

CONSOLIDATED REVENUE ACCOUNT.

The Consolidated Revenue Account of the Department for the past three years compares with that for the preceding triennium as follows:—

		Previous Triennium.			Previous Triennium.
	£	£		£	£
Funds at beginning of triennium	2,591,342	2,128,590	Death claims	297,188	276,064
Premiums	808,821	743,191	Matured claims	182,262	76,677
Annuities	27,916	47,765	Annuities	32,245	25,885
Interest	393,078	359,499	Surrenders	94,754	115,503
Fees.. ..	24	20	Cash bonuses	20,373	21,891
			Commission	43,854	39,674
			Taxes	26,050	20,105
			Expenses	107,724	101,424
			Investment reserves ..	19,050	10,500
			Funds at end of triennium ..	2,997,681	2,591,342
Total	£3,821,181	£3,279,065	Total	£3,821,181	£3,279,065

In commenting on the foregoing comparative statement of revenue and expenditure, it may be noted in the first place that the funds have been increased by £406,339 during the period under review. The income from premiums showed a satisfactory increase; but the consideration received for the purchase of annuities was considerably less, doubtless owing to the rates having been more stringent for new annuities since 1896.

There was, of course, an increase in the revenue from interest, but the average rate of interest realised has fallen from £5 8s. 2d. per cent. in 1891 to £4 11s. 1d. per cent. last year, as will be seen from the following:—

	£ s. d.		£ s. d.		£ s. d.
1891	5 8 2	1894	5 5 0	1897	4 16 7
1892	5 5 2	1895	5 2 3	1898	4 13 11
1893	5 5 3	1896	4 19 0	1899	4 11 1

It will be evident what an adverse influence on the bonus-earning power of any life insurance office must be the result of such a continuous fall in the rate of interest earned, but it should be borne in mind that the Department's experience in this respect has been shared generally by other offices.

Referring to the outgo of the triennium, it may be pointed out that the amount paid in death claims increased very slightly, especially when the development of the business is taken into consideration; there was, indeed, a large profit from favourable mortality. The actual decrease in the amounts paid for surrenders and cash bonuses is also a favourable feature, as is the very large increase in the payments for matured claims, both items indicating a satisfactory improvement in the permanent nature of the Department's business.

The increases in commission and expenses are not large, and, although the amount paid in taxes is considerably greater than for the preceding period, the ratio of the total expenses (including taxes) declined from 21·9 per cent. in 1897 to 21·1 per cent. in 1898, and still further in 1899 to 20·7 per cent., of the premium income.

THE VALUATION.

The liabilities under life policies have been valued, as before, by the Institute of Actuaries' Healthy Males Table of Mortality, but the rate of interest assumed was $3\frac{1}{2}$ per cent., instead of 4 per cent., the rate adopted for the last three valuations. The valuation has been made on a strictly net-premium basis, extra reserves have been made for limited-premium policies and for the immediate payment of claims, and allowance has been made for the actual incidence of the premium income.

The annuities have been valued by the 1884 Government Annuitants' Experience, with $3\frac{1}{2}$ per cent. interest, a special reserve being made for annuities granted since the 20th May, 1896, at increased rates, bringing up their reserves to a 3 per cent. standard. A special analysis of the annuities showed a profit for the triennium on that class of £3,581, which is merged in the general surplus.

A valuation upon the foregoing basis resulted in a net liability of £2,871,081, as will be seen from the appended Valuation Summary; and, the assurance and annuity funds at the close of the triennium amounting to £2,997,681, there resulted a surplus of £126,600, as shown by the following valuation balance-sheet:—

VALUATION BALANCE-SHEET, 31ST DECEMBER, 1899.

To Net liability, as per attached Valuation Summary	£ 2,871,081	By Assurance and Annuity Funds, as per Revenue Account	£ 2,997,681
„ Surplus.. ..	126,600		
	£2,997,681		£2,997,681