231,782	£ 6,211
Endowment assurances	1,972	368,616	13,086
Double-endowment assurances... ..	194	55,400	1,827
Annuity assurances	44	6,100*	325
Children's endowments	31	4,000	142
Annuities		£665,898	£21,591
		£833 per annum	12†
Total policies	3,161	...	£21,603

The total amount of business now in force is 36,174 policies, insuring £9,002,601 (and £854,409 bonuses) at death or maturity, together with immediate or deferred annuities for £19,486 per annum; the whole bearing an annual premium income of £266,585.

* And deferred annuities securing £2,046 per annum. † And single premiums amounting to £8,852.
1—H. 8.

In the Civil Service Insurance Section, which is included in the foregoing total business, there are now 206 policies in force, insuring £30,761, and entitling the survivors, at age 60, to annuities amounting to £7,872 per annum.

The statement of business which is appended to this report shows in full detail the particulars for the year and the progress of the Department from its inception, so far as concerns new and discontinued business. It will be seen, from a comparison of this statement with the one for 1896, that there has been a material decrease in the total number of policies which have gone off the books of the Department from various causes during the year. A most marked improvement was shown in connection with the lapses, which declined from £328,267 in 1896 to £199,204 in 1897, showing the large decrease of £129,063. The increase in the new business and the diminution in the discontinuances result in showing a net increase of £247,800, and I am pleased to say that there is every indication of a continuance of these healthy conditions during the present year.

Income and Outgo.—The full details of both income and outgo are given in the Revenue Account and Balance-sheet attached to this report. The income for the year was £398,121, and was derived from the following sources:—

	£	s.	d.
From new premiums (including single premiums)...	...	20,600	
" renewal premiums ... ..	...	240,235	
" purchase-money for annuities ... ..	...	8,852	
" interest ... ..	...	128,424	
" fees ... ..	...	10	
Total income for 1897	£398,121		

In the premium income (exclusive of consideration for annuities) there is shown the substantial increase of £10,059 over the income for the previous year; and the revenue from interest has also risen from £124,255 to £128,424, although the rate of interest earned has decreased in common with the general experience of other offices. The fall in the rate of interest has, however, been guarded against by making such reserves from time to time as will in future permit the Department's liabilities to be valued upon a basis of $3\frac{1}{2}$ per cent. I am pleased to be able to say that an official valuation of the policies as at 31st December, 1897, discloses the fact that the Department is at the present time in a position to make a net premium valuation of its liabilities at $3\frac{1}{2}$ per cent., and retain a substantial surplus in hand towards the next bonus. It may be mentioned that, as an actual fact, an average rate of £4 16s. 7d. per cent. was earned during the past year, so that in preparing to value at $3\frac{1}{2}$ per cent., care is being taken to keep well in advance of all possible requirements.

There was a considerable decrease in the money received during the year for the purchase of annuities, doubtless owing to the fact that the Department's annuity rates were recently increased in order to meet the fall in the rate of interest. I do not, however, regard the decrease as a matter for regret. Owing, doubtless, to the difficulties experienced by small investors in placing their savings, annuity purchases had of late years shown a tendency to assume larger proportions than it appeared to me desirable to encourage, having regard to the condition of the money market, and the present return to smaller figures is not, in my opinion, unsatisfactory.

Claims by death amounted to £92,706, which is well within the amount provided for in the Tables of Mortality used by the Department.

Claims by maturity of policies amounted to £53,392, showing a large increase on the previous year. As, of course, the full amounts necessary to meet these claims have been carefully reserved, they do not entail any loss, but, on the contrary, may be regarded as a subject for congratulation, and the best evidence of the esteem in which our policy-contracts are regarded by their holders, leading them to persevere with their payments, in many instances through prolonged periods, to reap in the end the provision for an independent old age which an endowment assurance so admirably supplies. It may be mentioned that the total amount paid in claims since the establishment of the Department is £1,515,800.

The Accumulated Funds.—The funds have increased during the year from £2,591,342 to £2,725,106. The progress of the Department in this and other respects during the last twenty-five years will be appreciated by an examination of the following statement, showing the position at the end of every five years:—

Year.	Policies in Force.				Revenue from Interest.	Accumulated Funds.	Year.
	Number.	Sum Assured.	Bonuses.	Premium Income.			
1872 ...	1,689	£ 625,400	£ ..	£ 18,400	£ 500	£ 15,200	1872
1877 ...	7,149	2,716,900	...	87,000	9,100	219,400	1877
1882 ...	15,892	5,176,200	96,900	162,100	36,100	704,900	1882
1887 ...	25,439	6,831,900	305,000	207,100	66,400	1,328,500	1887
1892 ...	30,316	8,036,200	544,600	237,600	100,600	1,980,300	1892
1897 ...	36,174	9,002,600	854,400	266,600	128,400	2,725,100	1897

The Balance-sheet. — The total assets of the Department amounted to £2,788,670 on the 31st December, 1897, and were invested as follows:—

At 31st December, 1896.		Class of Investment.	At 31st December, 1897.	
Amount.	Percentage of Total Assets.		Amount.	Percentage of Total Assets.
£ 812,586	30·7 per cent.	Mortgages on freehold property ...	£ 983,452	35·2 per cent.
872,016	32·9 "	Government securities ...	827,829	29·7 "
464,829	17·6 "	Loans on policies ...	499,531	17·9 "
167,068	6·3 "	Local Bodies' debentures ...	151,678	5·5 "
146,076	5·5 "	Landed and house property, and properties acquired by foreclosure	145,264	5·2 "
109,990	4·1 "	Cash on current account ...	103,462	3·7 "
75,593	2·9 "	Miscellaneous assets ...	77,454	2·8 "
£2,648,158	100·0 "	Total ...	£2,788,670	100·0 "

It will be seen that there has been an increase of £34,702 in loans on policies during the year, and a decrease of £44,187 in Government securities. A number of properties acquired by foreclosure have been disposed of at satisfactory prices, and I am pleased to be able to add that during the first half of the present year their realisation has proceeded still more satisfactorily. The most noticeable feature, however, in the year's accounts is an increase of £170,866 in loans on first mortgage of freehold property, and it is highly gratifying to add that the overdue interest on all accounts, which last year stood at the low figure of £761, has been still further reduced, and now amounts to the trifling sum of £482, representing almost exactly three-eighths per cent. of the total interest receipts. To be able to collect £99 12s. 6d. out of every £100 of interest due is, I venture to say, a record which few financial institutions can point to.

In concluding a report upon various technical matters in connection with the Department's business, Messrs. Ralph Price Hardy and George King, the eminent London consulting actuaries, observe,—

"We take the opportunity of repeating what we have already said as to the satisfactory position which the New Zealand Government Life Insurance Department has attained. The test valuations have been entirely confirmed by the official valuation, and the Government must be pleased to find that not only has it been possible to declare a substantial bonus, but that the prospects of the future are of great promise."

J. H. RICHARDSON,
Commissioner.

Statement of Business

YEAR: 1897.	TOTAL.					ASSURANCES.			
	No.	Sum Assured.	Rever- sionary Bonus.	Annual Premium.		Whole-life and Term Assurances.			
				1. Ordinary. 2. Extra.	Annuities. 1. Immediate. 2. Deferred.	No.	Sum Assured.	Rever- sionary Bonus.	Annual Premium.
									1. Ordinary. 2. Extra.
POLICIES ISSUED AND DISCON-									
Policies in force, 31st December, 1896	34,772	£ 8,754,803	£ 660,889	{ 254,419 19 0 4,114 5 0 }	{ 10,418 1 3 6,689 0 0 }	18,185	£ 5,318,337	£ 476,334	{ 132,535 7 0 3,335 11 9 }
New business, 1897	3,161	665,898	257,919	{ 21,436 10 4 166 9 5 }	{ 822 1 10 2,056 10 11 }	895	231,782	168,537	{ 6,097 15 11 113 10 4 }
Total	37,933	9,420,701	918,808	{ 275,856 9 4 4,280 14 5 }	{ 11,240 3 1 8,745 10 11 }	19,080	5,550,119	644,871	{ 138,633 2 11 3,449 2 1 }
Policies discontinued during 1897	1,759	418,100	64,399	{ 13,609 13 11 250 8 6 }	{ 279 13 2 219 15 7 }	814	212,985	40,413	{ 6,172 11 6 158 14 4 }
Total Policies in force at 31st December, 1897	36,174	9,002,601	854,409	{ 262,246 15 5 4,030 5 11 }	{ 10,960 9 11 8,525 15 4 }	18,266	5,337,134	604,458	{ 132,460 11 5 3,290 7 9 }

PARTICULARS OF POLICIES DISCON-

How Discontinued.	No.	Sum Assured.	Rever- sionary Bonus.	Annual Premium.	Annuities.	No.	Sum Assured.	Rever- sionary Bonus.	Annual Premium.
By Death	297	81,508	10,942	{ 2,535 14 7 53 0 7 }	{ 279 13 2 27 4 4 }	214	64,916	9,403	{ 1,870 1 5 45 11 7 }
Maturity	188	44,280	8,947	{ 1,978 7 5 39 17 3 }	{ .. .. }	..	..	..	{ .. .. }
Surrender	376	93,108	7,026	{ 2,969 0 0 70 0 11 }	{ .. 154 10 3 }	190	52,160	4,110	{ 1,410 1 4 43 12 1 }
Surrender of Bonus	..	..	31,048	{ .. .. }	{ .. .. }	..	..	22,663	{ }
Lapse..	898	199,204	6,436	{ 5,588 17 1 65 14 5 }	{ .. 38 1 0 }	410	95,909	4,237	{ 2,438 0 6 53 8 4 }
Expiry of Policy	..	..	..	{ .. .. }	{ .. .. }	..	..	..	{ .. .. }
Expiry of Premium	..	..	..	{ 437 3 3 5 13 6 }	{ .. .. }	..	..	..	{ 437 3 3 5 13 6 }
Miscellaneous	..	..	..	{ 100 11 7 16 1 10 }	{ .. .. }	..	..	..	{ 17 5 0 10 8 10 }
	1,759	418,100	64,399	{ 13,609 13 11 250 8 6 }	{ 279 13 2 219 15 7 }	814	212,985	40,413	{ 6,172 11 6 158 14 4 }

PROGRESS OF BUSINESS OF THE GOVERNMENT LIFE INSURANCE

Total issued	..	71,124	18,236,779	1,375,589	{ 549,529 1 5 13,131 19 11 }	24,492 7 3	37,869	11,251,125	973,304	{ 296,331 1 5 10,462 2 0 }
Total void	..	34,950	9,234,178	521,180	{ 287,282 6 0 9,101 14 0 }	5,006 2 0	19,603	5,913,991	368,846	{ 163,870 10 0 7,171 14 3 }
Total in force..	..	36,174	9,002,601	854,409	{ 262,246 15 5 10,960 9 11 8,525 15 4 }	18,266	5,337,134	604,458	{ 132,460 11 5 3,290 7 9 }	
Extra Premiums	..	..	..	..	4,030 5 11	NOTE.—The Ordinary Premium is the premium charged				
Reduction of Premium by Bonus, &c.	..	..	..	..	307 17 6					
					£266,584 18 10					

Wellington, 17th February, 1898.

at end of Year 1897.

ASSURANCES.								ANNUITIES.			SIMPLE ENDOWMENTS, INVESTMENTS, &c.		
Endowment Assurances.				Annuity Assurances.									
No.	Sum Assured.	Rever- sionary Bonus.	Annual Premium. 1. Ordinary. 2. Extra.	No.	1. Sum As- sured. 2. Rever- sionary Bonus.	Deferred Annuities.	Annual Premium.	No.	Annual Pre- mium	Annuities. 1. Immediate. 2. Deferred.	No.	Sum As- sured.	Annual Premium.

TINUED DURING THE YEAR 1897.

	£	£	£ s. d.		£	£ s. d.	£ s. d.		£ s. d.	£ s. d.		£	£ s. d.
15,843	3,387,868	184,555	{ 119,632 6 2 778 13 3 }	131	17,050	6,148 14 0	908 1 0	{ 232 9	71 12 2	10,418 1 3 540 6 0	372	31,548	1,272 12 8
2,166	424,016	89,057	{ 14,860 2 8 52 19 1 }	44	{ 6,100 325 }	2,045 19 11	324 13 0	{ 24 1	12 4 0	822 1 10 10 11 0	31	4,000	141 14 9
18,009	3,811,884	273,612	{ 134,492 8 10 831 12 4 }	175	{ 23,150 325 }	8,194 13 11	1,232 14 0	{ 256 10	83 16 2	11,240 3 1 550 17 0	403	35,548	1,414 7 5
899	202,796	23,971	{ 7,317 2 3 91 14 2 }	4	{ 700 15 }	219 15 7	38 11 2	13	..	279 13 2	29	1,619	81 9 0
17,110	3,609,088	249,641	{ 127,175 6 7 739 18 2 }	171	{ 22,450 310 }	7,974 18 4	1,194 2 10	{ 243 10	83 16 2	10,960 9 11 550 17 0	374	33,929	1,332 18 5

TINUED DURING THE YEAR 1897.

69	16,492	1,537	{ 660 13 2 7 9 0 }	1	{ 100 2 }	27 4 4	5 0 0	13	..	279 13 2	..	..	..
172	43,801	8,947	{ 1,951 14 7 39 17 3 }	..	..	..	..	..	..	..	16	479	26 12 10
173	39,508	2,905	{ 1,489 1 6 26 8 10 }	2	{ 500 11 }	154 10 3	27 13 0	..	..	..	11	940	42 4 2
..	..	8,385	..	..	..	..	..	..	..	..	..	..	..
485	102,995	2,197	{ 3,138 11 7 12 6 1 }	1	{ 100 2 }	38 1 0	5 11 0	..	..	..	2	200	6 14 0
..
..
..	..	..	{ 77 1 5 5 13 0 }	..	..	..	0 7 2	..	..	..	..	..	5 18 0
899	202,796	23,971	{ 7,317 2 3 91 14 2 }	4	{ 700 15 }	219 15 7	38 11 2	13	..	279 13 2	29	1,619	81 9 0

DEPARTMENT SINCE DATE OF ESTABLISHMENT TO 31st DECEMBER, 1897.

30,793	6,856,035	401,960	{ 246,719 8 2 2,669 17 11 }	177	{ 23,350 325 }	8,259 1 9	1,243 18 0	354	197 11 5	16,233 5 6	1,931	106,269	5,037 2 5
13,683	3,246,947	152,319	{ 119,544 1 7 1,929 19 9 }	6	{ 900 15 }	284 3 5	49 15 2	101	113 15 3	4,721 18 7	1,557	72,340	3,704 4 0
17,110	3,609,088	249,641	{ 127,175 6 7 739 18 2 }	171	{ 22,450 310 }	7,974 18 4	1,194 2 10	{ 243 10	83 16 2	10,960 9 11 550 17 0	374	33,929	1,332 18 5

at the true age; the Extra, the additional premium imposed for any reason whatsoever.

J. H. RICHARDSON, Commissioner.
MORRIS FOX, Actuary.

REVENUE ACCOUNT of the GOVERNMENT LIFE INSURANCE DEPARTMENT for the Year ended
31st December, 1897.

	£	s.	d.		£	s.	d.
Amount of Funds at 1st January, 1897	2,591,342	5	1	Death claims under policies, Assurance, including bonus additions	92,706	9	0
Renewal premiums—Assurance, Annuity, and Endowment	240,235	4	10	Endowment Assurances matured, including bonus additions	52,912	17	0
New premiums (including instalments of first year's premiums falling due in the year)	19,318	8	8	Endowments matured	478	17	5
Single premiums—Assurance and Endowment	1,281	11	1	Premiums returned on endowments	4	10	11
Consideration for Annuities	8,852	7	7	Bonuses surrendered for cash	16,003	16	4
Interest	128,423	18	4	Annuities	10,443	10	1
Fees	9	13	11	Surrenders	24,559	13	6
				Loans released by surrender	8,083	15	11
				Commission, new £12,648	0	0	
				" renewal	1,681	0	8
					14,329	0	8
				Land- and income-tax	8,015	4	7
				Expenses of management—			
				Salaries—Head Office	£11,106	0	10
				" Branch Offices			
				and Agents	6,006	13	4
				Extra clerical assistance	1,726	18	0
				Medical fees and expenses	4,837	6	0
				Travelling-expenses	690	12	8
				Advertising	896	0	8
				Printing and stationery	1,067	9	7
				Rent	2,299	12	4
				Postage	1,900	7	6
				Telegrams	709	5	0
				Exchange	82	13	9
				Office furniture depreciation	390	15	9
				General expenses	2,316	5	7
				Triennial expenses	2,205	12	2
				Compensation for loss of office	584	2	8
					36,819	15	10
				Amount of funds at 31st December, 1897	2,725,105	18	3
£2,989,463	9	6			£2,989,463	9	6

BALANCE-SHEET of the GOVERNMENT LIFE INSURANCE DEPARTMENT, on 31st December, 1897.

LIABILITIES.				ASSETS.			
	£	s.	d.		£	s.	d.
Total Assurance, Annuity, and Endowment Funds (as per Revenue Account)	2,725,105	18	3	Loans on policies	499,530	15	9
Claims admitted, proofs not yet completed	19,528	1	9	Government securities—			
Annuities	69	2	0	Consolidated stock	625,900	0	0
Commission	870	5	6	Treasury bills	140,000	0	0
Medical fees	729	2	5	Railway debentures (guaranteed by Government)	44,962	10	0
Premium and other deposits	5,167	4	8	Debentures issued under "The Native Land Purchases Act, 1892"	15,000	0	0
Fire Insurance moneys in suspense	390	0	0	Debentures issued under "The Immigration and Public Works Act, 1870"	1,966	3	8
Tontine Savings Funds	12,810	10	0		827,828	13	8
Reserve for possible depreciation in freehold and mortgage securities	24,000	0	0	Municipal Corporation debentures	106,751	0	7
				County securities	1,000	0	0
				Harbour Board debentures	42,991	15	2
				River Board debentures	435	0	0
				Town Board debentures	500	0	0
				Landed and house property	120,396	1	10
				Office furniture (Head Office and Agencies)	3,199	0	1
				Mortgages on property	983,451	18	7
				Properties acquired by foreclosure	24,867	9	3
				Overdue premiums on policies in force £3,989	10	9	
				Outstanding premiums due but not overdue	30,755	4	6
					34,744	15	3
				Overdue interest	481	19	6
				Outstanding interest due but not overdue	4,043	2	3
				Interest accrued but not due	31,257	3	7
					35,782	5	4
				Agents' balances	2,496	10	7
				Sundry accounts owing	1,232	11	10
				Cash in hand and on current account	103,462	6	8
£2,788,670	4	7			£2,788,670	4	7

Government Life Insurance Department, 18th February, 1898.

J. H. RICHARDSON, Commissioner.
W. B. HUDSON, Secretary.

Audited and found correct.

J. K. WARBURTON,
Controller and Auditor-General.

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