

1944

NEW ZEALAND

REPORT OF THE WAR DAMAGE COMMISSION

ESTABLISHED UNDER THE WAR DAMAGE ACT, 1941, FOR THE
YEAR ENDED 31st MARCH, 1944

*Presented to both Houses of the General Assembly pursuant to the Provisions of
War Damage Act, 1941*

Wellington, 20th July, 1944.

IN accordance with the provisions of section 18 of the War Damage Act, 1941, the following report and statement of accounts is presented respecting the operations of the War Damage Commission for the year ended 31st March, 1944.

(1) Mr. W. B. McKenzie, who replaced Mr. G. E. Brangwin as a member of the Commission whilst the latter undertook military duties, resigned in favour of Mr. Brangwin on the latter's return to civil occupation, and Mr. Brangwin was reappointed on 23rd October, 1943. Otherwise the personnel of the Commission remained unchanged.

During the year ten meetings of the Commission were held.

(2) The following statement shows the figures comparatively for each period reported upon since the Act operated :—

	Period 19th December, 1941, to 31st March, 1942.	Twelve Months ended 31st March, 1943.	Twelve Months ended 31st March, 1944.
Income—	£	£	£
Premium	877,369	1,611,218	1,423,305
Interest	16,623	57,469
Outgo—			
Claims	956	55
Salaries	1,018	5,696	2,070
Other working-expenses	1,261	919	1,311
Audit fee	120	100
Surplus	875,090	1,620,150	1,477,238
Total of Fund	875,090	2,495,240	3,972,478
Ratio per cent. of working-expenses to premium income	0.260	0.418	0.245
Ratio per cent. of working-expenses to total income	0.260	0.413	0.235

(3) By Amendment No. 3 to the War Damage Regulations 1941, the premium rate of 5s. per cent. was reduced to 1s. per cent. as from 1st March, 1944. The premium income for the year under review thus includes one month at the lower rate.

The same amendment—

- Excluded any security for death duty, Native succession duty, gift duty, or stamp duty from the definition of the term "mortgage," thus releasing the Crown in connection with such securities from the obligation to contribute to war damage premiums;
- Amended the obligation of mortgagees to contribute half the premium to the extent that the premium contributed shall not exceed the amount of interest payable under the mortgage for the preceding year, and also limited the right of recovery of premium for which mortgagees have liability to a period of two years after payment of the premium;
- Extended the right of a mortgagor to recover a proportion of the premium from a mortgagee to any person who is bound to pay the war damage premium under any contract or agreement with the mortgagor.

(4) The Earthquake Damage Emergency Regulations 1944, operating from 1st March, represent a logical development of the principle of collective responsibility for a calamity loss which was expressed in the War Damage Act, 1941. The regulations provide the framework of a national and universal scheme of earthquake insurance the necessity for which has been recognized since the Hawke's Bay disaster in 1931.

From an insurance point of view the risk of loss or damage through enemy action in wartime has many aspects in common with the risk of loss or damage through earthquake. Neither the locality where the risk is greatest nor the extent of loss can be predicted, and the individual is relatively powerless to protect himself.

While it cannot be claimed that war risk to property is yet at an end—and the recent explosion disaster in Bombay is a reminder of one aspect of war risk which is independent of direct enemy action—the present position in the Pacific war area warrants the hope that the balance in the War Damage Fund provides a substantial reserve at the commencement of the earthquake insurance scheme which it would have taken a very long time to build up out of earthquake premiums alone.

The Commission recognizes that as there is no precedent elsewhere for a national earthquake insurance scheme, the regulations may be regarded as experimental. A review of the legislation is in hand at the present time.

The intention of the regulations is to give indemnity insurance against loss or damage by earthquake over all tangible property insured under—

- (a) A fire policy :
- (b) A houseowner's or householder's comprehensive policy :
- (c) An earthquake fire policy :
- (d) A baggage policy :
- (e) A motor comprehensive policy :
- (f) An all risks policy.

The cover is subject to the following conditions :—

- (a) The Commission is not liable for the first £5 of damage occurring in a period of forty-eight consecutive hours as the direct result of earthquake (exclusive of earthquake fire) :
- (b) If the property is otherwise insured against earthquake, the cover attaches only in respect of so much of the loss as exceeds the amount to which the property is otherwise insured :
- (c) The Commission is not liable if at any time prior to the commencement of the regulations any insurance office had refused to insure the property against earthquake or earthquake fire damage because of defects of construction, unless such defects of construction have subsequently been made good :
- (d) The Commission is not liable if at any time before the occurrence of the damage a local authority has required any earthquake damage to the property to be made good, unless such requirement has been complied with :
- (e) The Commission may cancel or reduce the insurance under the regulations if the property is insured excessively against earthquake damage or there are defects in the physical condition of the property.

The regulations authorize the reinsurance of the liabilities of the Fund. The Commission fully appreciates the desirability of relieving the scheme of disaster risks, if that can be done at a reasonable cost, and appropriate inquiries have been made, and are still proceeding, as regards suitable reinsurance.

The Commission proposes to undertake an expert survey of all buildings in what are judged to be the more hazardous areas, with a view to the later institution of workable insurance standards. This survey has already begun in the City of Wellington, but progress must be slow until the war ends, because of the difficulty in securing the services of qualified full-time Inspectors.

(5) Administration expenses were lower than in the previous year. Up to the 28th February, 1944, as a war contribution, all insurance organizations gave their services, with attendant administrative out-of-pocket expenses, free of all cost to the Fund. As, however, the scheme, on account of the inclusion of earthquake insurance, ceased to be a purely war measure on the 1st March, 1944, it was considered reasonable to allow insurance offices 2½ per cent. on premiums collected as from that date. The amount payable for the month of March only appears in the accounts for the year under review.

(6) The Commission has pleasure in again acknowledging the excellent work of the Secretary and staff, and the continued helpful co-operation of insurance offices.

J. H. JERRAM,
Deputy Chairman.

WAR DAMAGE FUND (Under War Damage Act, 1941)

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1944

	£	s.	d.	£	s.	d.		£	s.	d.
Sections 15 and 17 premiums	106,681	9	6				Claims	55	6	3
Less refunds	23,625	0	11				Salaries and overtime	2,070	3	4
				83,056	8	7	Printing, stationery, and office equipment	85	0	0
Section 14 premiums				1,340,248	4	6	Rent, fuel, light, postages, telegrams, and sundry charges	282	13	
Interest				57,469	7	10	Audit fee	100	0	
							Commission	942	19	0
							Balance transferred to War Damage Fund	1,477,237	18	7
				£1,480,774	0	11		£1,480,774	0	11

BALANCE-SHEET AS AT 31ST MARCH, 1944

<i>Liabilities</i>					<i>Assets</i>					
	£	s.	d.			£	s.	d.		
Balance as at 31st March, 1943	2,495,240	0	1			Government stock	3,800,000	0	0	
Net income for year ended 31st March, 1944	1,477,237	18	7			Cash in Public Account to credit of War Damage Fund	85,931	12	7	
				3,972,477	18	8	Interest accrued but not due	13,840	19	5
Sundry creditors for commission				942	19	0	Section 14 premiums accrued but not due	73,648	5	8
				£3,973,420	17	8		£3,973,420	17	8

8th June, 1944.

T. L. SEATOR, Secretary.

I hereby certify that the Income and Expenditure Account and Balance-sheet have been duly examined and compared with relative books and documents submitted for audit, and correctly state the position as disclosed thereby.—CYRIL G. COLLINS, Controller and Auditor-General.

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