

1911.
NEW ZEALAND.

STATE FIRE INSURANCE OFFICE:

ANNUAL REPORT OF THE GENERAL MANAGER FOR THE YEAR ENDING 31st DECEMBER, 1910.

Presented to both Houses of the General Assembly pursuant to the Provisions of the State Fire Insurance Act, 1908.

State Fire Insurance Office, Wellington, 22nd May, 1911.

I HAVE the honour to submit the following report on, and Revenue Account and balance-sheet of, the State Fire Insurance Office for the year ending 31st December, 1910.

The year under review has proved to be by far the most successful yet experienced by the office. The net premium income amounted to £40,551 15s. 2d., as against £33,281 14s. 7d. for the previous year, showing the very substantial increase of £7,270 0s. 7d., representing the largest expansion in business in any one year since 1906.

The profits for the year, after appropriating to reserve £2,908 0s. 3d. for unearned premiums, amounted to £8,487 13s. The year commenced with a debit balance of £1,441 9s. 6d., which has been converted into a credit balance of £7,046 3s. 6d. The greatest profit made in any previous year was £2,698 13s. 7d., realized in 1909.

The net losses for the year amounted to £18,913 18s. 4d., as against £18,534 12s. for the previous year, the ratio of losses to premium income being 46·64 for 1910 and 55·69 for 1909. The losses for 1910 may be regarded as being below the average to be expected. The office was fortunate in not being involved in any large block conflagrations, and losses in bush-fires were not of a serious nature.

The ratio of working-expenses was 28·3 per cent., as against 30·5 per cent. for 1909, and 38 per cent. for 1908. The reduction of 2·2 per cent. represents a saving of nearly £900 on the business of 1910 as compared with 1909. I think it may now be safely said that the working-expenses of the State Fire Office are lower than those of any similar business carried on in this Dominion. Included in these expenses is an amount of £729 18s. 1d., representing contributions to Fire Boards. These contributions in some districts are a very heavy charge on the premium income, absorbing, as they do, from 2·73 to 20·02 per cent., and averaging about 7½ per cent. of the total premium income from all the Fire Board districts.

It will be noted from the balance-sheet that the investments of the office are now £20,000, as compared with £10,000 for 1909; and the reserve for unearned premiums £16,220 14s. 1d., as against £13,312 13s. 10d. for the previous year.

The exceptionally good results of the past year's operations cannot be looked upon as furnishing evidence that the existing rates are such as to insure a reasonable margin of profit over a series of years. Less favourable years are fairly certain to occur. The rates on some of the more hazardous classes of risks are, in my opinion, inadequate.

The sum of £2,000 was raised when this office commenced operations in 1905, and upon this sum interest has been paid annually. The office has therefore since its inception been entirely self-supporting; but to place it reasonably beyond the possibility of, in future, having to call upon the Government for additional funds, it is essential, in my opinion, that a fairly substantial reserve fund should be built up to provide against large losses, which are within the bounds of possibility in cases of serious conflagrations such as occurred in the Cities of Christchurch and Wellington during the past few years. To facilitate the building-up of such a reserve fund, I recommend an amendment of clause 42 of the State Fire Insurance Act providing for distribution of profits.

In view of the very heavy reduction of rates—ranging up to 33½ per cent. on the greater portion of the fire premiums for the Dominion—which eventuated when the State office was established, and which has been the means of saving to the people in fire premiums exceedingly large sums annually, the present position of the office cannot, I think, be regarded as other than satisfactory.

C. R. C. ROBIESON,
General Manager.

