

*Basis of Valuation.*—The net premium method of valuation has been strictly adhered to, whereby the *whole* margin of loading has been reserved as a provision for future expenses. The H<sup>m</sup> Table of Mortality, with 3½ per cent. interest, has been used, but an additional reserve of £101,500 has been added to the liability, making it equivalent to that produced by an H<sup>m</sup> 3¼-per-cent. valuation. The annuities were valued by the British Offices Life Annuity Tables (1893), using 3 per cent. interest. The valuation of the Department's liabilities under its various contracts has therefore been made on a more stringent basis than ever before, and the adoption of this course is bound to result in advantage to the policyholders.

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The value of the total liability under the several contracts is ...	7,563,873
Deduct the value of the future net premiums ...	3,181,474
	<hr/> 4,382,399
Add special reserve of ...	101,500
	<hr/> 4,483,899
Making an immediate NET LIABILITY of ...	4,483,899
The ACCUMULATED FUNDS (after making further provision of £30,000 towards the Investment Reserve Fund) are ...	4,699,970
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Difference, being excess of assets over liability, or GROSS SURPLUS at 31st December, 1911 ...	£216,071
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The sum of £56,766, brought forward from the last investigation, together with a further sum of £44,734 from the profits of the last three years—making a total of £101,500—has been absorbed in strengthening the valuation basis in the manner already described. In adopting this course full effect has been given to the advice of Messrs. Ralph P. Hardy and George King, tendered 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.” I consider it highly satisfactory that it has been possible to do this, while at the same time increasing the bonus as explained further on.

#### THE SURPLUS.

Of the surplus of £216,071 (which does not include the interim bonus paid during the triennium, amounting to £14,648), I recommend that £8,966 be carried forward, and that £207,105 be divided amongst all the participating policyholders, 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.

The result is that policies in the General and Temperance Sections respectively will on this occasion both receive compound bonuses of 21s. 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 £333,994. This compound bonus of 21s. per cent. is equivalent to a simple bonus commencing at 21s. per cent. per annum to new policies, and increasing with the duration of the policies to 31s. per cent. per annum in the case of the older policies. These bonuses are good for the premiums charged—which are small as compared with those of other offices—and they may be expected to increase still further in the future.

A complete valuation statement, prepared in accordance with the Government Life Insurance Act, 1908, is appended.

In conclusion, I would again call attention to the consistently steady results of the Department's business, arising under sound and strict methods of valuation. The new business returns have steadily increased, the expense-ratio has been reduced, the mortality experience has been favourable, and the yield from interest has increased, both in amount and percentage. In addition, increased bonuses are now allotted, while at the same time substantial reserves have been made, thereby still further strengthening the financial position, and I consider the policyholders have reason to look forward to the future with great confidence.

Respectfully submitted,

MORRIS FOX,  
Actuary.

The Government Insurance Commissioner.