

1924.

NEW ZEALAND.

STATE FIRE INSURANCE OFFICE.

ANNUAL REPORT OF THE GENERAL MANAGER FOR THE YEAR ENDED 31st DECEMBER, 1923.

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

State Fire Insurance Office, Wellington, 4th April, 1924.

I HAVE the honour to submit the nineteenth annual report of the State Fire Insurance Office for the year ended 31st December, 1923, together with Revenue Account and balance-sheet. Generally, the results achieved have been excellent, and for the first time in the history of the Office a bonus rebate has been granted to policyholders.

Premium Income.—The net premium income amounted to £154,164, as compared with £142,591 for 1922, the increase for the year being £11,573, which is considerably above the average increase for previous years. The continued popularity of the Office may also be judged by the fact that the number of policies current at the end of the year was over ninety thousand, which greatly exceeds that of any other office.

Losses.—The losses (£46,178) were practically the same as for 1922 (£46,090). It is perhaps not generally recognized that New Zealand has an exceptionally high fire loss ratio among civilized countries, and that if any substantial reduction in the fire waste could be brought about the saving would be of national economic importance. A large number of fires arise from causes which it should be possible to eliminate by education, and there is a wide field in New Zealand for work along the lines successfully adopted by fire-prevention societies in Great Britain and America.

Working-expenses.—In spite of the need for considerable extra clerical work in connection with the bonus rebate, it is gratifying to be able to report that the working-expenses ratio was reduced from 28·86 per cent. in 1922 to 27·66 per cent. in 1923. Excluding depreciation, the ratio is the lowest yet attained by the Office. For comparative purposes it is interesting to record that the average working-expense ratio for all offices for 1922, the latest year for which figures are available, was 39·31 per cent.

Bonus Rebate.—During the year the Board was called upon to consider the important question of granting a bonus rebate under the provisions of the State Fire Insurance Amendment Act of 1922, and the percentage of rebate was fixed at 15 per cent., operating for one year from the 1st August. The percentage was fixed at the high rate of 15 per cent. largely because the Office had not previously declared a rebate, and is not to be considered as fixing the basis of any future rebates, which must necessarily depend upon the results achieved from year to year. The accounts for 1923 show bonus figures for a period of only five months, representing a payment of £10,996. For the full twelve months during which the rebate will operate State Fire policyholders will benefit to the extent of about £30,000. Although the rebate was not considered justified by the Underwriters' Association, all members of the association granted a similar concession to their policyholders, and the concession made to the insuring public by all offices as a result of the decision of the State Fire Office is estimated to amount during the twelve months to between £270,000 and £300,000.

Surplus and Assets.—The surplus for the year, after providing for the five-months bonus rebate, for all necessary reserve funds, and for writing down and depreciation of office premises and furniture, amounts to £38,877. The assets at the end of the year total £493,961, as compared with £447,605 for 1922.

Competition.—The payment of unwarranted commission and allowances as a method of competition which was referred to in the last annual report continues to be a marked evil in the business. The resulting discrimination, more or less secret, between premiums on risks of equal hazard, besides adding to the cost of fire insurance, cannot be defended from an underwriting point of view, and is not in the best interests of the public, who are entitled to expect open equality of treatment in the matter of insurance rates. In my opinion, the evil cannot be effectively controlled without legislation such as has been found necessary in other parts of the world.

Investigation of Loss Experience.—Satisfactory arrangements have been completed for the underwriting experience of all offices to be analysed by the Government Statistician. A comprehensive scheme came into operation as from the beginning of 1924, and, although the clerical work involved in the various insurance offices will be somewhat heavy, I am quite satisfied that the results, when they are available over a sufficient period, will amply justify the cost and will finally settle the vexed question of the rates which should fairly be applied to the main classes of risks.

I desire to take this opportunity of expressing appreciation of the excellent work performed throughout the year by the executive officers and staff of the Department. Without the aid of their experience and enthusiasm it would have been impossible to have achieved the satisfactory results mentioned in this report.

J. H. JERRAM,
General Manager.