

SESSION II.
1921.
NEW ZEALAND.

STATE FIRE INSURANCE OFFICE.

ANNUAL REPORT OF THE GENERAL MANAGER FOR THE YEAR ENDED 31st DECEMBER, 1920.

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

State Fire Insurance Office, Wellington, 18th July, 1921.

I HAVE the honour to present the sixteenth Annual Report of the State Fire Insurance Office, together with Revenue Account and Balance-sheet, for the year ended 31st December, 1920.

The expansion of business during the year has been greater than that of any previous year. The building trade has been more active than for some years past, but the enhanced value of existing buildings, coupled with the increased value and volume of stocks held by merchants and others, has perhaps contributed more to the larger volume of business done for the year than the actual increase in new buildings. The expansion can be gauged by a comparison of the figures for 1920 with those for 1919, under the following headings, viz. :—

	1919.			1920.			Increase.		
	£	s.	d.	£	s.	d.	£	s.	d.
Total amount underwritten (new and renewal)	26,160,290	0	0	32,770,953	0	0	6,610,663	0	0
Gross income	151,935	12	11	183,190	2	10	31,254	9	11
Gross surplus after paying losses and working-expenses	57,184	19	0	75,286	19	5	18,102	0	5
Net profit	37,043	1	4	47,210	1	11	10,167	0	7

Whilst the income was much greater than in 1919, the net losses were rather less, the percentage of loss to premium income being 17·01 per cent. only for 1920 and 23·04 for 1919. The loss ratio for 1920 is the lowest experienced since the inception of the Office. The rising values of stocks, plants, and buildings, and the difficulty in replacing such, appear to have caused greater vigilance in fire-prevention by the people generally than was the case under normal conditions, and the business of the last two or three years has proved exceptionally profitable. Already there is ample evidence that such good results are not likely to continue. The history of fire insurance shows that very considerable fluctuations under well-known conditions are by no means uncommon. To show how great these fluctuations are, I may point out that the average loss ratio for the five years ending 1914 was 47·85 per cent. and for five years ending 1920 25·81 per cent., a reduction of over 22 per cent.

The working-expense ratio shows an increase of 1·53 per cent., due entirely to the cost-of-living bonus granted to the staff of this Office in common with other public servants.

The gross surplus of £75,286 19s. 5d. for the year is allocated as follows: Unearned Premium Reserve, £9,509 14s. 6d.; Investment Fluctuation Reserve, £3,000; Income-tax, £15,567 3s.; leaving a net profit of £47,210 1s. 11d.

The assets of the Office at the close of the year amounted to £348,390 3s. 9d., as compared with £288,349 15s. 3d. for 1919.

The sum invested at the close of 1920 stood at £297,732 19s. 1d., as against £232,371 8s. 1d. for 1919.

Following are the particulars of profits, net income, losses, working-expenses, and funds for 1920 as compared with the year 1919 :—

Profits.—The net surplus (inclusive of income-tax charges), after appropriating a further sum of £9,509 14s. 6d. to Unearned Premiums Reserve, and a further sum of £3,000 to Investment Fluctuation Reserve, amounted to £62,777 4s. 11d., as compared with £51,910 7s. 10d. for 1919.

The total accumulated profits at the close of 1920 amounted to £257,242 2s. 3d., as against £210,032 0s. 4d. for 1919.

Net Income.—The net income from all sources amounted to £135,669 14s. 2d., as against £110,564 11s. 2d. for 1919, showing an increase of £25,105 3s. The net premium income was £124,538 2s., as against £100,763 15s. 9d. for 1919, an increase of £23,774 6s. 3d.

Losses.—The net losses were £21,181 11s. 4d., as compared with £23,211 6s. 5d. for 1919, the ratio to premium income being 17·01 per cent. and 23·04 per cent. respectively.

Working-expenses.—The ratio of working-expenses to premium income, exclusive of income-tax, was 31·47 for 1920 and 29·94 for 1919.

Accumulated Funds.—The funds at close of 1920 amounted to £316,057 7s. 1d., and for 1919 £256,337 10s. 8d., a substantial increase of £59,719 16s. 5d.

C. R. C. ROBIESON,
General Manager.