

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.

REVENUE ACCOUNT OF THE STATE FIRE INSURANCE OFFICE FOR THE YEAR ENDED
31ST DECEMBER, 1923.

	£	s.	d.		£	s.	d.
Premiums after deduction of reinsurances	154,164	12	0	Bonus rebate to policyholders (five months)	10,996	19	4
Other receipts: Interest, commission, and rent	15,084	10	5	Losses by fire (after deduction of reinsurances)	46,178	3	0
				Appropriated to reserve for unearned premiums (in addition to £57,036 14s. 8d. already reserved)	4,629	2	1
				Government taxes	16,922	12	2
				Commission	8,711	0	1
				Salaries	18,551	12	5
				Contributions to Fire Boards under the Fire Brigades Act, 1908	3,620	4	6
				Expenses of management—			
				Travelling-expenses	1,618	17	7
				Printing, stationery, and advertising	1,429	17	7
				Rent	1,870	17	7
				Exchange	31	5	4
				Postages, telegrams, cable-grams, and sundry charges	2,368	12	5
					7,319	10	6
				Office equipment	1,578	14	2
				Office premises: Depreciation	2,863	13	7
					121,371	11	10
				Reinsurance Reserve Fund	5,000	0	0
				Office premises: Written off	4,000	0	0
				Amount of fire-insurance funds at end of year	38,877	10	7
					£169,249	2	5
					£169,249	2	5

BALANCE-SHEET OF THE STATE FIRE INSURANCE OFFICE ON THE 31ST DECEMBER, 1923.

<i>Liabilities.</i>				<i>Assets.</i>			
	£	s.	d.		£	s.	d.
Capital authorized by the State Fire Insurance Act, 1908	100,000	0	0	Government war-loan securities	138,324	12	0
Less not raised	100,000	0	0	Other Government securities	55,550	0	0
			Nil.	Local-authority securities	4,300	0	0
Reserve Fund	342,969	13	4	Fixed deposits and at short call	20,000	0	0
Investments Fluctuation Reserve Fund	10,000	0	0	Mortgages on property	136	10	0
Reserve for unearned premiums	61,665	16	9				
Reinsurance Reserve Fund	5,000	0	0	Land and buildings	193,054	14	5
Premiums and other deposits	981	19	2	Less unpaid purchase-money	25,000	0	0
Outstanding fire losses	5,130	0	0		168,054	14	5
Government taxes	16,922	12	2	Outstanding premiums	7,634	9	9
Interest accrued but not due on unpaid purchase-money	316	8	9	Interest accrued but not due	2,381	3	7
Other amounts owing by the Office—				Rent accrued or due	808	11	5
Reinsurance premiums due	9,798	5	4	Cash in Bank of New Zealand at Wellington, or in transit to Wellington	96,372	17	5
Commission	1,604	19	9	Imprest Account			
Rent	45	13	5	balances—			
Printing, stationery, and advertising	50	8	0	Head Office	7	4	2
Postages and sundry charges	598	12	2	Auckland	34	10	3
				Hamilton	51	18	10
Fire-insurance funds, as per Revenue Account	38,877	10	7	New Plymouth	12	16	4
				Palmierston			
				North	145	2	1
				Christchurch	10	16	3
				Dunedin	95	16	5
				Invercargill	40	16	6
					399	0	10
					96,771	18	3
					£493,961	19	5
					£493,961	19	5

4th April, 1924.

J. H. JERRAM,
General Manager.

I hereby certify that the Revenue Account and Balance-sheet have been duly examined and compared with the relative books and documents submitted for audit, and correctly state the position as disclosed thereby.—G. F. C. CAMPBELL, Controller and Auditor-General.

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