

## DISPOSAL OF SURPLUS.

The above surplus of £249,196 includes £16,887 brought forward from the previous valuation, but does not include the interim bonuses paid during the triennium, amounting to £13,138. The sum of £16,887 carried forward three years ago has accumulated at interest to £19,292, and I recommend that this be again carried forward, together with a further sum of £37,474. By adopting this course the rate of interest assumed in the valuation will be virtually reduced to £3 7s. per cent., and there will be a reasonable prospect of being able, at the close of the current triennium, to give full effect to the advice of Messrs. Ralph P. Hardy and George King, given to the Department in 1903, that "steps should be taken gradually to bring down the valuation-rate from 3½ per cent. to 3¼ per cent. in the not very distant future."

This leaves a *net surplus* of £192,430 to be divided amongst the participating policyholders, and I recommend that it be allotted in the form of a uniform reversionary bonus per cent. on the sum assured and existing bonuses, for each premium paid since the previous valuation, distinguishing between General and Temperance policyholders in regard to profit from favourable mortality in the manner provided for by the Act. I estimate that £86,786 of the divisible surplus arose from favourable mortality in the General Section of policyholders, and £13,770 from favourable mortality in the Temperance Section, while the remaining £91,874 was profit from other sources, more particularly from interest earned on investments in excess of the rate assumed in the valuation. The results are shown in the following summary:—

APPORTIONMENT OF DIVISIBLE SURPLUS OF £192,430.							
Derivation of Profit.			General Section.	Temperance Section.	Total.	Resulting Rate of Uniform Compound Bonus.	
						General Section.	Temperance Section.
Favourable mortality	..	..	£ 86,786	£ 13,770	£ 100,556	10¼ per cent.	12¼ per cent.
Other sources	..	..	81,060	10,814	91,874	9/8 "	9/8 "
Total	..	..	£167,846	£24,584	£192,430	20/ per cent.	22/ per cent.

The result is that policies in the General and Temperance Sections respectively will on this occasion receive compound bonuses of 20s. per cent. and 22s. per cent. upon the sum assured and existing bonuses for each year's premium paid since the last valuation, the total reversionary bonus so allotted amounting to £316,742. The following comparison of this bonus-allotment with previous ones on the same plan will be of interest:—

			1902.		1905.		1908.	
			£		£		£	
Divisible surplus	..	..	167,933		178,994		192,430	
Interim bonuses	..	..	9,300		10,873		13,138	
Carried forward	..	..	476		16,887		56,766	
Total Surplus	..	..	£177,709		£206,754		£262,334	
Section.			Cash divided.	Reversionary Bonus.	Cash divided.	Reversionary Bonus.	Cash divided.	Reversionary Bonus.
			£	£	£	£	£	£
General	..	..	149,237	256,949	159,540	269,850	167,846	276,876
Temperance	..	..	18,696	33,125	19,454	33,060	24,584	39,866
Total	..	..	£167,933	£290,074	£178,994	£302,910	£192,430	£316,742

The compound bonus of £1 per cent. in the General Section is equivalent to a simple bonus commencing at £1 per cent. per annum to new policies, and increasing with the duration of the policies to £1 8s. per cent. per annum in the case of the older policies; in the same way the Temperance Section bonuses range from £1 2s. to £1 11s. per cent. per annum. These bonuses are good for the premiums charged, and may be expected to increase in the future; when comparing them with those of other offices it should be borne in mind that the Department's premiums are generally speaking much lower, and its policyholders may therefore be said to receive at the outset substantial bonuses, in addition to the bare sums assured by their policies, in the shape of the larger sums assured obtainable for a given outlay.

The larger bonuses allotted to policyholders in the Temperance Section on this occasion are due to the comparatively light mortality they experienced during the triennium under review; but as this small section tends to decrease rather than to increase it will always be liable to fluctuations, a single death claim, more or less, for a large amount being sufficient to make a difference in the rate of bonus. This has sometimes been lower than, sometimes equal to, and sometimes higher than, that of the General Section, and, seeing that it cannot be expected that similar fluctuations will be avoided in the future, it would be a great saving of expense and to the advantage of policyholders in both sections if a practicable way of amalgamating them could be agreed upon.

A complete Valuation Statement, prepared in accordance with "The Government Life Insurance Act, 1908," is appended.

In conclusion, I would remark on the satisfactorily steady results of the Department's business during the past three years. Not only has the new business steadily increased, but the ratio of expenditure to income has remained practically stationary, the yield from interest has improved in a marked manner, and the mortality experience has been exceptionally favourable. As the result of these combined influences the Department is now in a position to allot increased bonuses all round, and also to make such substantial reserves as will enable it to commence another triennial period of activity with every confidence.

Respectfully submitted,

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Actuary.

The Government Insurance Commissioner.