

1941.
NEW ZEALAND.

ANNUAL REPORT
OF THE
GOVERNMENT INSURANCE COMMISSIONER
FOR THE YEAR ENDED 31st DECEMBER, 1940.

Presented to both Houses of the General Assembly pursuant to the Provisions of the Government Life Insurance Act, 1908.

Government Insurance Office, Wellington, 1st May, 1941.

I HAVE the honour to submit the following report upon the transactions of the Department for the year ended 31st December, 1940, and its position at that date. The Revenue Account, Balance-sheet, and Statement of Business are appended.

New Business and Amount of Business in Force.—New business for the year amounted to 5,912 policies, assuring the sum of £2,333,050, the premiums thereon being £44,953 per annum. Twenty-six annuities were also granted, the purchase money being £20,464. The total business in force at the end of the year (including immediate, deferred, and contingent annuities for £96,188 per annum) comprises 92,177 policies, bearing an annual premium income of £775,513. The total sum assured is £30,848,799, to which reversionary bonuses amounting to £3,729,211 have been added.

Income. The total income amounted to £1,326,101, made up as follows: Premium income, £808,555; interest income (net), £497,085; annuity purchase money, £20,464. The total for the year exceeded that for the previous year by £8,920.

Outgoings. During the year 1,723 policies became claims by the death of the policyholders and by maturity, the payment involved being £363,205. The total amount paid in claims since the inception of the Department amounts to £17,797,634.

Accumulated Funds. Assurance, Annuity, and Endowment Funds, apart from special reserves of £394,149, now stand at £11,467,522, an increase of £420,886 over the previous year.

Investments.—On the 31st December, 1940, the total assets of the Department amounted to £11,891,195, and were invested as follows:

Class of Investment.	Percentage of Total Assets.
Mortgages of freehold property	42·7
Government securities, including rural advances bonds	23·0
Local-body debentures	16·8
Loans on policies	10·2
Landed and house property	1·3
Miscellaneous assets	3·0

Annual Bonus Distribution.—The usual bonus investigation was carried out by the Actuary, and his report, appended hereto, discloses a net surplus of £188,032 (excluding interim bonuses paid during the year) in respect of this year. Of this sum, £166,318 was allotted in the form of compound reversionary bonuses upon the sum assured and existing bonuses, the total reversionary bonuses thus allotted amounting to £277,196.

Expense Ratios.—The ratio of expenses to (a) total income and (b) premium income for 1938, 1939, and 1940 is as follows :—

Ratio of Expenses to				1938.	1939.	1940.	
(a)	Total income	..	..	..	9·73	8·55	7·97
(b)	Premium income	..	..	..	15·18	13·31	12·75

The expense ratios must be regarded as very satisfactory in view of prevailing conditions.

In conclusion, I should like to pay a tribute to the good work done by all members of the staff (both office and field). It is due to their efficiency, zeal, and loyalty that the Department holds such a high position in the keenly competitive field of life insurance.

W. E. ARNOLD, Commissioner.

REVENUE ACCOUNT OF THE GOVERNMENT LIFE INSURANCE DEPARTMENT FOR THE YEAR ENDED
31ST DECEMBER, 1940.

	£	s.	d.		£	s.	d.
Amount of funds at 1st January, 1940	10,996,636	8	7	Death claims under assurance policies, including bonus additions	238,182	7	3
Renewal premiums—Assurance, annuity, and endowment, less reinsurance premiums	725,576	16	9	Endowment assurances matured, including bonus additions	348,860	6	0
New premiums (including instalments of first year's premiums falling due in the year) less reinsurance premiums	45,098	16	8	Endowments matured	15,369	6	0
Single premiums—Assurance and endowment	37,879	6	8	Premiums returned on endowments	793	4	10
Consideration for annuities	20,464	5	4	Bonuses surrendered for cash	7,136	1	2
Interest, rent, and other income	507,548	9	1	Annuities	34,746	7	9
Less property expenses	10,463	6	11	Surrenders	38,782	2	9
	497,085	2	2	Loans released by surrender	51,516	0	8
					£	s.	d.
				Commission, new	34,579	2	6
				Commission, renewal	6,194	18	0
					40,774	0	6
				Contribution to Public Service Superannuation Fund	625	4	2
				Land and income tax	42,874	7	3
					£	s.	d.
				Expenses of management			
				Salaries	39,301	19	1
				Extra clerical assistance	582	12	6
				Medical fees and expenses	1,799	3	0
				Travelling expenses	1,068	1	10
				Advertising	624	15	11
				Printing and stationery	1,355	4	10
				Rent	7,710	17	3
				Postage and telegrams	2,799	17	2
				Exchange	30	2	10
				Audit fees	450	0	0
				General expenses	4,775	1	0
				Services rendered by Government Actuary	3,771	19	5
					64,269	14	10
				Property depreciation	6,289	17	2
				Transfer to Investment Fluctuation Reserve Account	15,000	0	0
				Amount of funds, 31st December, 1940	11,417,521	15	10
	£12,322,740	16	2		£12,322,740	16	2

BALANCE-SHEET OF THE GOVERNMENT LIFE INSURANCE DEPARTMENT ON 31ST DECEMBER, 1940.

<i>Liabilities.</i>	£	s.	d.	<i>Assets.</i>	£	s.	d.
Total assurance, annuity, and endowment funds (as per Revenue Account)	11,417,521	15	10	Loans on policies	1,217,965	2	5
Claims admitted, proofs not yet completed	59,632	8	10	New Zealand Government securities	2,730,304	0	0
Annuities	397	19	4	Loans to local bodies	1,995,196	13	1
Medical fees	212	2	0	Landed and house property	513,612	2	3
Premium and other deposits	18,151	1	1	Landed and house property (leasehold)	686	12	2
Sundry creditors	2,094	5	0	Mortgages on property	5,074,924	14	0
Accident and Fidelity Fund	5,090	0	0	Properties acquired by foreclosure	12,830	0	0
Investment Fluctuation Reserve	386,118	17	0	Overdue premiums on policies in force	4,027	10	10
Sinking funds on local body loans	2,042	19	5	Outstanding premiums due but not overdue	60,370	14	11
Interest accrued thereon	23	13	11		64,398	5	9
	2,066	13	4	Overdue interest	5,394	3	5
				Outstanding interest due but not overdue	8,525	14	0
				Interest accrued but not due	105,866	11	9
					119,786	9	2
				Sundry debtors	1,205	11	2
				Income-tax paid in advance	35,000	0	0
				Office furniture and fittings	3,500	0	0
				Cash in hand and on current account	121,785	12	5
	£11,891,195	2	5		£11,891,195	2	5

W. E. ARNOLD, Commissioner.

J. W. MACDONALD, Secretary.

Government Life Insurance Department,
14th March, 1941.

The Audit Office, having examined the Revenue Account and Balance-sheet, and compared them with the relative books, documents, and securities, hereby certifies them to be in accordance therewith. CYRIL G. COLLINS, Controller and Auditor-General.

Statement of Business

TOTAL.									
YEAR 1940.					Whole-life and Term Assurances.				
No.	Sum assured.	Rever- sionary Bonuses.	Annual Premiums. 1. Ordinary. 2. Extra.	Annuit- ties. 1. Immediate or entered upon. 2. Deferred.	No.	1. Sum assured. 2. Deferred Annuity.	Rever- sionary Bonuses.	Annual Premiums. 1. Ordinary. 2. Extra.	
POLICIES ISSUED AND DISCON-									
Policies in force at 31st December, 1939	90,081	29,787,393	3,619,298	762,649 19 9 1,801 1 6	34,607 3 11 63,051 10 1	16,669	7,260,420 48,524 0 0 p.a.	557,683	(144,842 18 6 714 10 11)
New business ..	5,938	2,323,050	..	41,873 9 10 79 7 8	1,844 2 6 525 12 0	1,641	792,923 525 12 0 p.a.	..	(11,392 3 5 25 16 8)
Bonus allotted	..	..	322,349	..	..	..	..	51,944	..
Total..	96,019	32,120,443	3,941,647	807,523 9 7 1,880 9 2	36,451 6 5 63,577 2 1	18,310	8,053,353 49,049 12 0 p.a.	609,627	(156,235 1 11 740 7 7)
Policies discontinued during 1940	3,842	1,271,644	212,436	34,404 10 7 —518 17 10	2,504 3 2 1,335 15 4	640	353,857 1,188 0 0 p.a.	46,862	(5,019 19 3 —120 10 2)
Total policies in force at 31st December, 1940	92,177	30,848,799	3,729,211	773,118 19 0 2,399 7 0	33,947 3 3 62,241 6 9	17,670	7,699,496 47,861 12 0 p.a.	562,765	(151,215 2 8 860 17 9)

PARTICULARS OF POLICIES DISCON-									
How discontinued.									
By Death ..	596	178,552	64,696	5,497 9 7 16 11 5	2,591 18 6 ..	262	84,359 ..	38,603	(2,260 12 8 7 10 8)
Maturity ..	1,132	276,288	85,590	11,126 15 1 11 15 10	..	..	..	..	..
Surrender ..	1,007	328,266	40,438	8,811 0 10 29 8 9	.. 456 0 0	170	79,957 396 0 0 p.a.	5,081	(1,170 6 10 6 15 10)
Change to other Tables	24	11,912	230	132 4 4 5 0 0	.. 144 0 0	15	9,362 144 0 0 p.a.	34	(57 19 4 5 0 0)
Cancellation ..	146	41,902	109	1,071 13 1 1 10 4	..	11	3,725 ..	26	(73 17 2 ..)
Lapse ..	937	434,724	21,373	7,765 7 8 —574 4 2	—87 15 4 735 15 4	182	176,454 648 0 0 p.a.	3,115	(1,457 3 3 —139 16 8)
Total discontinued during year 1940	3,842	1,271,644	212,436	34,404 10 7 —518 17 10	2,504 3 2 1,335 15 4	640	353,857 1,188 0 0 p.a.	46,862	(5,019 19 3 —120 10 2)

PROGRESS OF BUSINESS OF THE GOVERNMENT LIFE INSURANCE									
Total issued ..	270,293	79,332,444	9,551,161	{ 2,263,004 6 11 41,481 15 2 }	{ 221,271 14 0 64,742 }	23,437,306 55,785 12 0 p.a.	2,719,218	{ 552,186 12 0 19,050 1 10 }	
Total void ..	178,116	48,533,645	5,821,950	{ 1,489,885 7 11 39,082 8 2 }	{ 125,083 4 0 47,072 }	15,737,810 7,924 p.a.	2,156,453	{ 400,971 9 4 18,189 4 1 }	
Total in force ..	92,177	30,848,799	3,729,211	773,118 19 0	96,188 10 0	17,670 47,861 12 0 p.a.	562,765	151,215 2 8	
Extra Premiums				2,399 7 0	..	..	..	860 17 9
				£775,518 6 0				£152,076 0 5	

NOTE.—The "ordinary" premium is the premium charged

t End of Year 1940.

ASSURANCES.						ANNUITIES.			SIMPLE ENDOWMENTS, INVESTMENTS, ETC.			
<i>Endowment Assurances.</i>			<i>Annuity Assurances.</i>									
1. Sum assured.	Rever- sionary Bonuses.	Annual Premiums. 1. Ordinary. 2. Extra.	No.	1. Sum assured. 2. Rever- sionary Bonuses.	Annuities. 1. <i>Immediate or entered upon.</i> 2. <i>Deferred.</i>	Annual Premiums.	No.	Annual Premiums.	Annuities. 1. <i>Immediate or entered upon.</i> 2. <i>Deferred.</i>	No.	1. Sum assured. 2. Rever- sionary Bonuses.	Annual Premiums. 1. <i>Ordinary.</i> 2. <i>Extra.</i>

NUED DURING THE YEAR 1940.

£	£	£ s. d.	£	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£	£ s. d.
18,583,026 12,726 p.a.	3,038,701	{ 578,433 16 9 1,058 9 10 }	18 { 4,697 1,085	717 15 2 447 4 1	81 3 0	571 35 15 6	{ 33,889 8 9 1,354 6 0 }	7,596	{ 3,939,240 21,829 }	39,256 6 0 28 0 9
3 901,135 ..	.. 268,143	{ 27,508 15 8 51 2 3 }	.. .. 72	.. .. ..	..	26 ..	{ 1,844 2 6 ..	1,028	638,992	{ 5,972 10 9 2 8 9 }
19,484,161 12,726 p.a.	3,306,844	{ 605,942 12 5 1,109 12 1 }	18 { 4,697 1,157	717 15 2 447 4 1	81 3 0	597 35 15 6	{ 35,733 11 3 1,354 6 0 }	8,624	{ 4,578,232 24,019 }	45,228 16 9 30 9 6
3 759,662 ..	161,478	{ 26,768 1 7 -393 12 8 }	1 { 550 247	.. .. 87 15 4	27 10 0	37 21 15 6	{ 2,504 3 2 60 0 0 }	378	{ 157,575 3,849 }	2,567 4 3 -4 15 0
18,724,499 12,726 p.a.	3,145,366	{ 579,174 10 10 1,533 4 9 }	17 { 4,147 910	717 15 2 359 8 9	53 13 0	560 14 0 0	{ 33,229 8 1 1,294 6 0 }	8,246	{ 4,420,657 20,170 }	42,661 12 6 35 4 6

NUED DURING THE YEAR 1940.

87,993	26,093	{ 3,164 7 4 9 0 9 }	..	..	..	..	37	..	{ ,591 18 6 }	11	{ 6,200 72 9 7 }
264,136	82,240	{ 10,593 14 1 11 15 10 }	..	{ .. }	..	..	..	..	..	71	{ 12,152 533 1 0 3,104 .. }
193,354	35,353	{ 6,591 6 6 13 12 11 }	..	{ .. }	..	..	1	21 15 6	{ .. 60 0 0 }	140	{ 54,955 1,027 12 0 .. }
2,450	196	{ 70 0 0 }	..	..	..	..	..	..	..	1	{ .. 100 4 5 0 .. }
32,459	83	{ 838 8 5 1 10 4 }	..	..	..	..	..	..	..	10	{ 5,718 159 7 6 .. }
179,270	17,513	{ 5,510 5 3 -429 12 6 }	1	{ 550 87 15 4 }	27 10 0	-1	..	{ -87 15 4 .. }	145	{ 78,450 770 9 2 745 -4 15 0 }	
759,662	161,478	{ 26,768 1 7 -393 12 8 }	1	{ 550 .. 247 87 15 4 }	27 10 0	37	21 15 6	{ 2,504 3 2 60 0 0 }	378	{ 157,575 2,567 4 3 3,849 -4 15 0 }	

PARTMENT SINCE DATE OF ESTABLISHMENT TO 31st DECEMBER, 1940.

249,499,617 14,428 16s. p.a.	6,755,457	{ 1,614,573 4 0 22,375 7 1 }	1,131 { 179,200 9,552 }	{ 60,175 1 10 9,387 16 9 1,652 888 2 2 }	{ 90,882 4 2 16256 }	{ 6,266,321 66,934 }	{ 85,968 12 0 56 6 3 }	
30,775,118 1702 16s.p.a	3,610,091	{ 1,035,398 13 2 20,872 2 4 }	1,114 { 175,053 8,642 }	{ 59,097 17 11 9,334 3 9 1,092 874 2 2 }	{ 56,358 10 1 8,010 }	{ 1,845,664 46,764 }	{ 43,306 19 6 21 1 9 }	
18,724,499 12,726 p.a.	3,145,366	579,174 10 10	17 { 4,147 910 }	{ 1,077 3 11 53 13 0 }	560 14 0 0	34,523 14 1	{ 8,246 { 4,420,657 20,170 }	42,661 12 6
..	..	1,503 4 9	35 4 6
£580,677 15 7		£53 13 0		£14 0 0		£42,696 17 0		

true age; the "extra" the additional premium charged for any reason whatsoever.

W. E. ARNOLD, Commissioner.
S. BECKINGSALE, F.I.A., Actuary.

ACTUARY'S REPORT
ON THE VALUATION OF THE
GOVERNMENT INSURANCE DEPARTMENT

AS AT 31st DECEMBER, 1940.

Presented to both Houses of the General Assembly pursuant to Section 40 of the Government Life Insurance Act, 1908.

Wellington, 10th April, 1941.

IN accordance with your instructions, a valuation of the Department's liabilities under its policies has been made as at 31st December, 1940, with the object of ascertaining the net surplus available for distribution amongst the policyholders, and in accordance with section 40 of the Government Life Insurance Act of 1908, and amendments, I have the honour to report as follows:

The liabilities arise in respect of 92,177 policies assuring, inclusive of bonus additions, the sum of £34,578,010 and £96,188 immediate and deferred annuities per annum: the Office premiums thereon amounting to £775,518 per annum.

The bases adopted for the valuation were as follows:—

- (a) Endowments: 3 per cent. interest without mortality.
- (b) Temporary Assurances: The proportion of the premiums corresponding to the unexpired risk.
- (c) All other Classes of Assurance: The O^M mortality table with 3 per cent. interest.
- (d) Annuities: The *a (m)* and *a (f)* mortality tables with 3 per cent. interest.

The net premium method of valuation was employed in respect of groups (a) and (c) above, and, in addition to the liability brought out on that basis, reserves were included for future bonuses, immediate payment of claims, and other contingencies, including those likely to arise out of the present war.

The valuation disclosed a total surplus of £191,931, as follows:—

	£
Total funds at 31st December, 1940	11,417,522
Less value of liabilities	11,229,490
Net surplus	188,032
Interim bonus paid during year	3,899
Total surplus	£191,931

As required by the Act, surplus arising from favourable mortality has been investigated separately for the General and Temperance Sections, the result indicating that the same rates of bonus should be allotted to policies of the same class in both sections.

I accordingly recommend that the following rates of compound reversionary bonus be declared on the sum assured and existing bonuses in respect of each full year's premium paid during the year:—

Policies issued under Present Premium Tables.

	Per Cent.
Whole-life assurances, and long-term endowment assurances maturing at	£ s. d.
ages 80 and over	1 5 0
Other endowment assurances	1 1 0
Double endowment assurances	0 17 0
Pure endowments	0 15 0

Policies issued under Premium Tables which have been closed.

Whole-life and endowment assurances	1 1 0
Double endowments	1 0 0

The above bonuses will absorb the sum of £166,318, and I recommend that the balance of the net surplus—viz., £21,714—be carried forward.

S. BECKINGSALE, Actuary.

The Government Insurance Commissioner, Wellington.

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