

Income.—The chief item of importance, besides a substantial increase in the premium income and purchase-money for life annuities, is the revenue from interest, which exceeded by £73,297 the interest-earnings of the previous three years. The average rate of interest realised each year for the past six years has been as follows :—

	£	s.	d.		£	s.	d.
1903	4	8	5	1906	4	9	10
1904	4	8	2	1907	4	10	3
1905	4	10	4	1908	4	12	2

These figures are obtained by finding the rate yielded each year on the mean of the funds at the beginning and end of the year, and they show that the rate of interest earned on the Department's investments has been more than maintained.

Outgo.—The claims have increased in a normal manner, taking into account the growth of the business and the increase in ages of policyholders and duration of policies. The rate of mortality experienced has indeed been extremely favourable, and the surplus has received an unusually large accretion from this source.

The surrenders were abnormally increased in consequence of a large number of civil servants relinquishing their policies last year upon joining the new Public Service Superannuation Fund. On the other hand there is a decrease in the surrender of reversionary bonuses for cash, even when the Civil Service policies are taken into account. Indeed, one good effect of the new method of allotting bonuses has been to diminish the surrendering of reversionary bonuses, as the cash bonuses, which amounted to £28,915 in the 1900–2 triennium, decreased to £17,442 in 1903–5, and again to £16,668 in 1906–8, notwithstanding the fact that the total reversionary bonuses liable to be operated on were rapidly increasing throughout.

The amount paid in commission during the triennium has slightly increased, in keeping with the larger amount of both new and renewal business ; while, as regards the expenditure on commission and management combined, the business is now conducted at a lower rate of expense than formerly, as the following table will show :—

RATIO OF COMMISSION AND EXPENSES (excluding Taxation).

Year.	To Total Income.	To Premium Income.
1890	14·4 per cent.	20·2 per cent.
1893	13·4 "	19·0 "
1896	12·0 "	17·5 "
1899	11·9 "	17·5 "
1902	11·3 "	16·8 "
1905	11·0 "	16·7 "
1908	10·6 "	16·6 "

From this it will be seen that the expense-ratios have consistently diminished since the introduction of triennial valuations, and that they are now materially lower than they were eighteen years ago.

The taxation, not included in the above, has now increased to 3½ per cent. of the premium income of the Department.

THE VALUATION.

The business to be valued consisted of 47,033 policies, assuring £12,024,699 inclusive of bonus additions, and £20,679 immediate and deferred annuities per annum, the ordinary annual premiums thereon amounting to £329,209. The Department also receives £2,621 per annum, representing additions to the tabular premiums imposed when assurances are effected on lives which are estimated to fall below the requisite standard for any reason. These extra premiums are held to cover the current year's extra risk, and are not brought into the valuation as an asset.

Basis of Valuation.—The valuation has been made on the same basis as before (H^m mortality and 3½ per cent. interest) on a strict net premium basis, whereby the *whole* margin of loading has been reserved as a provision for future expenses and profits.

The annuities were valued by the English Government Annuitants' Experience (1883) using 3½ per cent. interest for the older annuities, granted prior to June, 1896, and 3 per cent. for those granted subsequently. The bulk of the immediate annuities, therefore—viz., £10,218 per annum out of a total of £15,406 per annum—has been valued on the more exacting basis of 3 per cent.

The results of the valuation on the foregoing basis show that—

The value of the total liability under the several contracts is	£	7,105,661
Deduct the value of the future net premiums	3,090,172
Leaving an immediate NET LIABILITY of	...	4,015,489
The ACCUMULATED FUNDS (after making further provision of £20,000 towards the Investment Reserve Fund) are	...	4,264,685
Difference, being excess of assets over liability, or GROSS SURPLUS at 31st December, 1908	£249,196