Session II.

1918.

NEW ZEALAND.

STATE FIRE INSURANCE OFFICE.

ANNUAL REPORT OF THE GENERAL MANAGER FOR THE YEAR ENDED 31st DECEMBER, 1917.

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

State Fire Insurance Office, Wellington, 1st June, 1918.

I have the honour to present the thirteenth Annual Report of the State Fire Insurance Office, together with Revenue Account and Balance-sheet for the year ended 31st December, 1917.

The year under review has proved the most successful one in the history of the Office. Taking the figures on the same basis as previous year—i.e., free of income-tax—the profits are the highest yet made, and the increase in gross income is also greater than in any previous year. The exceptionally large increase in income, however, is due largely to war conditions and may be expected to prove more or less temporary. The work has been carried on under great difficulties owing to depletion of trained staff. It is now being found almost impossible to continue the absolutely necessary activities of the Department. Of the present staff of seventy-two, fifty-four are cadets and temporary officers with little or no experience of the higher branches of the work. Of a pre-war trained and partially trained male staff of fifty-five only eighteen remain. Seven of these have been medically rejected for military service, and three are returned soldiers unfit for further active service. At the same time the total sum assured has risen from £16,000,000 in 1914 to £22,000,000, and in addition the Department has carried on the Imperial Government war insurance scheme and other war work, involving a considerable amount of work and attention.

The gross surplus for the year amounted to £40,610 6s. 10d., of which £13,923 19s. 6d. has to be paid in income-tax on 1916 profits, leaving a balance of £26,686 7s. 4d. This sum has been allocated as follows: Uncarned Premiums Reserve, £3,084 18s. 1d.; Investment Fluctuation Reserve, £1,000; leaving a net profit of £22,601 9s. 3d. The net income amounted to £91,380 13s., an increase of £8,686 1s. 2d. over the previous year.

The assets of the Office at the close of the year stood at £208,220, as compared with £166,880 at close of 1916.

Investments total £152,608, and of this sum £55,000 was invested in war bonds during the past year. Since the close of the year a further £30,000 has been invested in war bonds, making a total of £85,000, in addition to £13,923 paid in income-tax.

The loss ratio is 32 per cent., which, notwithstanding the Dannevirke and other serious conflagrations, is exceptionally low, and considerably less than the average loss ratio for the whole Dominion. It cannot be expected that this low loss ratio will be maintained. The history of fire insurance shows great fluctuations, and the State Fire Office is bound to experience these fluctuations in common with other like businesses. Already there is evidence of a backward swing of the pendulum, due chiefly to the disastrous bush-fire conflagration of Raetihi, which occurred early this year. Losses are also occurring which could be avoided were there sufficient trained staff available to give proper supervision to the business. If the profits of the past three years could be regarded as stable, then obviously the rates charged to the insuring public would be capable of considerable reduction. Overinsurance, which I have dealt with in several previous reports, is still a very unhealthy factor in fire-insurance business generally.

Following are the particulars of profits, net income, losses, working-expenses, and funds for 1917 as compared with the year 1916:—

Profits.—The net surplus (inclusive of income-tax charges, which are this year levied for the first time), after appropriating a further sum of £3,084–18s. 1d. to Unearned Premiums Reserve, and a further sum of £1,000 to Investment Fluctuation Reserve, amounted to £36,525–8s. 9d., as compared with £35,697–5s. 6d. for 1916. The total accumulated profits at the close of 1917 amounted to £144,516–11s. 7d., as against £121,915–2s. 4d. for 1916.

Net Income.—The net income from all sources amounted to £91,380–13s., as against £82,694–11s. 10d., for 1916, showing an increase of £8,686–1s. 2d. The net premium income was £85,321–7s., as against £77,609–1s. 10d. for 1916, an increase of £7,712–5s. 2d.

Losses.—The net losses were £27,302 4s. 11d., as compared with £21,897 14s. 2d. for 1916, the ratio to premium income being 32 per cent. and 28.22 per cent. respectively.

Working-expenses.—The ratio of working-expenses to premium income for 1916 was 27.7 per

cent., and 27.5 per cent. for 1917.

Accumulated Funds.—The funds at close of 1917 amounted to £182,645 2s. 5d., and for 1916 £155,958 15s. 1d., showing the very substantial increase of £26,686 7s. 4d.

> C. R. C. Robieson, General Manager.

REVENUE ACCOUNT OF THE STATE FIRE INSURANCE OFFICE FOR THE YEAR ENDED 31st December, 1917.

## Standard								
Other receipts—Interest, commission, and rent		£	s.	d.		£	s.	d.
Appropriated to reserve for uncarned premiums (in addition to £31,043 12s. 9d. already reserved)	Premiums after deduction of reinsurances	85,321	7	0	Losses by fire (after deduction of reinsur-			
miums (in addition to £31,043 12s. 9d. already reserved)	Other receipts—Interest, commission, and	•			ances)	27,302	4	11
already reserved)	rent	6,059	6	0	Appropriated to reserve for uncarned pre-	,		
already reserved)		,			miums (in addition to £31,043 12s. 9d.			
Investments Fluctuation Reserve Fund 1,000 0 0 G Government taxes						3,084	18	1
Government taxes						1,000	0	0
Commission						13.923	19	6
Salaries 8,581 16 2 War bonus to staff on salaries under £315 Contributions to Fire Boards under the Fire Brigades Act, 1908 1,652 3 10 Expenses of management— £ s. d. Travelling-expenses 666 1 3 Printing, stationery, and advertising 908 1 5 Rent 1,092 17 8 Exchange 22 0 8 Postages, telegrams, cable- grams, and s u n d r y charges 1,595 3 0 Office buildings and equipment—written off 1,315 18 2 Amount of fire-insurance funds at end of year 22,601 9 3					1 ~			
War bonus to staff on salaries under £315 Contributions to Fire Boards under the Fire Brigades Act, 1908 1,652 3 10 Expenses of management— £ s. d. Travelling-expenses . 666 1 3 Printing, stationery, and advertising 908 1 5 Rent 1,092 17 8 Exchange 22 0 8 Postages, telegrams, cable- grams, and s u n d r y charges 1,595 3 0 Office buildings and equip- ment—written off 1,315 18 2 Amount of fire-insurance funds at end of year					Salaries	8.581	16	2
Fire Brigades Act, 1908 1,652 3 10 Expenses of management— £ s. d. Travelling-expenses 666 1 3 Printing, stationery, and advertising 908 1 5 Rent 1,092 17 8 Exchange 22 0 8 Postages, telegrams, cablegrams, and sundry charges 1,595 3 0 Office buildings and equipment—written off 1,315 18 2 Amount of fire-insurance funds at end of year 22,601 9 3								
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Expenses of management— £ s. d. Travelling-expenses . 666 l 3 Printing, stationery, and advertising 908 l 5 Rent 1,092 l 7 8 Exchange 22 0 8 Postages, telegrams, cable- grams, and s u n d r y charges 1,595 3 0 Office buildings and equip- ment—written off . 1,315 l8 2 Amount of fire-insurance funds at end of year	7				Fire Brigades Act, 1908	1.652	3	10
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Office buildings and equipment—written off 1,315 18 2 Amount of fire-insurance funds at end of year					grams, and sundry			
Office buildings and equipment—written off 1,315 18 2 5,600 2 2 Amount of fire-insurance funds at end of year	0				charges 1,595 3 0			
Amount of fire-insurance funds at end of year					Office buildings and equip-			
Amount of fire-insurance funds at end of year					ment—written off 1,315 18 2			
£91,380 13 0						5,600	2	2
£91,380 13 0					Amount of fire-insurance funds at end			
					of year	22,601	9	3
				<u> </u>				
out H I 1010		£91,380	13	0		£91,380	13	0
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28th February, 1918.

C. R. C. Robieson,

General Manager.

Examined and found correct.—R. J. Collins, Controller and Auditor-General.

BALANCE-SHEET OF THE STATE FIRE INSURANCE OFFICE ON THE 31ST DECEMBER, 1917.

Liabilities.	-	1 Annata	e
	_	Assets.	£ s. d.
£ s. d.	\mathfrak{L} s. d.	Government war bonds and stock	
Capital authorized by the		Government debentures and Consols	68,196 6 6
State Fire Insurance		Mortgages on property	2,600 0 0
Act, 1908 100,000 0 0		Freehold land and buildings	26,812 7 11
Less not raised 100,000 0 0		Outstanding premiums	5,713 10 5
	Nil	Interest accrued but not due	1,513 8 0
Reserve Fund	113,915 2 4	Rent accrued but not due	19 3 6
Reserve for bonus to policyholders	8,000 0 0	Cash in Bank of New Zea-	
Investment Fluctuation Reserve Fund	4,000 0 0	land at Wellington, or £ s. d.	
Reserve for unearned premiums	34,128 10 10	in transit to Wellington 47,909 19 11	
Premiums and other deposits	320 7 6	Imprest Account balances—	
Outstanding fire losses	3,166 0 0	£ s. d.	
Government taxes	13,923 19 6	Head Office 177 13 2	
Other amounts owing by the Office—	,	Auckland 27 16 11	
Reinsurance premiums £ s. d.		Christchurch 74 3 6	
due 6,234 13 2	;	Dunedin 105 1 0	
Commission 1,273 15 5	!	Palmerston	
Rent 180 4 10	!	North 3 0 0	
Printing, stationery,		New Ply-	
and advertising 13 13 11		mouth 67 17 3	
Postages and sundry		455 11 10	
charges 462 11 4			48,365 11 9
	8,164 18 8		, -
Fire insurance funds, as per Revenue	3,101 10 0		
Account	22,601 9 3		
_			
4	£208,220 8 1	£	208,220 8 1
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28th February, 1918.

C. R. C. Robieson,

General Manager.

Examined and found correct.—R. J. Collins, Controller and Auditor-General.

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